

A collage of four images on the left side of the slide: a green lawn with trees, a building with a tower, a classical archway, and a blue sky with clouds.

UNIVERSITY OF ILLINOIS

AT URBANA-CHAMPAIGN



2011 BUSINESS LEADERSHIP CONFERENCE

Facilities and Administrative (F&A) Rate A Glimpse Inside the Rate Calculation

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Workshop Presenter(s)

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Please ...

- Turn off cell phones.
- Avoid side conversations.
- Feel free to ask questions at any time.
- Sign the attendance roster.
- Complete the evaluation at the end of the workshop.

Learning Objectives

- Understand the basic rules, definitions and process of calculating the F&A rate
- Stepdown Allocation Exercise
- Learn how we earn, allocate, and spend F&A recoveries
- Q&A

$\epsilon \sqrt{x^2} \sqrt{\frac{3.62}{4103xm}} \sqrt{\epsilon^2} > (\epsilon)^6 \times 482 \pi$
 $K \div \frac{1}{\pi} > \div \phi = \frac{\epsilon^2 k^4 \sqrt{\frac{36Y}{Y^2}}}{Y^2} = \frac{45.603}{Y^2}$
 $\pi \cdot 4 > \epsilon^2 \sqrt{x^2} \sqrt{\frac{3.62}{4103xm}} \sqrt{\epsilon^2} \wedge \left\{ \begin{array}{l} \sqrt{\frac{36Y}{Y^2}} \\ \sqrt{\frac{36Y}{Y^2}} \end{array} \right\}$
 $\sqrt{\frac{Y \times 3^2}{1 \times 3^2}} \sqrt{\frac{\Sigma k^2}{4.306784273}} \left\{ \begin{array}{l} \frac{2.4}{(36 \div \pi H = K^2)} \\ 82.043645 \end{array} \right\} > \left\{ \begin{array}{l} \frac{4Y}{7M} \\ 422Y < \frac{4}{\epsilon} \end{array} \right\}$
 $Y > 46 \frac{Y-x.73^2}{4x} \sqrt{\frac{K^2 \times 860 \sqrt{Y^2}}{36.78(Y) (K^2)}} 33Y$
 $\sqrt{K^2} \left(\frac{4}{Y} \right) \downarrow 4 \cdot 42 \cdot 684 \frac{37.K^3}{3Y} \sqrt{\frac{M}{2k}} \frac{7Y^2}{\sqrt{x^2} \cdot 004}$
 $\sqrt{x^2}$

"This is the easy part. The challenge will be figuring out the indirect cost for the grant proposal"

The A-21 Rules

Important Definitions

Direct Costs = Bases = Denominator

- Those costs specific to a particular sponsored project, an instructional activity, any other institutional activity
- Can be directly assigned to activities relatively easily with a high degree of accuracy
- Ensures that no benefiting activities (functions) are excluded when distributing F&A costs
- Examples: Salaries of Researcher or Teaching faculty or Coach, Lab supplies purchases specifically for a project

Facilities and Administrative Costs = Pools = Numerator

- Costs incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored program or institutional activity
- Examples: Electricity, Buildings, General office supplies

The A-21 Rules cont'd.

Modified Total Direct Costs (MTDC)

- A-21 discusses the distribution basis for F&A costs and defines it as modified total direct costs (MTDC).
- MTDC includes
 - Salaries and wages & associated fringe benefits
 - Materials and supplies
 - Services
 - Travel
 - Subawards up to the first \$25,000
- MTDC excludes
 - Equipment (capitalized at \$5000 and above)
 - Capital expenditures (buildings and assets \$5000 or greater)
 - Subawards in excess of \$25,000
 - Stipends, tuition, patient care

The Direct Cost Bases

(the denominator)

Bases represent an institution's direct cost activities:

- Instruction and departmental research
 - Teaching and training
 - Departmental research
- Organized research
 - Sponsored research
 - University research separately scoped and accounted for
- Other Sponsored Activities
 - Public/ Community service
- Other institutional activities
 - Auxiliary enterprises
 - Unallowable activities for F&A purposes

The Direct Cost Bases cont'd.

