Facility & Administration (Indirect) Rate Calculation, Recovery and Distribution

University of California, Irvine
Budget Office
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Topics of Discussion

Definitions:
- OMB A-21 definition of Direct costs
- OMB A-21 definition of Facilities and Administrative (Indirect) costs

F&A rate calculation
F&A recovery
F&A distribution
Definition - Direct Costs

Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Examples:
• Salaries & FB of PI and technical support staff
• Lab supplies
• Telephone toll charges
• Travel costs
• Animals & Animal Care charges
• Scientific computer software
• Equipment (proj. spec.)
• Equipment maintenance Contracts
• Rental of space
Definition - F&A (Indirect) Costs

Facilities & Administrative (Indirect) costs are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity.

Examples:
- Administrative & clerical salaries & FB
- Memberships & subscriptions
- Office supplies
- Local telephone & line charges
- Postage
- General computing costs, e.g. networks, network services & LANS
- Pagers
- General purpose software, diskettes, paper & toner
Data Sources of F&A Rate Proposal

- General Ledger
- Payroll System
- Space System
- Plant Asset System
- Debt Management System
- Equipment Management System
**F&A (Indirect) Cost Rate Calculation**

- **Indirect Cost (F&A) Pools:**
  - Facilities:
    - Bldg use
    - (Dep + I)
    - Equip Dep
    - OMP
    - Library
  - Administration:
    - Gen Admin
    - Dept Admin
    - Spon.Proj Admin
    - Stud. Serv.

- **Direct Cost Functions:**
  - Instruction
  - Organized Research
  - Other sponsored Activities
  - Other Institutional Activities

- **Steps:**
  1. **Exclude Unallowable Costs**
  2. **Establish Modified Total Direct Cost Bases (MTDC)**
  3. **Allocate Indirect Costs to Direct Cost Functions with Space Survey Details**
  4. Each Indirect Cost Pool divided by appropriate MTDC Base equals F&A rate by Cost Pool Category
  5. Negotiate with DCA/DHHS
  6. **Indirect Cost (F&A) Rate**
Unallowable Costs

OMB Circular A-21, Unallowable Activities:

- Organized fund raising
- Lobbying
- Commencement/convocation
- Public relations or alumni activities
- Student activities
- Managing investments solely to enhance income
- Prosecuting the government
Unallowable Costs

OMB Circular A-21, Unallowable Expenses:
- alcoholic beverages
- Advertising
- Entertainment
- Fines and Penalties
- Promotional materials (unless used for employee morale)
- Certain recruitment costs, first class travel
- Cash Donations to other parties
Modified Total Direct Costs (MTDC)

**Modified Total Direct Costs, consisting of:**
- all salaries, wages and benefits
- materials, supplies and services
- travel
- subgrants and subcontracts up to the first $25,000

**Modified Total Direct Costs, excluding:**
- Equipment and capital expenditures
- Charges for patient care and tuition remission
- rental costs
- scholarships and fellowships
- portion of each subgrant and subcontract in excess of $25,000
## Indirect Cost (F&A) Rate Information

### Facilities

<table>
<thead>
<tr>
<th>Description</th>
<th>On-Campus</th>
<th>Off-Campus</th>
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</thead>
<tbody>
<tr>
<td>Building</td>
<td>6.77</td>
<td>5.30</td>
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<tr>
<td>Building Interest</td>
<td>6.20</td>
<td>6.20</td>
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<tr>
<td>Equipment</td>
<td>3.43</td>
<td>2.90</td>
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<tr>
<td>Operation &amp; Main.</td>
<td>11.67</td>
<td>11.00</td>
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<tr>
<td>Library</td>
<td>1.12</td>
<td>1.10</td>
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<tr>
<td><strong>Total:</strong></td>
<td><strong>29.19</strong></td>
<td><strong>26.50</strong></td>
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</table>

**Facilities Rate:** 26.50

### Administrative

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<tr>
<th>Description</th>
<th>On-Campus</th>
<th>Off-Campus</th>
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<tbody>
<tr>
<td>General Admin</td>
<td>4.44</td>
<td>4.30</td>
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<tr>
<td>Dept Admin</td>
<td>19.09</td>
<td>19.00</td>
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<tr>
<td>Spon Proj Admin</td>
<td>2.86</td>
<td>2.50</td>
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<td>Student Serv. Adm</td>
<td>0.66</td>
<td>0.20</td>
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<td><strong>Total:</strong></td>
<td><strong>27.05</strong></td>
<td><strong>26.00</strong></td>
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**Capped Admin. Rate:** 26.00

### F&A Rate:

<table>
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<th>Rate year</th>
<th>On-Campus</th>
<th>Off-Campus</th>
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<tr>
<td>2006-07</td>
<td>52.5</td>
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<tr>
<td>2007-08</td>
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<td>2008-09</td>
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<td>2009-10</td>
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<td>2010-11</td>
<td>53.0</td>
<td>26.0</td>
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</table>

**F&A Rate:** 56.24

*additional interest costs for future new buildings are also considered when rate is negotiated*
F&A (Indirect) costs recovery

F&A recovery is the income generated when the approved F&A (indirect cost) rates are applied to the eligible direct expenses of contracts and grants. It represents reimbursement for costs already incurred by the University, in support of research.
OP Allocation policy

- Federal Recovery:
  - Campus to receive 100% of justified Garamendi recovery
  - Campus to receive 94% remaining Federal overhead recovery (OPP, OTT, 19933 fund and General fund)

- Private Recovery (excluding Clinical Trial Recovery):
  - Base Allocation
  - 50% of inflation amount (example: 3% of total recovery)
  - 100% of increment /decrement of current year and prior year private recovery excluding inflation

- Clinical Trial Recovery:
  - Campus to receive 100% of Clinical Recovery
Division of Federal F&A recovery dollars between State & University

Federal Dollars Recovered

Garamendi Pre-Off-The-Top to campus

80.1% Remaining

19.9% Off-The-Top (OTT)

55% to State (44.1% of total)

45% to Campus (36% of total)

94% to campus (69750 fund)

6% to OP

94% to campus (OPP fund)

6% to OP
Division of Private & Local government recovery
(including Clinical Trial recovery)

Clinical Trial recovery

100% to campus

Private dollar recovered

Campus portion: three components

1st component: Base allocation (prior year allocation) (95-96 is the base year)

2nd component: 50% of inflation (prior year recovery X inflation rate)

3rd component: campus increase less inflation

OP portion: Total private recovery less campus portion

Total private recovery less campus portion
Overhead recovery distribution

2005-06
Campus total Overhead recovery $54,648,604

Less Garamendi $3,497,548

Overhead incremental available for distribution: $18,196,356

Campus Share $29,430,689

State Share $18,361,817

Less Campus Prior Commitment (based year 94/95) $10,712,782

OP Share $3,358,550

Academic Units $6,098,178

Research Infrastructure $3,658,907

Administrative Needs $2,439,271

Reserve for Debt payment $6,00,000
Overhead Recovery Incremental Distribution Policy

- 30% for RGS for research infrastructure
- 20% for Administrative use
- 50% to Academic Units
  - Example:
    2006-07 allocation is based on 2005-06 overhead recovery incremental (total overhead generated in 2005-06 less 94-95 base year commitment) and distribution percentage is based on total overhead generated by each school in 2005-06
F&A (Indirect Cost) Rate calculation, recovery and distribution

Confused?
Any Questions?