

Vice Chancellor for Research and Economic Development

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Guidelines for Charging Facilities & Administrative Costs

This document provides guidance for charging Facilities and Administrative (F&A) costs in sponsored project budgets in accordance with [University Policy 601.16 Facilities and Administrative Costs](#).

Facilities and Administrative (F&A; also commonly known as overhead or indirect costs) are the general support expenses relating to research and sponsored programs that are incurred for common objectives of the University and therefore cannot be readily identified with a particular sponsored award. Our F&A rate is set by the federal government through a negotiation process based upon a comprehensive F&A cost proposal.

The full F&A rate reflects our federally negotiated cost of delivering services for which the University expects to be fully reimbursed. Waiving or reducing the F&A rate constitutes cost sharing. Agreements to share the cost of projects may be in the University’s interests in some cases, but the decision to cost share on a proposal is an institutional decision and not the decision of an individual faculty member (see [University Policy 602.6 Cost Sharing in Sponsored Programs](#)). The Vice Chancellor for Research and Economic Development must approve any departure from full F&A cost recovery regardless of fund source.

Applicable Rates:

The rate agreement sets forth different rates for Organized Research (OR), Instruction, and Other Sponsored Activities (OSA), with on-campus and off-campus rates for each category. See Table 1 for applicable rates.

Table 1. Current Federally Negotiated F&A Rates

Type of Project	FY 21 Rate	FY 22 Rate
OR - On	51%	51%
OR - Off	26%	26%
Instruction - On	51.50%	51.50%
Instruction - Off	26%	26%
OSA - On	35%	35%
OSA - Off	26%	26%

These rates are effective through June 30th of each fiscal year.

The appropriate F&A rate should be applied to a project’s Modified Total Direct Cost (MTDC) base. MTDC is usually calculated by subtracting from the total direct costs (1) any equipment item that costs more than \$5,000, (2) the amount of any subcontract in excess of \$25,000, and (3) tuition costs.

Occasionally, there are other deductions from the total direct costs.

In order to use the off-campus rate, rent must be paid to a landlord with rental costs included in the budget and at least 51% of the project must take place in an off-campus facility. The Vice Chancellor for Research and Economic Development will also approve the off-campus rate for faculty members who are resident at a federal or corporate laboratory outside the Charlotte region for the entire project (e.g., summer guest investigator program). The final determination to use either the on- or off-campus rate will be made by the Office of Research Services and Outreach in collaboration with college-based research offices. The University applies its federal F&A rate to all federally funded projects, whether we are the prime recipient or a sub-recipient of those funds, unless the amount of F&A recovery has been restricted by the sponsor and a reduced rate has been approved by the Vice Chancellor for Research and Economic Development (see *Recovery of Limited/Reduced F&A* below). The University also applies its federal F&A rates to projects funded by businesses or industries.

UNC Charlotte has a public service mission to serve the City of Charlotte and Mecklenburg County. Thus, for projects funded by local government and local not-for-profit agencies within the immediate Charlotte region, the University will charge an F&A rate of 26% of modified total direct costs. This 26% rate will not apply to federal pass-through funds. In the case of federal pass-through funds, the University expects recovery of F&A at the full rate. Projects that fund only graduate student support (salary, fringe benefits, tuition) may charge an F&A rate of 26% of modified total direct costs.

Recovery of Limited/Reduced F&A:

Many private, non-profit foundations have an established, written policy of not paying indirect costs on awards or contracts. Other sponsors limit F&A recovery through guidelines or formal policy or allow direct charges for research administration costs in lieu of paying indirect costs. Adjustments to the University's applicable F&A rates may be granted if the sponsor's policy indicates that the limitations on F&A apply equally to all recipients. In such cases, a waiver must be submitted for approval by the Vice Chancellor for Research and Economic Development at least 10 days prior to the submission deadline. The request, including a detailed rationale and documentation of the sponsor's standard policy or guidelines limiting F&A recovery, must be submitted and routed for approval through the University's electronic research administration (eRA) system. Approval of the waiver will be recorded in the eRA system and is required for submission of the proposal or contract to the sponsor.

Return of F&A Funds to Investigators, Colleges, Departments, and Centers:

The University returns a proportion of the recovered F&A receipts from sponsored awards to investigators and their affiliated academic colleges, departments, units, and centers/institutes. For awards involving multiple investigators (PIs and co-PIs), the portion of the F&A returned to each unit will follow the agreed upon allocation of credit recorded and approved in the University's eRA system. Any post-submission or post-award changes in the allocation of credit must be approved in advance by all PIs and participating units (departments, colleges, and centers) and will be applied to receipts generated on expenditures after the approval date. The Vice Chancellor for Research and Economic Development, in consultation with the Provost, is responsible for determining if a unit, including centers and institutes, are eligible to receive F&A funds.

Return of F&A to Colleges, Departments, Centers and Institutes: The University will return **10%** of recovered F&A receipts to the academic department or administrative unit of the investigators participating

in the project and listed as PI or co-PI on the award. Centers and institutes are eligible for return of the F&A allocated to departments or administrative units if the participating investigator has no academic departmental affiliation (see Table 2 for a summary).

An additional 4% of the F&A receipts will be returned to the investigator’s college. If the project is also affiliated with an official University center or institute, these funds are split evenly (50/50) between the college(s) and the center(s)/institute(s) (Table 2). F&A receipts generated on projects with a limited F&A rate that require a waiver of the University’s full rate are not eligible to be returned to the participating college, center, or institute. This same rule does not apply to participating departments. Funds distributed to colleges, centers and institutes must be used to support research-related activities and initiatives and expenditures must follow all University spending guidelines.

Return of F&A to Investigators: Individual faculty members will receive up to **10%** of the F&A receipts associated with sponsored research grants and contracts that carry the University’s full rate. The following terms also apply:

- For a given fiscal year, an individual faculty/staff member may receive a maximum of \$20,000.
- For multiple investigator awards, the distribution of F&A will follow the agreed upon allocation of credit.
- Expenditures of these funds must follow all University spending guidelines.
- Funds may be carried over from fiscal year to fiscal year and may accumulate up to \$20,000.
- If an investigator leaves or separates from the University at any time, the remaining balance in their F&A account and any future distributions will be returned to the central F&A fund.

Table 2: Return of F&A funds to academic and research units and qualified projects.

	Percentage Returned	Full F&A/ No Waiver	Annual Limit
College	4% or 2% if split equally with Center(s)	Required	None
Centers and Institutes	4% or 2% if split equally with College(s)	Required	None
Department and Administrative Units	10%	Not Required	None
Investigator (PI/co-PI)	10%	Not Required	\$20,000 year