Facilities and Administrative (F&A) costs represent the infrastructure and operations costs that support the research enterprise at the University of Washington. Similar to the overhead costs of a business, F&A costs are real costs incurred in conducting and running the UW’s research program. Because of the administrative burden that would be required to determine such costs for each of the thousands of projects being carried out at each university, the federal government allows us to average the costs by major function and charge a single rate. We, in turn, apply these same rates to non-government research programs.

**DIFFERENCES BETWEEN DIRECT COSTS AND F&A COSTS**

**DIRECT COSTS** are funds used by the Principal Investigator to pay for the costs of conducting the research including:
- Salaries and benefits for researchers
- Supplies
- Equipment
- Travel to conferences
- Publication costs

**F&A COSTS** are funds used to maintain the University’s research infrastructure, including:
- Facilities maintenance
- Utilities
- Amortized cost of the research facility
- Department/school/college administrative costs
- Research support offices
- Proposal submission and approval
- Purchasing
- Payroll
- Invoicing
- Accounting
- Reporting
- Human Resources
- Compliance (such as approval and monitoring of research involving human subjects, animals, or toxic chemicals)

**F&A COST RATE CALCULATION**

F&A cost rates are based on the UW’s actual operating costs. Using guidelines provided by the federal government in OMB Circular A-21 (CFR 2, Part 220), the UW assesses its F&A cost on a regular basis. Once all the F&A costs are determined, the University determines the portion of costs that are related to research (e.g. building costs for research space, sponsored project administration, library and Human Resource cost pools, etc). Every four to five years this information is reviewed by the federal government during F&A rate negotiations.

**BREAKDOWN OF RESEARCH SUPPORT COSTS AMONG CATEGORIES FOR ON-CAMPUS RESEARCH**

*Most typical F&A on-campus costs rate distribution; rates may vary depending on the location of the research activities.

**DETERMINING F&A COSTS**

The basic procedures for determining F&A costs are:

1. Calculate Total Direct Costs (TDC) for all direct costs (salaries, supplies, equipment, etc.)
2. Calculate exemptions (capitalized equipment, tuition, etc.)
3. Deduct exemptions from TDC to determine the Modified Total Direct Costs (MTDC)
4. Multiply the MTDC by UW’s current F&A rate to determine F&A costs

\[
\text{F&A costs} = \left( \frac{\text{MTDC}}{\text{TDC}} \right) \times \text{F&A Rate}
\]

\[
\begin{align*}
\text{MTDC} &= \text{TDC} - \text{Exemptions} \\
\text{F&A costs} &= \text{MTDC} \times \text{F&A Rate}
\end{align*}
\]

\[
\begin{align*}
\$150K \text{ TDC} - \$50K \text{ Exemptions} &= \$100K \text{ MTDC} \\
\$100K \text{ MTDC} \times 54.5\% \text{ F&A Rate} &= \$54.5K \text{ F&A costs} \\
\$150K \text{ TDC} + \$54.5K \text{ F&A costs} &= \$204.5K \text{ Total Project Costs}
\end{align*}
\]