

STEPHEN F. AUSTIN  
STATE UNIVERSITY

Office of the General Counsel

**POLICY SUMMARY FORM**

**Policy Name:** Facilities and Administration (Indirect) Cost Recovery, Distribution and Use

**Policy Number:** 8.5

**Is this policy new, being reviewed/revised, or deleted?** Review/Revise

**Date of last revision, if applicable:** 1/29/2019

**Unit(s) Responsible for Policy Implementation:** Provost and Executive Vice President for Academic Affairs

**Purpose of Policy (what does it do):** Grants related policy in regards to indirect costs of grants.

**Reason for the addition, revision, or deletion (check all that apply):**

Scheduled Review       Change in law       Response to audit finding

Internal Review       Other, please explain:

*Please complete the appropriate section:*

**Specific rationale for new policy:**

**Specific rationale for each substantive revision:** Minor updates.

**Specific rationale for deletion of policy:**

*Additional Comments:*

Reviewers:

Academic Affairs Policy Committee  
Lorenzo Smith, Provost and Executive Vice President for Academic Affairs  
Damon Derrick, General Counsel

# Facilities and Administrative (Indirect) Cost Recovery, Distribution and Use

**Original Implementation:** October 26, 1999

**Last Revision:** ~~January 29, 2019~~ April 12, 2022

Facilities and administrative (F&A) costs, also known as indirect costs (IDC) are expenses that cannot be directly charged or easily allocated to a specific externally sponsored grant, contract, or other sponsored agreement (grant). Examples of F&A costs include facilities expenses such as utilities, custodial services, and physical plant; and administrative expenses such as salaries and operating costs for departments such as human resources, the controller, payroll, accounts payable, legal counsel, procurement/property services, travel, technology services, library, audit services, and sponsored projects. They may also include departmental and college administrative costs such as clerical support, telephone, and copying.

F&A cost rates are negotiated by the university with a federal cognizant agency, which for SFA is the Department of Health and Human Services. In accordance with 2 C.F.R. § 200.414(c), federal agencies must accept these negotiated rates unless a different rate is required by regulation, statute, or program.

## F&A Cost Recovery

The principal investigator (PI) or project director (PD) must include F&A cost rates in a proposed budget for all grants and will use the university's full, federally negotiated F&A rate unless a sponsor has a formal, written policy that specifically limits or disallows payment of F&A costs.

In extraordinary circumstances, a PI/PD may request a reduction of F&A costs. As such a reduction is a financial loss to the university, all reduction requests must be approved by the provost and vice president for academic affairs; and the vice president for finance and administration before a budget with a reduced F&A rate is submitted to a sponsor for consideration. This applies to all forms of grants, contracts, and other sponsored agreements (grants). Failure to comply may require a budget revision and/or renegotiation of a grant and may jeopardize or delay receipt of an award. A PI/PD is not authorized to negotiate an F&A rate reduction with a sponsor.

## Recovered F&A Distribution and Use

Recovered F&A is subject to the provisions of the Texas Education Code, Section 145.001: "The retained funds are subject to the following requirements:

- (1) The funds shall be expended under guidelines approved by the institution's governing board for projects encouraging further research at the unit, agency, or department level at which the research was conducted, including:
  - (A) conducting early pre-grant feasibility studies;

- (B) preparing competitive proposals for sponsored programs;
  - (C) providing carryover funding for research teams to provide continuity between externally funded projects;
  - (D) supporting new researchers pending external funding;
  - (E) engaging in research programs of critical interest to the general welfare of the citizens of this state;
  - (F) purchasing capital equipment directly related to expanding the research capability of the institution; and
  - (G) research or project administrative costs; and
- (2) the funds remaining after the application of Subdivision (1) shall be used by a general academic teaching institution or a medical or dental unit to support research as approved by a general academic teaching institution or a medical or dental unit.”

If a project includes the full F&A rate as allowed by the sponsor, the academic units that generate the recovered F&A costs will receive a portion of the F&A recovered in a fiscal year. The university retains 55% of recovered F&A for university expenses with the remainder distributed based on a formula recommended by the University Research Council and approved by the provost and *executive* vice president for academic affairs. If an F&A rate reduction was granted for a project, the amount recovered from that project will be excluded from the distribution formula. The distributions are made after the close of each fiscal year based on F&A costs recovered the previous fiscal year. Reports summarizing the use of these funds must be submitted to the ~~controller's office~~ *Office of Financial Reporting* annually. The administrative cost allowance generated by financial aid programs is not considered in the distribution formula.

The university will report the actual amounts of money retained and expended under this policy and the estimated amounts for the next biennium in its report to the Legislative Budget Board as part of the biennial budget reporting process.

**Cross Reference:** 2 C.F.R. §§ 200.56,.57,.306,.414; Tex. Educ. Code § 145.001; ORGS Grants and Contracts Procedures Manual

**Responsible for Implementation:** Provost and Executive Vice President for Academic Affairs

**Contact for Revision:** Dean, Office of Research and Graduate Studies

**Forms:** Facilities and Administration (F&A/Indirect Cost, IDC) Reduction Request

**Board Committee Assignment:** Finance and Audit