I. Purpose

To provide guidance to colleges/schools, departments, and other campus units regarding the policies and procedures for the use and expenditure of facilities and administrative (F&A) recovery/receipts. F&A is also known as indirect costs.

II. Scope

Applies to all university departments and activities.

III. Policy

A. General Statement

1. The University of North Carolina receives reimbursement of Facilities and Administration (F&A) costs related to grants, cooperative agreements and contracts and are expected to allocate these funds within the appropriate state and federal guidelines.

2. F&A rates are set by negotiation between the federal government and each university. The University expects all federal and non-federal sponsored programs to be reimbursed for their full costs, both direct and indirects (F&A). Certain sponsoring agencies limit allowable F&A rates. In such cases, SPARC must approve the limited F&A rates and the limitation of F&A rates must be in a sponsor published document. Any request to reduce or waive F&A requires SPARC office approval and concurrence by the Associate Provost for Research (see the SPARC web site for F&A Waiver Form).

3. Under federal Uniform Guidance, F&A generally reimburse for costs of the grants, cooperative agreements and contracts operations of the institution and other overhead expenses of the university in a manner consistent with the formulae under which the funds were recovered.
B. Definitions

1. *Facilities & Administrative (F&A) Costs*: F&A costs are real expenses incurred by the university in support of sponsored projects, but which by federal regulation cannot be charged directly to a specific grant, cooperative agreement, contract, or other sponsored agreement. F&A costs stem from the institutional need to maintain a shared infrastructure that supports the research and scholarly activities of all investigators. F&A costs are divided into the following:

   a. Facilities costs (e.g. building depreciation, operation/maintenance, utilities) and
   b. Administrative costs (e.g. sponsored projects administration, purchasing, accounting, and legal services).


3. *F&A Rollover*: Allocation of unspent F&A recovery/receipts from previous year to department overhead funds.

C. F&A Review Committee

The F&A Review Committee is charged with reviewing and recommending updates to this policy as well as reviewing and making recommendations for annual distribution of F&A recovery/receipts. The F&A Review Committee consists of the Associate Provost for Research (chair), one representative from Academic Affairs, one representative from Business Affairs, one representative from the Office of Sponsored Programs and Research Compliance, and two representatives selected annually from the Faculty Senate Research Committee. The Provost and Vice Chancellor for Academic Affairs appoints members of the committee annually.

D. F&A Allocation

1. Prior to the start of each new fiscal year, the F&A Review Committee will determine the estimated F&A recovery/receipts based upon established formula, from which the fiscal year allocations (budgets) are established.

2. Estimated F&A recovery/receipts are allocated to the following areas:
   a. A minimum of 15% to Colleges/Schools/Centers/Institutes, with the intention of increasing the percentage over time
   b. MARBIONC debt payments
   c. Cahill awards
   d. Research incentives, recognition, and professional development
   e. Grant fund leave payouts
   f. Annual research equipment replacement/maintenance agreements
   g. Repairs and maintenance reserve
   h. Additional research-related activities as deemed appropriate by the committee
3. Unspent recovery/receipts (“rollover”) from previous year(s) are moved into respective college/center/department restricted trust funds, unless directed otherwise by the respective Vice Chancellor.

4. At the academic department level, the lead principal investigator typically receives a portion of the F&A allocation (per departmental policy) and the PI is responsible for determining how to allocate funds among Co-PIs who were part of an interdisciplinary team.

5. F&A allocations should be aligned with University and divisional goals.

6. Any over-realized F&A recovery/receipts from the previous year are allocated by the F&A Review Committee with any F&A receipt shortages from previous year applied to current year’s recovery/receipts.

E. Management of Allocations and Expenditures

1. General Management Purposes and Guidelines
   a. One of the most important uses of F&A recovery funds is to leverage support for research and scholarly activities. F&A recovery funds must be used to support students, staff, faculty, or the campus infrastructure in support of research and scholarly activities.

   b. Expenditures of F&A recovery funds should follow the same guidelines as those for restricted trust funds. The purchase of food and other entertainment expenditures must be approved by the appropriate Vice Chancellor. F&A recovery funds may be transferred for use in renovations or new construction and student scholarships.

   c. Each year the F&A Review Committee will develop the budget and make a recommendation to the Vice Chancellor for Academic Affairs. Should any unforeseen expense occur during the year for which the F&A Committee recommends use of the fund balance, Chief Financial Officer (CFO) approval is required in advance, before the funds are allocated. The approved budget will be shared with the campus community.

   d. Each year the F&A Review Committee will review the proposed annual allocations for any necessary changes in either the F&A rates as outlined by the federal government approving agency or allocation changes imposed by the State of North Carolina.

2. Care in the Use of Funds
   Care must be taken in the appropriate uses of F&A recovery funds to ensure UNC maximizes its F&A rate during rate development, and does not jeopardize F&A funding during biennial budget development.
F. F&A Reporting

During the course of a given fiscal year, there are many reports submitted that reflect F&A recovery/receipts, expenditures and cash balances.

The divisions of Business Affairs and Academic Affairs will jointly prepare these reports. These reports are sent to the following external agencies:

i. Office of State Budget and Management

ii. Office of State Controller

iii. UNC-General Administration / Board of Governors

iv. Fiscal Research Division (financial advisor to the General Assembly)