TAMUS and the Department of Health and Human Services (DHHS) have signed a new Facilities & Administrative Cost Rate Agreement for TAMUCC. Please find attached copy of the fully executed Rate Agreement for the period 09/01/15-08/31/18. **Effective September 1, 2015, the new F&A rate for on campus projects for FY 2016 is 34%. Effective September 1, 2016, the F&A rate will increase to 35% for FY 2017. This rate will remain in effect until 8/31/2018.** Note the new Rate should be applied to MTDC base as originally approved on September 1, 2011. Also, note the “off-campus definition” is different than in the past. **Off campus rate is 24%**.

It is TAMUCC’s policy to request the appropriate federally negotiated indirect cost rate in the proposal budget for all sponsored projects regardless of funding source, unless a sponsoring agency’s written policy will not permit full recovery of indirect costs. **ALL FORTHCOMING PROJECTS WITH A START DATE OF 9/1/2015 OR LATER SHOULD CALCULATE INDIRECT COSTS AT THE NEW NEGOTIATED RATE.**

The Facilities and Administrative Rate Agreement (F&A), often referred to as Indirect Costs, is the process of recovering the portion of costs that support sponsored projects, but are not directly charged to sponsored funds. The total costs associated with organized research can be categorized as either direct costs or indirect costs (also referred to as Facilities & Administrative (F&A) costs).

**F&A (Indirect) Costs:** As defined in OMB A-21, F&A costs are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, instructional activity or any other institutional activity. They are real costs incurred by the colleges/centers and the institution in support of sponsored activities but cannot be directly identified with a specific grant or contract. The costs result from shared services such as libraries, physical plant operation and maintenance, utility costs, general, departmental, unit/department and sponsored projects’ administrative expenses and depreciation for buildings and equipment and student administration and services.

**Types of Indirect Cost Base**
- Modified Total Direct Costs (MTDC)

OMB A-21 defines **Modified Total Direct Costs** as follow, “consist of salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first $25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Equipment, capital expenditures, charges for patient care, tuition remission, rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of $25,000 shall be excluded from modified total direct costs."

As specified in this definition, some costs are **excluded** from Total Direct Costs (TDC) to arrive at the MTDC base to which F&A (indirect cost) rates are applied. OMB A-21 also provides for exclusions of other items of cost where necessary to avoid a serious inequity in the distribution of costs. Any questions on determination of the MTDC base should be directed to the Office of Sponsored Research Administration (OSRA).
• Total Direct Costs (TDC)

**Direct Costs:** As defined in OMB A-21, “direct costs are those which can be identified specifically with a particular sponsored project, an instructional activity or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. The portion of salary and fringe benefits of a faculty member performing an experiment or a specialized laboratory supply necessary for performing an experiment are examples of direct costs to a sponsored project. Other general categories are: supplies, contractual services, travel and communication, equipment and computer use.”

• Salaries and Wages (S&W)

  Include PI salary, other personnel salary and fringe benefits

• Other as specified by the sponsor in the RFP

For **Non-federal** agencies and other **Non-profit organizations**, if a sponsor has a written policy that limits the allowable rate of indirect costs, PIs should consult with the ORSA to discuss whether TAMUCC will accept the restriction.

Assessment of indirect costs to a sponsored project allows TAMUCC to recover some of its contribution to the support of the project. Therefore, **assessment of waivers** is rarely given except in exceptional circumstances. Waiver requests should be directed to the Vice President for Research.