In undertaking any research or development project, whether sponsored by an external source, a government agency or a private foundation, or by internally budgeted funds, the college must consider the complete cost to the institution of supporting the project. For administrative and accounting purposes, these costs are usually grouped into two categories: direct and indirect. Direct costs represent specific activities or services that benefit specific projects, e.g., salaries for project staff and materials required for a specific project. Because these activities are easily traced to a particular project, their costs are usually charged to the project directly on an item-by-item basis. F&A costs are more elusive. F&A/indirect costs, also referred to as "overhead," are for those activities or services provided by the college that benefit more than one project. Their precise benefits to a specific project are sometimes more difficult to trace, such as utilities, space, custodial and administrative services—but they are part of the overall operation that enables the project to take place. Both F&A and direct costs are real costs and are generally incurred before the institution is reimbursed. If the sponsors of research projects do not fully reimburse either of these costs, they must be paid from other institutional funds, such as instructional and departmental funds.

What expenses comprise F&A/Direct Costs? The following expenses are usually identified as F&A:

- Salaries and wages: direct compensation to persons employed on the research project
- Personnel benefits: required fringe benefits such as FICA and Medicare contributions
- Supplies: Consumables needed for the project
- Equipment: usually the costs of equipment (purchase or rental) acquired for specific use in the research project; equipment usually has a minimum expected lifetime of two years; (equipment to be purchased for the research project, but not expected to last for at least two years should be treated as a consumable supply in the budget
- Alterations and renovations: costs incurred to modify facilities or spaces to enable the research project to proceed
- Communications: postage, telephone, fax and duplicating directly related to the project

What do F&A/Indirect Costs support?

Indirect costs are usually divided into the following categories of supporting activities:

- General administration and general expenses: accounting, payroll, administrative offices, etc.
- Sponsored project administration: personnel and other costs of grant offices, etc., whose responsibility is the administration of sponsored projects
- Plant operation and maintenance: utilities, janitorial services, routine maintenance and repairs, and so forth
- Library expenses: books, staff support, and so forth
- Departmental administrative expenses: administrative costs at the college and department levels;
- Depreciation or use allowance: for buildings and equipment.
What are the Factors in Setting F&A Rates? In any consideration of the importance of F&A/indirect costs and their relationship to the performance of sponsored research, six points can be emphasized at the outset:

1. F&A costs are real costs that provide reimbursements for certain expenses incurred in conducting or supporting research.
2. The F&A rate is established by negotiation with a specific federal agency on the basis of costs incurred by the institution in a previous year and distributed as prescribed by government regulations.
3. The institution's rate proposal for F&A is audited by federal auditors before negotiation on indirect cost rates occurs.
4. Depending on how an institution organizes the management of its research, some costs may be direct OR F&A, but NOT BOTH.
5. Differences in institutional organization for the management of research are the principal reason for differences in F&A rates among institutions.
6. Although F&A rates vary among institutions, the variance is unrelated to whether an institution is publicly or privately controlled.

How is Dickinson's F&A Rate calculated?
Dickinson's current F&A rate is calculated on salaries and wages, excluding fringe benefits. This means that any salary and wages for personnel charged as a direct cost to the grant project (clerical support, faculty stipends, student wages) becomes the base for the indirect cost charged to that grant. Colleges and universities negotiate a rate with one federal agency, referred to as the "cognizant agency", and that rate is used uniformly for all federal grants where F&A costs are allowable.

Which F&A Rates Apply?
The College uses the same F&A rate wherever they are applicable. Most federally funded programs allow full recovery of F&A costs. Unless otherwise specified in the grant instructions, the negotiated rate applies. Some federal programs (such as certain programs in the Department of Agriculture and the Department of Education's FIPSE program) set a ceiling on indirect cost recovery rates, generally a percentage of the total direct costs included in the budget. Some private foundations do not allow F&A as a separate budget category, but they may allow expenses (utilities, space costs, etc.) that would normally be included in the F&A rate. It is important to read grant guidelines carefully to determine allowable costs before constructing a grant budget.

Are there Guidelines for Using F&A Rates??
Grant-seekers should request the maximum allowable F&A rate when applying for external funds. Any other rates must be negotiated in advance of proposal submission with the Dean of the College and the Treasurer. The External Grant Clearance Form provides space to identify the agreed-upon rate. This section should be completed before the form is circulated for signature. If changes in the F&A rate become necessary as part of budget negotiations during the proposal review stage, written approval of the Dean must be secured before any changes in the original budget are made. Maximum appropriate recovery of F&A for externally funded projects will help prevent these projects from diverting funds from the College's general operating budget.

F&A Q&A
1. The grant program I am applying to does not allow reimbursement for F&A. What do I do? Some foundations just don't allow F&A reimbursement any more than they allow a budget line for "contingencies". In these cases, we try to find ways we can reimburse ourselves as much as possible for "hidden" project costs, e.g. secretarial, administrative materials and supplies, communications (telephone, fax, internet fees), costs of facilities (offices, furnishings) - by building these expense lines into the budget. For the grant clearance form, just note "F&A reimbursement not allowed by program" plus describe any ways that administrative costs are trying to be recovered.

2. The program I am applying to does not say anything about F&A. What now? Give us a call and ask. Our answer will depend on the foundation and the program.