I. Facilities and Administrative Costs (F & A)

Facilities and Administrative (F&A) costs, previously known as Indirect Costs, are the expenses incurred for general University operations while conducting a sponsored project. F & A costs are calculated as a percentage of direct costs and are set by the Federal Government.

F & A costs are divided into seven components:

- Use allowance or depreciation on buildings and campus improvements
- Depreciation of fixed and movable equipment
- Physical plant (buildings and grounds) operations and maintenance
- General administration (university)
- Department administration (includes department and college)
- Sponsored projects administration
- Libraries

The Federal Government provides rules (OMB Circular A-21) governing the calculation of F & A cost rates and periodically audits the costs supporting the rates we have negotiated. A rate is calculated for each of the above components based on prescribed methods. The final rate is determined by negotiation with and approval by the University’s Cognizant Audit Agency, Department of Health and Human Services. This rate calculation and negotiation process assures that universities are fairly and equitably reimbursed for their F & A costs incurred when conducting sponsored projects.

F & A cost rates may vary according to the type or location of the research project and are applicable to all sponsored projects funded by federal, state or private sponsors, including grants, contracts, cooperative agreements, subgrants and subcontracts. The application of these rates allows JHU to recover costs associated with externally funded activities that, although they are true costs that are incurred, cannot be identified specifically with a particular project or activity.

The first step in determining the proper F&A cost rate is to read the sponsor program guidelines. The program guidelines or announcement may list a rate or base that should be used. If the guidelines do not mention F&A or indicate that something other than the applicable federally-negotiated rate should be used, the appropriate full rate should be used. Deviations from the full rate should be considered and documented in accordance with the JHSPH Cost Recovery for Mandatory F&A Waivers policy.

II. Application of F&A Rates Based on Activity Type

The second step in determining the appropriate rate is to establish what type of project will be conducted. OMB Circular A-21 describes the different types of awards – Organized Research, Instruction & Training or Other Sponsored Activities.

Organized Research
Organized Research is described as all research and development activities that are sponsored by Federal and non-Federal agencies and organizations and which are
separately budgeted and accounted for. This generally means there is a scope of work, a specific time frame, and deliverables (whether technical or financial) that the University is obligated to deliver, a specific budget and indirect cost recoveries. This term includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the Instruction function. Research activities include the rigorous inquiry, experiment or investigation to increase the scholarly understanding of the involved discipline.

Examples of Organized Research include:
- Awards to JHU faculty to support research activities, such as literature surveys, investigations on efficacy of new vaccines, disease prevention or therapeutics, etc.
- External funding to maintain facilities or equipment and/or operation of a center facility which will be used for research
- External support for the writing of books, when the purpose of the writing is to publish research results
- Research data collection and evaluation, and/or analysis
- Corporate drug development/clinical trials

Instruction and Training
Sponsored Instruction is defined as teaching and training activities at JHU funded by grants and contracts from Federal or non-Federal sponsors. Sponsored Instruction includes agreements which support curriculum development as well as all types of teaching/training activities, whether offered for credit toward a degree or certificate, on a non-credit basis, or through regular academic departments or by separate divisions, summer school or external division.

Sponsored Instruction & Training includes:
- Any project for which the purpose is to instruct any student at any location; recipients of his/her instruction may be JHU students or staff.
- Curriculum development projects at any level, including projects which involve evaluation of curriculum or teaching methods. Note that such evaluation may be considered “research” when the preponderance of activity is data collection, evaluation and reporting
- Projects which involve JHU students in community service activities for which they are receiving academic credit
- Activities funded by awards to departments or schools for the support of students
- Fellowship support for pre-doctoral and post-doctoral training activities, which may include grants to fund dissertation work and travel in relation to a dissertation
- General support for the writing of textbooks or reference books, video or software to be used as instructional materials

Other Sponsored Activities
Other Sponsored Activities means programs and projects financed by Federal and non-Federal agencies and organizations which involve the performance of work other than Instruction and Organized Research. Since most projects in this category do not directly involve students and gain little, if any, benefit from libraries, the F&A rate applicable to Other Sponsored Activities is less than the rate for Organized Research or Sponsored Instruction.
Examples of Other Sponsored Activities include:
• Consultancy projects
• Social and/or community service, or health services projects
• Travel grants
• Support for conferences, seminars or workshops
• Support for University public events such as “lively arts”
• Support for student participation in community service projects which do not result in academic credit
• Support for projects pertaining to library collections, acquisitions, bibliographies or cataloging
• Programs to enhance institutional resources, including computer enhancements, etc.

III. Application of F&A Rates Based on Location

The next step in setting the appropriate rate is to determine if the project is to be considered on or off campus.

The on-campus F&A rate is applied to sponsored projects that require utilization of space owned or leased by the University. Therefore, on-campus F&A rate will apply to most sponsored projects.

The off-campus rate is lower because it includes only the administrative components of the F&A rate. The reduced rate is applied to those projects that are conducted predominantly in facilities not owned, leased or rented by the University.

In order for a project to be considered off campus, all three of the following qualifications must be met:
• The employee will be away from his or her campus facilities (i.e. office and laboratory) for a minimum of three consecutive months;
• The on campus facilities will be made available for use by other faculty and/or students during the employee’s absence; and
• The employee will be performing work in accordance with the statement of work of the proposed and funded project while at the off campus location.

These qualifications are a fiscal determination based upon space utilization and it is not simply a definition of where some of the project work is being performed.

If one University employee meets the above standards but the entire project does not, it may be acceptable to split the budget into on and off campus accounts. Contact your ORA representative to discuss such a situation.

Off campus rates can only be used relative to the University’s effort expended on a project. The University must bear a responsibility for the work and a JHU employee must be responsible to JHU for the integrity of the work performed as the initial requisite of an off campus account. Performance of work on project by non-university personnel are handled via a subcontract to another institution, which takes on campus F&A for the first $25,000, or a consulting agreement, which takes full F&A for the entire amount.

For animal or lab based studies, use the on-campus research rate.
IV. Identification of the Appropriate F&A Rate

Once the project type and location are determined, the proper federally-negotiated rate should be applied. Consult “Frequently Used Information” for current rates (https://my.jhsph.edu/C12/ProposalPreparations/Documents/FREQUENTLY%20USED%20INFORMATION.pdf)

Federal rates should also be used with state and private sponsors, and must be used if JHU will be a subcontractor on a Federal prime award. Questions can be directed to your ORA contact.

V. Application of F&A Rates Using MTDC OR TDC

The final step in the application of the F&A rate is to identify the base upon which to calculate the rate. The Modified Total Direct Costs (MTDC) base shall be used when a Federal sponsor's published F&A rate is less than or equal to the current full DHHS-negotiated rate, but does not specify a base. Using this base entails excluding some items, such as capital equipment and tuition/stipends, from the F&A cost calculation. The following direct cost items should be deducted prior to calculating F&A: Equipment exceeding $5,000 or component parts less than $5,000; Subcontracts in excess of $25,000; Tuition; Patient Care Costs; Rental of off-site facilities; Capital Expenditures; and Fellowships and Scholarships.

The Total Direct Costs (TDC) base shall be used with non-Federal sponsors.

In such cases where a non-Federal sponsor pays less than the full DHHS-negotiated rate, other costs, such as space, IRB costs and sponsored projects costs, shall also be applied in accordance with the JHSPH Cost Recovery for Mandatory F&A Waivers policy.

Please contact your ORA representative if you have any questions regarding the proper application of rates to a particular project.