

Budget FAQs



WHAT ARE F&A COSTS?

"F&A" stands for Facilities and Administration, and the term is used interchangeably with "indirect costs" or "overhead." These terms are defined as those expenses which cannot be specifically identified as solely benefiting one particular project, but instead are incurred in support of common or joint expenses which are derived from the administration and maintenance of the sponsored activities. In Colleges, F&A costs are incurred for general support and management of the mission—related research/teaching/service enterprise. Examples of indirect costs are building depreciation, maintenance costs, the cost of electricity and heat, accounting services, personnel services and Divisional administration costs.

HOW DOES THE RESEARCH ADMINISTRATION OFFICE KNOW WHICH FACILITIES AND ADMINISTRATION (INDIRECT) RATE TO USE?

ACOM negotiates a Facilities and Administration rate agreement every three to five years that provides the rate to be charged depending on the type of sponsored project.

MY PROPOSAL IS ONLY FOR A SMALL AMOUNT OF FUNDING. DO I STILL NEED TO INCLUDE FACILITIES AND ADMINISTRATION (INDIRECT) COSTS IN THE BUDGET REQUEST?

Yes, F&A should be applied to all sponsored projects when allowable.

CAN I USE A LOWER F&A RATE THAN OUR NEGOTIATED RATE?

Recovery of F&A is essential in allowing ACOM to maintain the necessary infrastructure to successfully perform sponsored projects. For this reason, ACOM requires that the negotiated rate be used on all proposals unless the RFP (Request for Proposals) or other official documentation from the sponsor limits the amount of F&A that may be charged. Exceptions to this rule require approval of the Dean.

HOW DO I PREPARE A BUDGET?

The easiest way is to work with the research office to develop a budget. If you want to develop your own budget, you should consider including the following line items which are included in most budgets:

- Salaries and Wages
- Fringe Benefits
- Materials and Supplies
- Equipment
- Travel
- Other Direct Costs (includes subawards and service agreements)
- Facilities and Administrative Costs

For the development of most sponsor budgets, you can also use the templates here.

WHAT IS COST SHARING?

Cost sharing is a phrase used to indicate that more than one sponsor will share in the costs associated with a project. The most common relationship is for an external sponsor to provide most of the funds and for the College to provide the remainder of the funds necessary to carry out a project successfully. Matching is a form of cost sharing that generally defines a specific ratio of sponsor and College dollars. This type of cost share is usually an eligibility requirement stated in the RFP (Request for Proposals) and is usually but not always provided from institutional resources. Cost sharing and matching are nearly synonymous and are often used interchangeably.

WHAT DO I DO IF I NEED FUNDS FOR COST SHARING FOR MY PROJECT?

Faculty may cost share a portion of their effort if they are not 100% committed to teaching and other academic duties. Divisions can help offset the cost. In addition, third parties can provide cost sharing. The researchers should obtain a letter from the third party on letterhead signed by an authorized official that describes the cost share they are willing to provide, including the dollar value and the time period of their contribution. All cost sharing on an employee's effort must be approved by the Dean.

HOW MUCH SHOULD I INCREASE MY LINE ITEMS YEAR TO YEAR IN MY BUDGET?

The research office in conjunction with the accounting office recommends a 3-5% increase on line items each year of a multi-year budget.

CAN I CHARGE ADMINISTRATIVE AND CLERICAL COSTS TO MY SPONSORED PROJECT?

For federally sponsored projects the salaries of administrative and clerical staff, office supplies, postage, local telephone costs, and memberships should normally be treated as indirect costs. Rarely, direct charging of these types of costs may be appropriate if the project qualifies as a “major project”.

WHAT IS A FEDERAL, STATE, AND ALABAMA COLLEGE OF OSTEOPATHIC MEDICINE COLLEGE FISCAL YEAR?

The 12-month budgeting period used by an entity is called a Fiscal Year, and in many cases it is different from the January-December calendar year. The fiscal year for the federal government runs from October 1 through September 30. The State of Alabama and ACOM both operate on a fiscal year of July 1 through June 30.

WHAT HAPPENS IF EXPENDITURES EXCEED THE REVENUE?

The principal investigator and the home Division are responsible for any cost overruns that may occur. Principal investigators should be sensitive to the fact that a firm fixed contract is fixed. It is agreed up front that the sponsor will pay a fixed price and therefore the investigators will need to ensure the deliverable is met for the price agreed upon.