

Policy: Facilities and Administrative Cost Policy
Policy Number: 4201
Effective Date: September 19, 1997
Revision Date: November 2022
Responsible Party: Academic Affairs, Grants & Sponsored Programs
Approved: MSU Billings Provost and Vice Chancellor for Academic Affairs

INTRODUCTION & PURPOSE:

Background

In 1989, the Montana State Legislature authorized the individual units of the University System to retain the indirect costs (IDC) funds generated from external grants and contracts. The 1989 Appropriations Act, HB 100, directs that:

Research grant indirect costs retained at the various units of the University System in funds other than the current unrestricted subfund must be expended for the 1) enhancement of existing research programs, 2) assistance to and encouragement of new research programs, and 3) the general support of research.

The Legislature's action was intended to support research and other scholarly endeavors conducted by the individual institutions and their respective faculties.

Facilities and Administrative (F&A) Costs, also commonly referred to as Indirect Costs (IDC), are costs incurred by the University for common or joint projects and cannot be specifically attributed to an individual project. Some examples of F&A costs include accounting staff, the maintenance of physical facilities, building depreciation, libraries, operations, affirmative action monitoring, protection of animal and human subjects, computer infrastructure, custodial services, environmental health and safety, employee benefits, purchasing services, and security services.

Statement of Intent

At Montana State University Billings, Facilities and Administrative Costs are generated from external research, training, and service grants and contracts. The F&A funds generated and retained by MSU Billings will be dispersed in a manner consistent with legislative intent. F&A funds will be under the direction of the Provost or his/her designee. The F&A monies will be dispersed in a manner to encourage, support, or enhance research activities, instructional development, service, professional development and scholarly and creative endeavors undertaken by the faculty, staff and administration of the University. Where appropriate, the Provost or his/her designee will seek counsel from the Chancellor, Vice Chancellors, Vice Provosts, the Academic Deans, faculty and staff on matters related to these guidelines and other issues that may arise over the allocation and expenditure of F&A funds.

Charging F&A

F&A costs are recovered from the funding agency – when allowed – in recognition of the real and unallocable costs incurred by the University when hosting a sponsored activity.

Board of Regent Policy 404 – Facilities and Administrative Rate found at <http://mus.edu/borpol/bor400/404.pdf> establishes guidelines for charging, waiving and reporting facilities and administrative costs.

F&A costs are usually charged at a flat rate against total direct costs anticipated in connection with the sponsored activity. The Federal F&A rate is negotiated between the University and our cognizant agency (Department of Health and Human Services) every 4 to 5 years.

The current negotiated rate is found at <https://www.msbillings.edu/financialservices/IDC%20Agreement%20Ending%206.30.25.pdf> .

F&A costs are governed by the principles in OMB Circular A-21, which can be found at http://www.whitehouse.gov/omb/circulars_a021_2004/ .

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Funding agencies vary on how they allow recovery of F&A costs. Some funding agencies allow complete recovery of F&A costs on a program-to-program basis, while others publish a hard cap on the rate at which institutions are allowed to capture these costs. Still others forbid the collection of any F&A costs.

POLICY STATEMENT:

The full allowable facilities and administrative rate will be charged unless the funding source has a lesser rate which it charges uniformly to all grantees. In no case shall the Principal Investigator negotiate a rate with the funding source. Final decisions on the indirect cost for a grant or contract will be made by the Provost or his/her designee. Per BOR Policy 404, any reduced or waived facility and administrative rates must be reported annually at the January regents meeting.

Current F&A Rates

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|---|---|
| Federal Negotiated Rate: | 49.6% of Salaries & Wages |
| U.S. Department of Education Training Grants: | 8% of Total Direct Costs |
| State Agency Rate: | 25% of Total Direct Costs |
| Private Grant Rates: | 20% of Total Direct Costs or as allowed |

PROCEDURES:

A. Distribution:

The facilities and administrative costs will be allocated in the following manner:

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|---|-----|
| Principal Investigator/Project Director | 20% |
| Department of PI/PD | 10% |
| College of PI/PD | 10% |
| Central Administration | 60% |

When there is more than one PI/PD, the allocations should be divided proportionately with respect to the investigator, department and college involved. If the investigator is performing the research/project on behalf of a recognized campus center, the center may collect one half of the allocation due to the investigator's department and college. The investigator's department and/or college may also defer their proportional share to the applicable center as well.

For university units not tied to a college or department, the college and department share will be combined into one index and distributed to the Executive of that division or their designee.

Any changes to the above distribution method must be approved prior to the start of the grant by the Provost.

B. Use of Funds:

F&A funds will be used to 1) enhance existing research activities, professional development, instructional development, service, and scholarly and creative endeavor programs; 2) to assist and encourage new research, instructional development and scholarly and creative endeavor programs; and 3) for the general support of research, instructional development, professional development, and scholarly and creative activity.