Issues to consider:

- **Unallowable costs as OIA**
 - Activities that are ALWAYS unallowable (fundraising, commencement, entertainment, lobbying, etc.)
 - Expenses that are ALWAYS unallowable (alcohol, bad debt, etc.)
- **Service Activity (3E funds) are not included**
 - They are recharged to other funds as services
 - Including them would result in double counting same dollars
 - Expense is captured at the final cost objective (fund)
- **Cost Share as part of Organized Research Base**
 - Faculty effort
 - Hard match funds
 - Project cost overruns or salaries over NIH cap
 - Imputed Cost Share calculated

The Indirect Cost Pools

(the numerator)

Facility Costs

- Building Depreciation
- Equipment Depreciation
- Interest Expense on Buildings
- Operation and Maintenance
 - Utilities
 - Various O&M pools
- Library

Administrative Costs

- General Administration
- Departmental Administration
- Sponsored Programs Administration

26% Cap

Or 24% alternate
(fixed allowance)

The Indirect Cost Pools cont'd.

Depreciation and Use Allowance

Expenses are for the portion of costs related to the institution's buildings, capital improvements to land and buildings, and equipment which are computed in accordance with section J.14 and F.2 for A-21.



The Indirect Cost Pools cont'd.

Interest on Debt

Interest associated with certain buildings, equipment and capital improvements are allowable if they support sponsored agreements.

- Buildings acquired or completed after July1, 1982
- Major reconstruction and remodeling of existing buildings completed on or after July 1, 1982
- Acquisition or fabrication of capital equipment completed on or after July1, 1982, costing \$10,000 or more, if the government agrees

The Indirect Cost Pools cont'd.

Operations and Maintenance (O&M)

- Expenses incurred for administration, supervision, operation, maintenance, preservation and protection of the institution's physical plant
- Normally includes
 - Janitorial/housekeeping
 - Utilities
 - Grounds maintenance
 - Security
 - Environmental safety
 - Hazardous waste disposal
 - Facility planning & mgmt
 - Space and capital leasing
 - Maintenance and operation of buildings
 - Ordinary or normal repair and maintenance
 - Central receiving
 - Cross allocations from depreciation and interest
- Utility cost adjustment (UCA) of 1.3 points only for Exhibit B schools

The Indirect Cost Pools cont'd.

Library

- Expenses incurred for the operation of the library including the costs of books and library materials purchased for the library less applicable credits
- Standard allocation based on FTE's



The Indirect Cost Pools cont'd.

General Administration and General Expenses

- Expenses incurred for the general executive and administrative offices and other expense of a general nature which do not relate solely to any major function of the institution
- Normally includes
 - Allocations from administrative offices that serve an entire university system
 - Institutional administrative executive offices
 - Financial Planning, budgeting, payroll, accounting
 - Safety and risk management
 - General counsel

The Indirect Cost Pools cont'd.

Departmental Administration

- Expenses incurred for administrative and supporting services that benefit common or joint departmental activities or objectives.

Normally includes:

- Academic deans' offices (limited to costs associated with administrative activities)
- Academic departments and divisions salaries and fringe benefits attributable to administrative work (business office)
 - Includes secretary and clerical administrative costs
 - Includes bid and proposal effort
 - Limited to 3.6% of department MTDC of faculty and professional personnel conducting research and/or instruction

The Indirect Cost Pools cont'd.

