MERCER UNIVERSITY

UNIVERSITY POLICIES

Title: Facilities and Administrative Cost Policy for Grants
Effective Date: July 30, 2025
Issuing Authority: Provost
Policy Contact: Senior Vice Provost for Research
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Purpose

The purpose of this policy is to provide guidelines on facilities and administrative costs for sponsored projects.

Scope

This policy applies to all sponsored projects at Mercer University.

Exclusions

None

Policy Statement

Mercer University's Facilities and Administrative (F&A) rate, formerly known as the indirect cost rate, is negotiated with the Office of Naval Research (ONR), our cognizant audit agency. The F&A rate reflects the rate of reimbursement for real, audited, facilities and administrative costs incurred in the conduct of research. These costs are real expenses to the University. Facilities costs include expenses such as:

- Depreciation and use allowance costs of buildings and equipment
- Maintenance and repairs
- Janitorial services
- Utilities
- Hazardous waste disposal
- Libraries

Examples of administrative costs include:

- Grants and contracts administration
- Compliance
- Departmental expenditures
- General administration costs like:
    - Accounting
    - Purchasing

- General Counsel’s services
- President’s Office
- Personnel

These costs are indirect, or general research support costs that cannot be ascribed to an individual project and are not included in the direct portion of the allocated budget for each specific sponsored project. They relate to the conduct of sponsored programs in general, regardless of the source of funding. **Therefore, they must be applied consistently to all grants and contracts as per Mercer University's negotiations with ONR and the Defense Contract Audit Agency (DCAA).** F&A recovery received from a sponsored agreement is unrestricted revenue and is a means to repay the University for the expenses related to sponsored agreements.

Currently, Mercer University’s negotiated F&A rates for organized academic research is 42.72% for on campus and 26.00% for off campus. These rates are effective from 7/1/25 through 6/30/27. These rates are do not apply to the Mercer Engineering Research Center (MERC), which has separate rates that can be obtained through Grants and Contracts Accounting.

Pre-Award

Effective October 1, 2000, all grants, contracts and agreements accepted from any external sponsor to fund University programs must be charged the full on-campus and/or off-campus F&A rates established for federal awards with the exception of clinical trials which utilizes a standard F&A rate of 25%. It is recognized that some private foundations as well as certain programs from federal and state agencies have an established policy that restricts the amount of F&A cost recovery, such as the Department of Education which only allows 8%, and that some organizations will pay no indirect costs to an institution. Mercer University may accept funds from these organizations as long as documentation of the agency’s global restriction on paying indirect costs is provided to the Office of Research and Sponsored Programs or the Mercer Engineering Research Center (MERC), as appropriate, at the time a proposal or application is submitted for approval.

Any deviation from Mercer University’s negotiated F&A rate which results in the reduction of F&A cost recovery requires prior approval from the Executive Vice President of Administration and Finance and the Senior Vice Provost for Research. Please see the Post Award Process below to determine how waived F&A cost recovery will be treated.

Contracts under MERC’s oversight shall require approval by MERC’s Executive Director. The University’s F&A Cost Recovery Policy and the applicable list of F&A rates are available in the Office of Research and Sponsored Programs and MERC.

Post-Award

Though F&A costs are designed to reimburse an organization for its facilities and administrative costs as detailed under Definition of Facilities & Administrative Cost, the University will share

F&A cost recovery to promote additional research. Effective July 1, 2006, all prior agreements and incentive plans were replaced by the following:

- MERC (Mercer Engineering Research Center) uses 80.2% of its F&A recovery to fund its operations, which includes debt service, building maintenance, bid and proposal, contract administration, and general administrative expenses. The remaining 19.8% is allocated to the general university to cover administrative services provided.
- General University
    - Full F&A Cost Recovery
        - If full F&A costs are recovered (to include 25% on clinical trials), then F&A recovery will be shared as follows:
-50% to reimburse the general university,
-25% to the school as part of its annual expenditure budget, and
-25% to the principal investigator (***see below for how this money can be used by the investigator).
This would be applicable to cost reimbursable as well as firm fixed price agreements. **Any residual funds remaining on firm fixed price agreements will be shared in the same manner as F&A cost recover (50:25:25).**
    - Waived or Reduced Indirect Cost Recovery
        - For any cost reimbursable contract: **All F&A costs that are reduced or waived at the request of the dean of the school but are allowed in the sponsor's guidelines will be recovered from the school's budget.**
        - For any fixed price agreement -
• Residual funds – If F&A costs are waived, the residual funds will be used to recover any waived F&A cost recovery for a firm fixed price agreement. Once the deliverables have been met, the appropriate F&A rate will be applied to the total award amount, not to exceed the residual balance. Under these circumstances, the University will recover its full 50% of total F&A costs, and any remaining residual funds will then be divided in the same manner as F&A cost recovery (50:25:25). If the residual funds are not enough to recover the University’s full 50% of total F&A costs, the difference will be recovered from the school’s budget.
• No residual funds – If F&A cost recovery is waived on a firm fixed price agreement and no residual funds remain at the end of the project, the appropriate F&A rate will be applied to the total project costs, and the University will recover its full 50% of the total F&A costs from the school’s budget.
• Any lapsed salaries resulting from personnel salaries charged to a sponsored program can be expended only with the approval of the Senior Vice Provost for Research.

*******The 25% recovery distributed to the principal investigator may be allocated two different ways at his/her discretion

- Option 1 - All of the 25% may be placed in a separate account to further research efforts and must be spent within a four-year period.
- Option 2 - Half of the 25% (or 12.5%) may be paid as an incentive bonus within a one-year period. The other half (12.5%) may be placed in a separate account to further research efforts and must also be spent over a four-year period. Benefits must be included in the 12.5% used for the incentive bonus.

It will be up to the PI, with the concurrence of the Dean, to determine whether to distribute some of the 25% recovery to a co-PI or other key personnel on the sponsored program. **All expenditures charged to the separate research account must follow federal and University guidelines for allowable research expenses.**