C. Allocated F&A costs should be used for purposes related to the Legislative intent. Examples could include, but are not limited to:

1. Equipment, supplies and materials for research, service, and instructional development programs;
2. Computer hardware, software and Information Technology infrastructure for research, service, instructional development, and scholarly and creative activities;
3. Professional travel directly related to research, service, instructional and professional development, and scholarly and creative activity;
4. Start-up costs for new research, service, and instructional development projects;
5. Undergraduate and graduate student research or service projects;
6. The acquisition of library materials, books, and other resource materials;

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7. Salaries for graduate assistantships for research and teaching, or for other temporary salaries to support research and scholarly activity;
8. Communication, printing, and copy costs related to research, service and instructional development projects;
9. Matching funds where appropriate and when permitted by the funding agency or funding source;
10. Consultation, evaluation, and training expenditures related to existing and new research, service, and instructional development projects;
11. Other costs related to research, service, instructional and professional development, and scholarly activity as may be approved by the Provost or his/her designee.

D. Accountability:

Fund controllers of allocated F&A funds are responsible to ensure the funds are spent in accordance with these guidelines. In addition, they may be required to submit written reports on how the funds were spent at the request of the Provost or his/her designee. The report should include a description of the goals and objectives for which the F&A funds were used, the specific outcomes accomplished with the funds, and a detailed accounting of how the F&A funds were actually expended.

Reversion of F&A funds will occur at the end of every odd numbered fiscal year corresponding with the fiscal biennium (i.e. June 30, 2015). All unspent F&A funds remaining at the end of the biennium will be reverted to the Central Administration unless a spending plan has been approved by the Provost or designee.

E. Special Issues:

1. If the Principal Investigator/Project Director leaves the University and the grant has ended, the unexpended F&A funds allocated to the Principal Investigator/Project Director will automatically revert to the Central Administration F&A account. However, exceptions can be made upon approval of the Provost.
2. If the designated Principal Investigator/Project Director changes at any time within the duration of the grant, a new F&A account will be established and funds transferred to the new account in accordance with the policy.
3. Any equipment, books, software, tangible goods, and material purchased by F&A funds become the property of Montana State University Billings. All fund controllers are responsible for maintaining an inventory of all such purchases, and the inventory should be retained for reporting purposes, in accordance with other policies.
4. Cash matches – in cases where the University commits any cash match to a sponsored project, the full amount of the cash match will be captured from F&A costs before distributing any remaining F&A funds for that grant.
5. Disbursement of funds – F&A costs are automatically allocated through Banner based on expenses incurred in the grant fund.
6. Appropriations - in cases where the University receives a sponsored project resulting from a federal appropriation, 100% of F&A costs captured by the University from the funding agency shall be retained by the Central Administration.
7. Fixed Price Residual Funds - After completion of all deliverables required under a fixed-price award, all costs in fulfilling the requirements of the award have been charged to the account, and full payment from the sponsor has been received, residual funds will revert to an account controlled by the Provost or his/her designee for discretionary re-investment in the research enterprise.

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AUTHORITY:

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MONTANA BOARD OF REGENTS OF HIGHER EDUCATION Policy and Procedures Manual SUBJECT: RESEARCH AND PUBLIC SERVICE Policy: 404 – Facilities and Administrative Rate *Adopted: May 30, 1979; Revised: November 18, 2011*

Board Policy:

A. The Facilities and Administrative (F&A) rate for the units of the Montana University System (MUS) shall be as follows:

1. Federal project grants or contracts:
 - (a) The federally negotiated rate or the maximum rate allowed under statute for the program/agency will be used;
2. State project grants or contracts:
 - (a) For grants or contracts for research, the F&A rate shall be 25% of the total direct costs.
 - (b) For training programs, the F&A rate shall be 8 percent of total direct costs.
 - (c) For federal pass-through grants or contracts, the federally negotiated rate for the unit will be applied.
 - (d) In instances when the sponsor (funding source) for an agency does not allow F & A or will pay only at a reduced rate, the decision to accept the award will remain with the unit. These exceptions should be reported annually, at the January regents' meeting.
3. Private, individual or corporation project grants or contracts:
 - (a) The F&A rate for the unit shall be used.
4. In special circumstances, the units are authorized to use F&A costs to meet required cost sharing in grants and contracts.
5. UM-Missoula and MSU-Bozeman, as representatives of the affiliated campuses, shall submit to the commissioner of higher education a report summarizing total F & A revenue and expenditure activity, including the F & A value foregone by the state agency exception process.

History:

Item 23-001-RO379, Indirect Cost Recovery Rate (Revised), Montana University System, May 30, 1979 and January 31, 1986. Item 152-131-R0911, Revised September 22, 2011. Item 153-104-R111, Revised November 18, 2011.