PURPOSE

F&A rates enable the University to recover overhead expenses related to grants and contracts. These overhead costs include building and equipment depreciation, related interest expense on debt, operations and maintenance, library operations, central and department administration, as well as the Research Development and Administration offices. Due to the costs related to supporting, improving and adding research space and services, it is imperative that the University is able to recover all expected F&A costs that are incurred over the life of sponsored projects.

Budgeting for F&A costs can be a complex process and it is important that such budgeting consideration occur during the application phase. Generally, spending is expected to be relatively consistent throughout the life of a project; therefore, F&A costs are normally budgeted based on this methodology. However, if more spending occurs in the early or late stages of the awarded segment, or if spending occurs in and out of excluded categories, actual F&A expenses may not match budgeted F&A costs. Nevertheless, it remains the responsibility of the Principal Investigator and Department to plan appropriately for this, as budgeted direct costs may need to be re-budgeted as F&A costs or vice versa. **Principal Investigators are required to spend within the total amount awarded.**

In past years, there have been occurrences when F&A deficits would be absorbed by the University. However, in April 2005, it was announced that for awards with project years beginning on July 1, 2005 or after, F&A adjustments of this nature would no longer be permitted. Any F&A deficit that was incurred after July 1, 2005 will not be considered for F&A adjustment. Therefore, Principal Investigators must remain cognizant of their spending in relation not only to awarded direct costs but to the total amounts awarded. F&A may have to be re-budgeted due to spending in and out of excluded categories.

RESPONSIBILITIES

**Principal Investigator** – PI’s should understand and abide by the institutional policy with regard to treatment of F&A when spending occurs in and out of direct cost categories (for example, when budgeted subcontract dollars are spent in other direct cost categories, such as payroll). **Principal Investigators are required to spend within the total amount awarded.**

**Department Administrator** – Department Administrators must regularly monitor spending within direct and F&A categories, anticipate re-budgeting needs, and provide for such consequences. In addition, administrators are responsible to communicate these re-budgeting implications to Principal Investigators.

**Sponsored Projects Administration** – SPA reallocates funds between direct and F&A categories when allowed by the sponsor and will work with the Department Administrator to resolve F&A deficits by either re-budgeting them or moving them to a departmental account.

REQUIREMENTS

**Budgeting, Spending Rates, Spending Categories, and Re-budgeting**

PI’s and Department Administrators are required to budget with consideration of direct cost categories and F&A rates during the application process; and they are responsible for re-budgeting between direct and F&A categories when necessary.

**Carryover and No-cost extensions**

If carryover funds become part of a new award segment, the F&A rate applied to carryover and no-cost extension funds will be the F&A rate in place at the time of carryover.