



**ADMINISTERED BY:** Office of Vice President for Business Affairs

**Policy No:** AP-BA-15.3  
**TITLE:** Grants and Contracts – Recovery of Facilities and Administrative Costs and Employee Benefits  
**EFFECTIVE DATE:** March 7, 2014\*  
 (\*Policy Revised, see below)  
**CANCELLATION:**  
**REVIEW DATE:** Spring 2026

**PURPOSE**

To provide necessary information for the inclusion of Facilities and Administrative Costs and Employee Payroll Benefits in budget proposals, and awards for grants and contracts.

**AUTHORITY**

*University of Louisiana System Policy and Procedure Memoranda FB-IV.III-1(Private Grant and Federal Funds Authority) and M-10 (Grant Applications/Contract Documents).*

**DEFINITIONS**

**Direct Costs** are those expenses to be directly charged to the grant or contract, such as salaries and employee benefits, travel, printing, supplies, professional services and equipment. Modified Total Direct Costs (MTDC) are the base costs to which the indirect cost rate is applied. MTDC consists of the sum of all direct costs except equipment, subcontracts in excess of \$25,000, stipends, and tuition payments.

**Employee Payroll Benefits Costs** are expenses paid by the University for compensation in addition to a faculty or staff member's salary, such as group hospitalization or life insurance premiums, retirement system contributions, workmen's compensation insurance premiums, unemployment benefits and accrued leave payments upon termination of employment. Payroll Employee Benefits Costs are direct costs.

**Employee Payroll Benefits Cost Rate** is the rate negotiated annually between the University and the U.S. Department of Health and Human Services. It is applied to certain salaries and wages to be funded by the grant or contract and computes the University's charge for employee benefits costs.

**Facilities and Administrative Cost (F&A)**, previously known as **Indirect Costs** are expenses incurred by the University in support of grants and contracts; these costs cannot be specifically attributed to a particular project. These costs include physical plant services such as utilities and janitorial services; depreciation use allowances on equipment and buildings; departmental, college and institutional administration; library operations; and various general expenses, commonly referred to as "overhead."

**Facilities and Administrative Rate**, previously known as the Indirect Cost Rate, is the rate negotiated every five years between the University and the U.S. Department of Health and Human Services. The rate is based on a sophisticated indirect cost study performed by the University.

## GENERAL POLICY

All grant or contract proposals should include a budget accounting for both direct and indirect/F&A costs. If the funding agency does not as a matter of recorded policy pay F&A costs, then the person submitting the proposal must submit evidence of that policy.

Employee Payroll Benefit Costs must be included in all proposals containing salaries and wages of faculty, nonclassified or classified employees.

## PROCEDURE

1. **Facilities and Administrative Cost (F&A)** - Costs to be included in grant and contract budgets are calculated by multiplying the current negotiated F&A rate times Modified Total Direct Costs.
  - a. Current Rates - Rates vary according to the function in which the project is to be executed and the primary location of the work. Rates are included in the Office of Research Proposal Routing form and in UNO budget templates. Rates are federally negotiated rate agreements are listed at: <https://www.uno.edu/research/funding/budget-development/fa-costs>. Rates are determined by the start date of the award and are applicable for the duration of the award.
2. **Employee Benefits Costs** - Costs to be included in grant and contract budgets, calculated by multiplying the current negotiated payroll benefits rate times "covered" salaries and wages. "Covered" salaries and wages are payments to faculty (regular salary, summer salary, and additional compensation), to nonclassified staff, and to classified staff (regular salary). Salaries of graduate assistants and student wages are not subject to Employee Payroll Benefits Costs.
  - a. Current Rates - Rates are included in the Office of Research Proposal Routing form and on UNO budget templates. Payroll benefit rates and federally negotiated rate agreements are listed at <https://www.uno.edu/research/funding/budget-development/payroll-benefits-rate>. The federally approved payroll benefits rate for each fiscal year will be charged to each year of budget for grants and contracts.



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*\*Policy Updates:*  
*Revisions: 06/30/2023*  
*07/22/2016*