

## 15.01.01.R0.02 Facilities and Administrative Costs

Revised October 6, 2021  
Next Scheduled Review: October 6, 2026



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### Procedure Summary

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Texas A&M University-Commerce establishes this procedure to specify the distribution and expenditure of Facilities and Administrative (F&A) costs derived from all research and sponsored programs. This procedure applies to all research and sponsored programs awarded after October 1, 2018. All research and sponsored programs in force prior to this date are covered by the procedure in force when they were awarded.

This procedure establishes the process for distributing and expending the F&A costs recovered by A&M-Commerce from its research and sponsored programs.

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### Procedures and Responsibilities

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#### 1 GENERAL

- 1.1 F&A costs are frequently referred to as “Indirect Costs” (IDC) and are general operating costs incurred by the University in support of sponsored research, public service, and instruction. F&A costs are actual costs incurred by the University that cannot be readily identifiable or associated with a single sponsored project or activity. These costs are often misunderstood or incorrectly construed to be “profit” for the University. As is true for any organization that receives external support, these costs are real and necessary expenses for the University. F&A costs must be included as a separate line item in the budget of each proposal submitted for external funding. These costs must be budgeted so that the University can recover the true costs incurred by sponsored research, public service, and instruction projects.
- 1.2 The determination of these costs is based on a cost proposal submitted by The Texas A&M University System ("System") to our federal cognizant agency, the Department of Health and Human Services. The University's F&A cost rate is calculated on a Modified Total Direct Costs (MTDC) base. This MTDC base consists of all salaries and wages, fringe benefits, materials, supplies, services, travel, and up to the first \$25,000 of each sub-grant or sub-contract. MTDC exclude equipment, capital expenditures, charges for patient care, student tuition remission, rental costs of off-site facilities, scholarships, and fellowships as well as the portion of each sub-grant and sub-contract in excess of \$25,000. This rate is negotiated with the Department of Health and Human Services (DHHS).

## 2 NEGOTIATED ALLOWABLE RATE

- 2.1 At A&M-Commerce, it is required that all applications for external funding charge the federally negotiated allowable F&A rate regardless of funding source unless a sponsor precludes or limits such costs. If a sponsor limits or precludes F&A costs, a written, official, and publicly disclosed statement of such policy must be provided before the University will accept the lower rate.
- 2.2 Any exceptions to the use of the negotiated allowable rate require a written statement of explanation be submitted to, and approved by, the Vice President for Research (VPR) prior to submission of the application. The statement must include the benefits to the University, the System, and the State of Texas of cost sharing a portion of the F&A costs of a certain project. Therefore, only the VPR or the President have the authority to deviate from the negotiated allowable F&A cost rate when it is in the best interest of the University, System, and the State of Texas.

## 3 DISTRIBUTION

- 3.1 The distribution of recovered F&A costs, in support of the enhancement of research and sponsored program productivity, is shown below:

Principal Investigator(s)	10%
Dept. of Principal Investigator	10%
College of Principal Investigator (Dean)	15%
University General Revenue	15%
Office of Sponsored Programs	50%

- 3.2 The F&A funds distributed to each entity must only be used to enhance further research and sponsored activities. The PI's F&A cost funds may be split between PI and Co-PIs, at the PI's discretion. These funds are restricted for research development and to support general research and sponsored project activities and must be expended accordingly. When a PI leaves the institution while there is a balance in his/her F&A account, the funds will revert back to the Office of Sponsored Programs (OSP) F&A account to enhance institutional research productivity.
- 3.3 For all TRIO programs, the recovered F&A costs will be distributed as follows: 15% to the University general revenue, 50% to the TRIO F&A account, and 35% to the OSP.

## 4 EXPENDITURES

- 4.1 Each PI, PI's department, and PI's college has its own account established for the expenditure of these funds. As soon as expenditures on the sponsored project are made, the F&A funds are able to be recovered. The F&A costs are posted into the respective accounts on a monthly basis and reflect the costs recovered to that point in the project.

- 4.2 Because most sponsored projects are administered on a cost-reimbursement basis, F&A costs cannot be recovered until the appropriate expenditures have been made. This is the reason that it is important for a PI to expend his/her sponsored project funds according to schedule. In the case of projects involving multiple PIs/departments/colleges, the amount of F&A costs returned is based on the percentages agreed to on the Proposal Approval Form when the proposal was submitted.

## 5 RECOVERY AND DISTRIBUTION

- 5.1 Recovered and distributed F&A funds must be expended in accordance with this procedure and must be in compliance with the [Texas Education Code, 145.001, Grants and Research Expenses](#). At no time will recovered F&A funds be used to pay for salaries that could be charged directly to a sponsored project.
- 5.2 The expenditure of all distributed F&A funds must meet all State, System, and University fiscal regulations, policies, and procedures. The portion allocated to the OSP will be used to promote and enhance research and other sponsored activities, such as: preparing competitive proposals for sponsored projects; providing carryover funding for PIs to provide continuity between externally funded projects; supporting new researchers' pending external funding, research or project administrative costs; purchasing capital equipment directly related to expanding the research capability of the institution; and funding or sharing in the funding of patenting costs. The OSP, in conjunction with the Provost's office, will ensure that the Undergraduate Research Program is funded each year.
- 5.3 Financial Services personnel approve all expenditures of recovered F&A funds allocated to the principal investigator or co-principal investigator, the department of the principal investigator, and the college of the principal investigator. No later than October 1<sup>st</sup> of each fiscal year, Financial Services personnel will submit a report of the beginning balance, as of the beginning of the prior fiscal year, and the current balance in each F&A funds account to the VPR, the Provost and Vice President for Academic Affairs, and to the Administrative Council for review. This report will include notification of any expenditures that Financial Services investigated in the prior fiscal year for any potential misuse or mishandling of the funds.

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## Related Statutes, Policies, or Requirements

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[Texas Education Code, 145.001 Grants and Research Expenses](#)

[System Policy 15.01 Research Agreements](#)

[System Regulation 15.01.01 Administration of Sponsored Agreements – Research and Other](#)

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## **Revision History**

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Approved September 1, 1996

Revised February 1, 2003

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## **Contact Office**

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Office of Sponsored Programs

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