The Facilities and Administrative (F&A) Cost is also known as Indirect Cost. The amount of F&A costs returned to the colleges is calculated as follows:

\[ F&A\ return = (MTDC \times FA_{sp}) \times FA_{eff} \]

where,

- \( FA_{sp} \) = Sponsor designated F&A rate or the rate used/approved in grant application
- \( FA_{eff} \) = Effective F&A rate

**Examples**

1). A project has an original budget of $100,000 (TDC=MTDC) with \( FA_{sp}=40\% \) (i.e., $40,000 F&A costs) for a total budget of $140,000. If the entire budget is spent, the \( FA_{eff} = 40\% \) (i.e., $40,000 F&A generated divided by $100,000 research expenditures). The amount of F&A costs returned will be:

\[ 40,000 \times 40\% \times FA_{eff} = $16,000 \]
2). A project has an original budget (TDC) of $100,000 with \( F_{\text{asp}} = 26\% \). This project's budget includes $10,000 for equipment and $15,000 for rental of an off-campus office.

Equipment and office rental costs typically were excluded from the TDC when calculating the F&A costs; that is, they do not generate F&A costs. Hence,

\[
\text{MTDC} = \text{TDC} - \text{nonMTDC} = $100,000 - ($10,000+$15,000) = $75,000
\]

The F&A costs with 26% F&A rate are calculated on the MTDC of $75,000 (excluding equipment and rent) instead of $100,000:

\[
\text{F&A costs} = $75,000 \times 26\% = $19,500
\]

The total budget for this project = TDC + F&A costs = $100,000 + $19,500 = $119,500

In this example,

\[
\text{FA}_{\text{eff}} = \frac{$19,500}{$100,000} = 19.5\% \ (< 26\%)
\]

This project will not be eligible for F&A cost return.

3). This example is the same as Example #2, except that this project has $10,000 budgeted for student tuition and $15,000 for student scholarships instead of equipment and office rent. The F&A cost return will be different, because tuition and scholarships are exempt from the calculation:

The F&A costs with 26% F&A rate are still calculated on the MTDC of $75,000 (excluding tuition and scholarships) instead of $100,000:

\[
\text{F&A costs} = $75,000 \times 26\% = $19,500
\]

The Effective F&A rate, however, will remain at 26%:

\[
\text{FA}_{\text{eff}} = \frac{$19,500}{$75,000} = 26\%
\]

The F&A cost returned from this project will be:

\[
$19,500 \times 26\% = $5,070
\]