



West Lafayette Campus Facilities and Administrative (F&A) Cost Rate Frequently Asked Questions

What are Facility and Administrative Costs?

Facilities and Administrative Costs (F&A) also referred to as indirect costs or overhead are actual costs incurred to conduct research and sponsored program activity. They cannot be easily allocated to a specific project and are instead charged as a percentage basis of the direct costs.

Activities that are typically Facilities or Administrative Costs include:

"Facilities" - defined as depreciation and use allowances, interest on debt associated with certain buildings, utilities, equipment and capital improvements, operation and maintenance expenses, and library expenses.

"Administrative" - defined as general administrative costs and expenses, departmental administrative costs, sponsored projects administrative costs, student administration and services, and all other types of administrative expenditures.

What are the current and new rates?

	<u>On-Campus F&A Cost Rates</u>	<u>Off-Campus F&A Cost Rates</u>
<u>Research</u>		
07/01/17 - 06/30/2022	55.0%	26.0%
07/01/22 - 06/30/2026	57.0%	26.0%
<u>Instruction</u>		
07/01/17 - 06/30/2022	54.0%	26.0%
07/01/22 - 06/30/2026	50.0%	26.0%
<u>Other Sponsored Programs</u>		
07/01/17 - 06/30/2022	38.0%	26.0%
07/01/22 - 06/30/2026	38.0%	26.0%

What changed with the new rates?

The Research Rate increased from 55% to 57% and the Instructional Rate decreased from 54% to 50%.

Did the off-campus rates change as well?

No. The off-campus rate, which is the administrative or "A" portion of the F&A remains at 26%.

How are Facility and Administrative Costs assessed?

F&A is charged as a percentage of direct costs but only on certain line items. The direct cost lines that are excluded from F&A are listed below. Note that the direct cost lines minus the excluded lines are referred to as the modified total direct cost base (or MTDC Base).

MTDC exclusions include:

- Capital equipment
- Participant Support Costs
- Tuition/Graduate Fee Remissions
- Scholarships and fellowships
- Alterations and Renovations
- Cost of renting/leasing project space or equipment
- Portion of each sub-award over \$25K

There were no changes made to the MTDC base in the F&A rate agreement. The MTDC exclusions are determined by the Office of Management and Budget and documented in the Code of Federal Regulations Part 200 - Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards Guidance (2 CFR 200).

When are the New Rates effective?

The rates were effective July 1, 2022, but they were not established and approved until October 20, 2022. Therefore, we have established November 19, 2022, as the Purdue University effective date for the implementation of the new rates.

How will these rate changes affect existing awards and their subcontracts?

All active awards under the current Research Rate will remain at their current rate until the projects are competitively renewed.

All active awards under the Instructional Rate will be retroactively changed to the lower rate back to the effective date of the rate agreement July 1, 2022.

All active awards under the Other Sponsored Programs Rate and the Off-Campus Rate are not affected by the change.

How will these rate changes affect new and pending proposals?

All pending proposals issued to sponsors before November 19, 2022, will utilize the old rates or the rates proposed in the budget and will not be adjusted for the new rates. This includes revised budgets on previously submitted proposals but not resubmissions.

Effective November 19, 2022, all new proposals must utilize the new rates. Resubmissions (not rebudgets) after November 18 will utilize the new rates.

Where is the F&A rate documentation maintained?

All rate information is maintained on the following Sponsored Program Services Web Site:

[F&A - Sponsored Program Services - Purdue University](#)

What are the processes associated with establishing and charging the F&A rates?

Purdue University negotiates F&A rates with its cognizant agency—the Department of Health and Human Services (DHHS), Division of Cost Allocation (DCA), Dallas office. Rates are developed and negotiated approximately every four to six years.

Facilities and Administrative (F&A) Costs are charged to all federal and non-federal sponsored programs based on Purdue University's rate agreement approved in this process. These rates will be charged on a modified total direct cost (MTDC) basis to all sponsors based on the activity type (research, instruction, and other sponsored programs) and the location (on or off campus).

What is the revenue impact from these changes?

This is difficult to pinpoint because it will take years for these rates to be implemented across the entire portfolio. Based on the current portfolio it is estimated that between \$1 million - \$1.5 million is generated annually on every percentage point.

How is F&A revenue used?

F&A is a cost recovery process. The F&A is recovered by the University and allocated to the general fund to cover investments and costs affiliated with research administration and research facilities and infrastructure.

Will there be an impact on the Research Incentive Allocation process or amounts?

No. The Research Incentive Fund is a fixed pool of general funds and is not sourced directly from F&A funds.