

# Facilities & Administrative Costs and the MSU Spartan Space System

## Background

The University receives external (mostly federal) funding for research projects. Normally, the award(s) includes funding for direct costs of research as well as for Facilities & Administrative (F&A) costs, also known as overhead/indirect/research operating costs. The F&A rate is applied to direct costs of a project to generate revenue that can be used to pay for the real expense MSU has incurred to support the research enterprise. The F&A rate has two components, an administrative component, the “A” in F&A, and a facilities component, the “F” in F&A. The final F&A rate is the result of a negotiation between the US Department of Health and Human Services and MSU. The F&A rate is set/negotiated every 4 years, and is based on rules established by the federal government. Since the administrative component of the rate has been capped at 26%, a cap that was established in 1991, any changes in the F&A rate come from changes in the facilities component of the rate. The current on-campus research rate is 55%. For each percentage point (1) change in the F&A rate, MSU will increase or decrease approximately \$1.3M in annual revenues. The most important data that supports the facilities component of the negotiations, is the functional classification of space in the Spartan Space system.

During past F&A negotiations, federal reviewers have scheduled interviews with selected departments to determine:

- If those completing the space survey understand the instructions
- How recent the data has been updated
- If the space falls within certain federal parameters

It is anticipated that this interview/review process will continue for the next F&A process which will be based on data from the 2017-18 fiscal year (July 1, 2017 – June 30, 2018).

In preparation for the next survey and to ensure MSU’s data is accurate, Contract and Grants Administration (CGA) and the Office of Planning and Budgets/Facilities Planning and Space Management (FPSM) has updated the purpose and process documentation and developed a set of FAQ’s to assist units in review and update of their space data. CGA has been evaluating salaries and wages on accounts associated with research and the amount of research space a department has determined by the function codes in Spartan Space; and FPSM has been working closely with CGA to evaluate our facilities data and to more closely examine where there are discrepancies between function codes and financial data.

Together, our offices will be working with individual departments to:

- Review the instructions for coding space, including the FAQ’s
- Walk a portion of the their research space and assist the unit in determining how the space should be coded functionally
- Answer any questions that may come up as they are doing their Space Survey review

We want to make sure the instructions are clear, and to provide as much assistance to the units as possible, thus insuring an accurate space study is submitted to the government during our negotiation period.

## **Tentative Schedule**

The data used for the 2019-23 F&A negotiations will be based off the 2017-18 academic/fiscal year.

- May 2017 - March 2018: Meetings and space walk-throughs with departments to assist in updating their space inventory in the Spartan Space system
- September 2017 – May 2018: Our formal Space Survey will be open – units will update and review all space assigned to their department. We will also have a mechanism in place for units to indicate that space has been reviewed and there are no changes.
- June 30, 2018: Snap shot of the space data for the 2017-18 fiscal year will be taken to use as the basis of the space study we submit to the federal government.