F&A Costs and Shared Credit

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** Please note that all grant proposals are submitted to the funding agencies on behalf of the Curators of the University of Missouri Systems. Therefore, the PIs must follows the Business Policy Manual (https://www.umsystem.edu/ums/policies/finance) and the Sponsored Programs Procedure Guide (https://research.missouri.edu/ospa/SPPG) to the Curators of the University of Missouri Systems.

PSRS

- This mysterious acronym stands for the Proposal Signature Routing Sheet. This document accompanies every EXTERNAL grant. The PSRS establishes the budget in the grant financials and notes the essential resources (you, compliance requirements, subcontracts, etc.) that are required to complete the work if funded.

- When you submit a proposal, you are committing to your time and energy that should it be funded, you are obligated to complete. Each faculty member involved in a project as well as the various chairs and deans are required to sign off with their approval.

- This should be done for every external proposal, even when you are not sure if the proposal will be funded and regardless of the sponsor.

- Data from the PSRS is used by the institution in the reporting of grant activities and success rates as well as within divisions and departments.

F&A/Indirect costs (Facilities and Administration Costs) https://research.missouri.edu/ospa/

- F&A or indirect costs include required compliance costs for IRB (human subjects), ACUC (animal subjects), conflict of interest, financial accounting, etc. The costs also include campus wide administrative staff, libraries, heat/air, building maintenance, computer ports, phone lines, housekeeping, etc. These are the costs that the university needs to operate yet, not directly related to doing the proposed project. Therefore, to recover the necessary operation costs from the PI's research project, the institutions are allowed to request F&A, or indirect, costs.

- Most institutions negotiate the F&A rate with federal agencies to determine their rates. MU negotiates its rates with the Department of Health and Human Services. The F&A rates are lower than actual costs of operating the department or campus as they are negotiated approximately every 3-5 years and based on historical data. Annually the negotiated rates are available on Grant Fact Sheet.

- The campus sets different rates for different types of activity—research, instruction, and other sponsored activity, each with an on-campus rate and off-campus rate. PI must read the definition of each activity carefully to select the most appropriate category for each project. These rates are available on Grant Fact Sheet.

- Meanwhile, funders may have their own rates, or some do not allow these costs. PI must be aware of what is allowed and what is not, and understand that the grant project that the PI is conducting could be an actual loss if the F&A costs are not being paid by the funding source.

F&A Cost Base (the base on which you calculate the F&A costs)

- In the negotiation of the F&A rate, it is also established what the F&A cost base should be. The most common is the **modified total direct costs** (MTDC). If a sponsor has policies that reduce our ability to collect our negotiated F&A rate, then you might also see a total direct cost (TDC) base used.

Modified Total Direct Costs (MTDC): Certain costs are excluded when calculating F&A. Modified Total Direct Costs (MTDC) are Total Direct Costs minus

- equipment with a value of $5,000 or greater, and an estimated useful life of more than one year
- sub-award (subcontract) in excess of $25,000
- rent for off-site activities (space)
- graduate research assistants' tuition and fees
- animal care costs paid as a per diem based on OAR rates, and/or
- other deductible costs if allowed

Total Direct Costs (TDC): Use of the total direct costs without exclusion of any category of costs as in MTDC. Often but not always, if F&A is reduced by sponsor policy, the F&A is then calculated on TDC instead of MTDC.

Shared Credit

- On any one proposal, there exists 100% of shared credit for the work to be done on the project.

- Claiming appropriate shared credit is particularly important in the new budget model because 100% F&A costs (based on the shared credit) will return to college. Each college has own policies as to how much of F&A will return to each unit. Each unit has own policies as to how much F&A will return to each PI.

    - For example, if a PI has a 30% shared credit in a 1-million-dollar project of which $400,000 is F&A cost, then the 30% of the F&A, in this case $120,000, will return to the PI's college. In HES, these funds will then be distributed to each unit.

- It is recommended that shared credit must be discussed amongst the co-PIs during the proposal development stage. The earlier the better. Once the scope of the project is determined and each co-PI establishes clear roles in the project, the co-PIs must discuss/negotiate the distribution of the shared credit. This process is similar to the process of determining the authorship when developing the manuscripts. Once the shared credit distribution is decided amongst the co-PIs, it is strongly advised that each co-PI discusses that with the unit leader given the financial consequences of the shared credit distribution. Shared credit distribution should be transparent with the overall project budget.

  For example, if three co-PIs have equal shared credits for a project, each co-PI may declare 33% as shared credit on PSRS. While determining, please:

    - Consider <u>intellectual contribution</u> or effort of each co-PI. The lead PI does not have to have the majority or the highest share of shared credit. What would be the best way to recognize the contribution of each co-PI, while considering the cost of actual research project.
    - Consider <u>where the most expense will occur</u> in addition to this proportion of effort. Does this project require research facility and/or equipment that require high maintenance/depreciation

costs? This is an important question to ask because each department pays for the cost of maintaining/updating such facilities and technologies.

- Although faculty members declare and publicize their grant/contract awards with the total amount of the dollars received as a group (and allowed to do so), MU Annual Report and the HES Stats Book publish and recognize the grant/contract activities based on the shared credit amounts, fiscally. For example, if a faculty member received a 1-million-dollar grant with 30% shared credit, then the MU Annual Report and HES Stats Book track that the faculty received a $300,000 grant award based on a shared credit basis, fiscally.

- For proposals that involve more than one campus unit or for faculty with split appointments, the shared credit is split as determined by the faculty involved in the proposal and/or in proportion to the split appointment percentage.

- Because of the importance of the shared credit, the unit leaders must approve the share credit split before the proposal is being submitted. The earlier PI communicates the shared credit plans with the unit leaders, the easier the approval process would be. In HES, we recommend that each PI is required to prepare the budget and shared credit plans, then goes through a two-step approval process.:

    1. Initial budget and shared credit approval by chairs – 3 weeks before the Office of Sponsored Program Administration (OSPA)'s due date
    2. Final budget and shared credit approvals by chairs – 2 business days before OSPA due date

If you have additional questions on these F&A costs and shared credits, please contact HES Office of Research and Graduate Studies.