



# Guidelines for Calculating Indirect Costs

The Office of Research strongly discourages cost-sharing on proposals, except in cases when specified by the sponsor in the notice of funding opportunity and required as a condition for an award (refer to 2 CFR 200.306). The following information provides a guide on how Facilities and Administrative (F&A) or Indirect costs are calculated when cost-sharing is required by the sponsor. Please contact the Office of Research at [research@tntech.edu](mailto:research@tntech.edu) if you have any questions.

## Calculating F&A (Indirect) Costs When Cost-Sharing is Required – Definitions\*

Facilities and Administrative (F&A) or Indirect Costs are real costs of conducting research. These F&A costs do not disappear simply because a sponsor refuses to pay for them; the University must fund any F&A costs that have not been reimbursed. When direct costs are cost shared, the F&A costs associated with the direct costs are automatically cost shared. PIs may take advantage of the automatic cost sharing of these costs, and include them on the proposal budget. PIs may also include any waived F&A costs as University cost sharing in proposals. For federal awards, unrecovered indirect costs on cost sharing may be included as part of cost sharing only with the prior approval of the federal sponsoring agency. F&A costs can be used as cost sharing in two ways.\*\*

**Contributed F&A:** This refers to the F&A associated with any cash contributions being made to the project by the University. For example, if the PI plans to contribute time and effort to the project without compensation from the sponsor, the monetary value of this effort as well as the F&A associated with it may be offered as cost sharing. Similarly, if monies from an unrestricted University fund will be used to pay for the PI's project travel, both the amount of the travel funds and the F&A associated with this amount can be offered and reported as cost sharing. Contributed F&A always is calculated using the F&A rate appropriate for the activity that the University has negotiated with the Department of Health and Human Services (DHHS).

**Waived F&A:** When F&A is "waived" the University agrees not to charge its federally negotiated F&A rate to the sponsor. The portion waived is considered "unrecovered F&A" and can be used as cost share if this is allowed by the sponsor.

\*Based on policy of Stanford University ([doresearch.stanford.edu/research-administration/financial-concepts/cost-sharing#proposing-cost-sharing](http://doresearch.stanford.edu/research-administration/financial-concepts/cost-sharing#proposing-cost-sharing))

\*\*Based on policy of University of California, Berkeley ([www.spo.berkeley.edu/procedures/costsharing.html](http://www.spo.berkeley.edu/procedures/costsharing.html))



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## Calculating Cost Sharing – Guidance (Not Rules)\*

1. Determine the minimum amount of cost sharing/matching REQUIRED by the sponsor.
2. Determine what kinds of cost sharing/matching the sponsor is requesting. For example, it is often requested that equipment be matched 1:1 (that means for every dollar provided by the sponsor, a dollar must be provided by the institution). Other programs have requirements like 20% of the total request or 50% of the total project costs. Note the different grammar used to describe these various requirements.  
**It is very important.**
  - A. When the sponsor requires a 1:1 cash match or a 100% commitment, cost match or cost share obligation, it means the total cost of the project must be divided in half, and one half will be requested from the sponsor and the other half from the institution.
  - B. Similarly, if the sponsor requires 50% of the total project costs to be provided as cost sharing or matching, then an equal share of funding must be provided from the institution as is being requested from the sponsor.
  - C. If, however, the sponsor requires, for example, a 20% match of the total grant amount, it usually means that the sponsor wants to see a commitment from the institution equal to 20% of the total amount funded by the sponsor. This is similar to the 100% commitment, cash match or cost share obligation as stated in A above but differs from the example in B in that the arithmetic for that scenario is to first determine the entire amount of funds needed to conduct the project and reduce it by the match requirement.

### Under-recovery of Indirect Costs (F&A) as Cost Share

Foregone or under-recovery of F&A costs on the sponsored portion of a project as well as F&A costs associated with the University contribution may, with sponsor prior approval or explicitly noted in the sponsor approved budget, be claimed as cost sharing. If F&A are defined as unallowable by the sponsor, then such costs are also unallowable as cost share; however, unallowability must be determined by statutory regulations for all federal agencies. Under-recovery of F&A costs may only be used as cost sharing if those costs are considered un-reimbursed rather than unallowable costs.

\*Based on policy of North Carolina State University ([research.ncsu.edu/sparcs/budgeting-guidelines/budgeting-cost-sharing/](http://research.ncsu.edu/sparcs/budgeting-guidelines/budgeting-cost-sharing/)).

### Uniform Guidance

Waived indirect costs can be used to meet cost-sharing requirements, but note the restriction on applying unrecovered indirect costs as cost-sharing for federal awards. The Uniform Guidance (2 CFR 200) states in section 200.306(c):

“Unrecovered indirect costs, including indirect costs on cost sharing or matching may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency. Unrecovered indirect cost means the difference between the amount charged to the Federal award and the amount which could have been to the Federal award under the non-Federal entity’s approved negotiated indirect cost rate.”