FAQ on Facilities & Administrative Costs

Research costs can be divided into direct costs AND indirect (facilities and administration, F&A) costs.

What is a Direct Cost?
A direct cost pays for expenses that can be clearly linked to a project. Examples can include salaries for researchers, equipment required to complete the initiative, or travel costs to get to a research destination.

What is F&A (Indirect Costs)?
F&A costs, also known as indirect or overhead costs, are those costs that cannot be directly charged a project. For example, electricity to run a building, equipment that is shared among multiple researchers, and admin staff who support research.

How are F&A Rates Negotiated?
UNM Health Sciences rate is negotiated with federal government based on actual research costs. After carefully following federal guidelines and assessing UNM Health Sciences expenditures, the UNM Health Sciences F&A committee determines cost allocations for specific categories. Examples of these categories can be General and Departmental Administration, Operations and Maintenance, Interest, building, and equipment use, sponsored program administration and much more.

Why should my sponsored project (grant/contract) pay F&A?
Most sponsors provide for F&A costs when they award funding. Sponsors are very aware of the real costs it takes to manage projects. F&A costs do not take away from the direct costs that would otherwise be covered.

Even if your research project is small, it will still incur F&A costs through using space and equipment.

Although the actual F&A costs incurred vary from project to project, it is important to charge UNM Health Sciences current federally negotiated rate (or the rate identified for NM agencies and municipalities) where allowed. The cost of calculating and charging individual, itemized F&A would far exceed the savings that could be generate for any one project and would in itself, drive up F&A costs. Its is therefore a cost saving measure to charge each project an average for those costs represented in the approved F&A Rate which can be found here: Federally Negotiated Rate Agreement

Does UNM Health Sciences 'profit' from the F&A Costs they Receive Associated with Federal Research?
No. As defined by the federal government, these are reimbursements for costs incurred by universities in conducting research on behalf of the government, and hence, it is

impossible for the costs reimbursements to result in a profit. In fact, UNM Health Sciences is not even fully reimbursed for the expenses it incurs to provide the necessary infrastructure and support to conduct federal research.

How is F&A Calculated on a sponsored project?

F&A costs do not cover 100% of UNM Health Sciences indirect costs. Only the portion that federal regulations allow may be allocated to the activities. This percentage is not applied to the entire grant but only to the Modified Total Direct Costs (MTDC) of a project. This is calculated as the total of all the direct costs minus certain expenses, such as rent, tuition, cost of each subcontract and capital expenditures.

What are Modified Total Direct Costs?

Modified total direct costs, consisting of all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first $25,000 of each subaward (regardless of the period of performance of the subawards under the award). *Modified total direct costs shall exclude* equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of $25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution o the indirect costs, and with the approval of the cognizant agency for indirect costs.

What if my Sponsor restricts the F&A Rate?

If the sponsor has written policy restricting the F&A rate, you will need to request an F&A Waiver: F&A Waiver Request Form. The sponsor might say something to the effect of, "IDC will be restricted to 10%." The Vice President for Research will evaluate your request and approve or deny.

What is acceptable documentation from a sponsor that shows they will only accept a lower indirect cost rate?

A sponsor published policy or funding announcement would be required. Letters and emails from sponsors are discouraged and may not be considered. Investigators and support staff should not be asking for emails and letters requesting a lower rate than that of our negotiated rate agreement. If this occurs, your request for a waiver will be denied.

What if the Sponsor doesn't have Clear Guidance on Indirect Rates?

You can email the general Sponsored Projects Office mailbox HSC-preaward@salud.unm.edu. Provide the information you have and a specialist will be able to assist with the determination of the appropriate rate.

When should I be requesting an F&A Waiver?

Waivers should be requested prior to the project being submitted. This ensures your budget has been prepared appropriately and can be thoroughly reviewed by the HSC Sponsored Projects Office.

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Are there any tools that can assist me in determining the appropriate F&A Rate?
Yes, the HSC Sponsored Projects Office website provides for multiple decision trees to assist in the determination of the appropriate rate: F&A Decision Trees. These provide for the most common F&A situations. If you still have a question after reviewing the decision trees, please reach out to your sponsored projects specialist.

Does UNM Health Sciences provide a budgeting tool to assist in F&A calculations?
Yes. The HSC Sponsored Projects offers the Internal Budget Worksheet (IBW). This budgeting worksheet was developed to accommodate all possible budgeting scenarios. Once you answer the appropriate questions, it will assist with applying the correct rate. It will also exclude your modifiers (subawards, rent). This worksheet is very extensive and training is offered through Learning Central, Course HSC 103-001.

EXAMPLES OF F&A CALCULATIONS

Example 1 Direct Costs: You submitted a grant to NIH where there is no F&A restriction. You project qualifies under Research and it will be conducted on campus. You look to the Federally negotiated F&A Rate agreement and see the UNM Health Sciences Rate for on-campus research is 52.5%. You do not have any modifiers in your budget (i.e. subawards, rent, tuition, patient care) and you are requesting $100K in direct costs. Your budget will be for 5 years with all conditions above remaining the same. Your calculation would be:
$100K * 5 Years = $500K in Direct Costs
$500K * 52.5% F&A Rate = $262,500
$500K Total Direct Costs + $262,500 F&A = $762,500 Total Costs for the Proposal

Example 2 Modified Total Direct Costs: You submitted a grant to NIH. It will be research and on campus. You are requesting $100K annually for five (5) years BUT your budget includes a $30K annual subaward to UNLV. That means you will be calculating your 52.5% rate on modified total direct costs. Your calculation would be:
$100K - $5k (excess of allotted F&A to be collected on subaward ($30k-$25K=$5K) – exclude anything in excess of the first $25K per each subaward) = $95K MTDC 1st Year
$100K - $30K (subawards – we already calculated F&A on the first $25K in year 1) = $70K MTDC Years 2 through 5.
$95K + $280K ($70K *4 Years 2 through 5) = $375K MTDC full project. This is the amount you will calculate the F&A on.
$375K MTDC * 52.5% F&A = $196,875
$500K ($70k other + $30k subawards * 5 years) + $196,875 F&A = $696,875 Total Project Costs.

Example 3 F&A is % of Total Costs: The funding announcement indicates that F&A is allowed but it can only be 20% of your total costs. Your total costs, inclusive of F&A is $100K. Your calculation would be as follows:

$100K * 20% = $20K (allowed F&A)

$100K - $20K = $80K (direct costs that can be assessed)

$20K / $80K = 25% (the F&A Rate that will be used in calculating the recovery

$80K * 25% = $100K (verify your total)