



Author: Matthew Meyer, Associate Vice Provost for Research and Director of ORSP
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Indirect (F&A) rates for grant and contract proposals to external sponsors

I. PURPOSE

To identify the correct Indirect (Facilities & Administration F&A) rate to use for proposals submitted to external sponsors.

II. SCOPE

The Indirect (Facilities and Administration Cost “F&A”) rate for a project is identified when the proposal budget is initially prepared. The applicable rate depends upon the location, purpose and funder/sponsor of the project. As a rule, our federally negotiated rates should always be used unless the sponsor has a published rate. This document will outline the process for determining the appropriate Indirect rate to use when submitted proposals for external funding.

III. Related Documents

- [A Note Concerning On-Campus and Off-Campus Facilities and Administrative Costs Recovery Rates](#)
- Nature.Com, “Indirect costs: Keeping the lights on” - <https://www.nature.com/news/indirect-costs-keeping-the-lights-on-1.16376>

IV. Acronyms and Definitions

Indirect costs – (also known as ‘overhead’ and ‘facilities and administration (F&A) costs’) are those costs that UMass Boston incurs for common or joint objectives that cannot be identified easily with a particular project. Such costs are for UMass Boston facilities and administrative services as a whole. The following are some examples of the pooled costs used by the University in determining its indirect cost rates:

- Maintaining and operating a physical plant
- Utilities (heat, cooling, electricity)
- Department administration and General administration (ORSP)
- Library

MTDC vs. TDC - Indirect cost calculations depend upon the indirect cost base. Indirect costs are assessed either on a Total Direct Cost (TDC) or a Modified Total Direct Cost base (MTDC). Check



sponsor guidelines for direction. If the guidelines are inconclusive, please confer with your grant manager or with ORSP.

Modified Total Direct Cost basis (MTDC) - Indirect costs are NOT assessed on the following costs:

- Equipment (with a unit cost of \$5,000)
- Tuition
- Subcontractor costs in excess of \$25,000 (indirect only assessed on the first \$25,000 of each subcontract)
- Patient care costs
- Rental costs of off-site facilities (not owned by UMass Boston)
- Fellowships and scholarships
- Capital expenditures
- Participant support costs

Total Direct Cost (TDC) - Indirect costs are assessed on all direct costs less any tuition charge. Tuition is always exempt from indirect costs. TDC is the default base for foundations/non-profits unless the guidelines specify otherwise.

Off-Campus (for facilities and administrative rate purposes): activities performed in facilities not owned by UMass Boston and to which rent is directly allocated to the sponsored project, the Off-Campus rate will apply. Home offices or a field activity component of an overall project, regardless of the portion of work conducted in the field, do not qualify for the Off-Campus rates.

Sponsor mandated restrictions - If the sponsor does not allow, or limits the indirect cost rate, the sponsor guidelines or other published sponsor policy must be provided to your business manager and to ORSP. If the rate is not supported by a published policy or in written guidelines that applies to all applicants, the applicable indirect cost rates must be budgeted. Emails from sponsors do not suffice as adequate documentation. It must be a published restriction.

V. Procedure

There is a three-step process for determining the appropriate Indirect rate to use for all externally funded projects:

STEP 1 – determine if the project is occurring On or Off Campus - Most all of UMass Boston sponsored projects occur On-Campus. If a project does not meet the above Off-Campus definition, it is an On-Campus project. Our federal Indirect rate agreement requires grants or contracts not be subject to more than one facilities and administrative cost rate. Therefore, when more than 50% of a project is performed off-campus according to the definition above, the Off-Campus Rate will apply to the entire project. “Rent directly allocated to the project” may involve rent as a direct cost to the sponsor budget or may involve third party cost sharing.

STEP 2 – determine the appropriate project type: Research, Instruction or Other Sponsored



Programs

- **Research** - all **research and development** activities that are sponsored by State, Federal and non-Federal agencies and organizations. This includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.
- **Instruction** - specific instructional or training activity established by grant, contract, or cooperative agreement. Except for research training [see above], this term includes all teaching and training activities, whether they are offered for credits toward a degree or certificate or on a non-credit basis, and whether they are offered through regular academic departments or separate divisions, such as a summer school division or an extension division.
- **Other Sponsored Programs** - programs and projects financed by State, Federal and non-Federal agencies and organizations that involve the performance of work other than Research or Instruction. Examples of such programs and projects are health service projects, community service programs and studies, technical assistance and service programs or experiment stations.

Once the Project Type is determined, the proper rate should be applied.

STEP 3 – determine and apply sponsor restrictions

Federally negotiated rates should be used for all federally funded projects where UMB is the prime or sub. However, if a sponsor has a published policy (one that is accessible to all via the web or through some other official organizational document; emails to PIs from sponsor staff do not constitute published policy) on allowable indirect costs / F&A rates, UMass Boston will honor those published rates. For example, many training grants limit Indirect rate to 8% MTDC; in such cases that Indirect rate will be used instead of our federally negotiated rate.

It is the policy of the University to request full funding of indirect costs on all grant and contract proposals. If a non-federal sponsor does not allow the full federal IDC rate to be applied, the minimum indirect cost rates are listed in the table below.

**UMass Boston FY25 Indirect Rates
(updated 9/19/2024)**

SPONSOR TYPE	PROJECT TYPE	FY25 ON-CAMPUS RATE	FY25 OFF-CAMPUS RATE
<i>Federal rates apply for all Federal Sponsors or when Federal Sponsor is Prime Funder unless specified by the sponsor’s published guidelines.</i>			
Federal	Research	53 MTDC	26% MTDC
	Instruction	48% MTDC	26% MTDC
	Other Sponsored Programs	35.7% MTDC	26% MTDC
<i>It is the policy of the University to request full funding of indirect costs on all grant and contract proposals. If a non-federal sponsor does not allow the full federal F&A rate to be applied, the minimum indirect cost rates are as follows:</i>			



Non-MA Government Agencies	Research	53 MTDC	26% MTDC
	Instruction	48% MTDC	26% MTDC
	Other Sponsored Programs	35.7% MTDC	26% MTDC
Industry	All	53% MTDC	53% MTDC
Foundations and Non-profits	All	20% TDC	20% TDC
Commonwealth of MA and MA Local Agencies	All	26% MTDC	26% MTDC
*Unrestricted	All	10% TDC	10% TDC

*In order to be classified as an unrestricted grant, the funds must be free to use with minimal requirements by the sponsor for reporting.

Approval for use of other Indirect rates – A reduction of an Indirect rate should be avoided at all Research Universities. Each time UMass Boston accepts a rate lower than what it should be, we are not recovering the full cost of the project, which is cost sharing. Cost sharing has a negative impact on our future Indirect rates and will not be allowed without prior approval of the applying unit's: 1. Chair, 2. Dean and 3. the Vice Provost for Research, in that order. ORSP must receive any approved waiver by email at least seven (7) business days before the application deadline to accommodate budget development and review.

VI. Compliance

This policy has been established to meet the compliance standards outlined in the [Uniform Guidance](#). It is the responsibility of principal investigators, directors, department chairs, deans, and administrators to understand and comply with this policy.