Sponsored Projects Administration

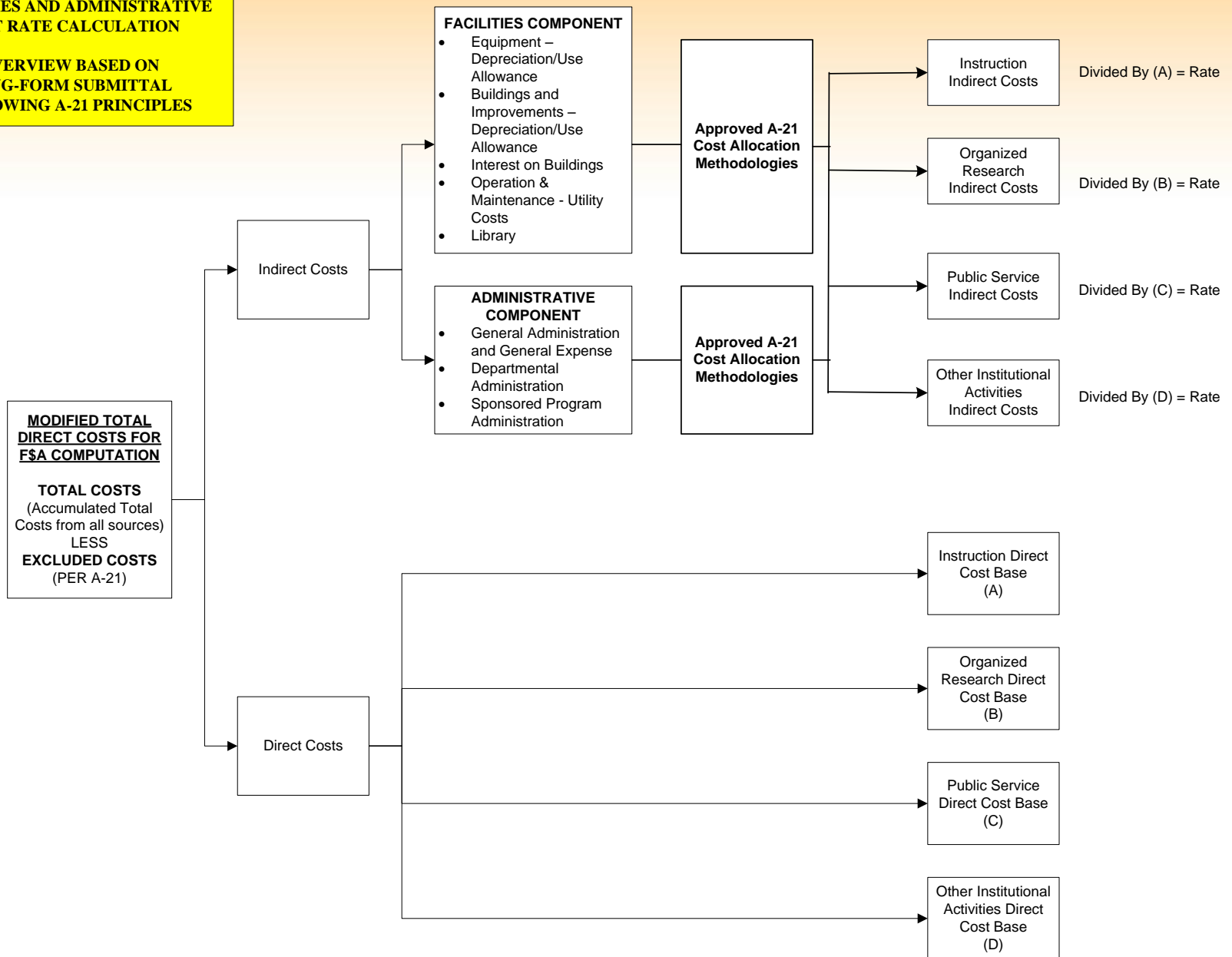
- Expenses are limited to those incurred by a separate organization established primarily to administer sponsored projects. Includes grant & contract administration.
- Examples
 - OSPRA, GCO Post-Award, Government Costing Offices
 - VC for Research
- SPA is allocated to the functions performing sponsored projects based on MTDC of the sponsored projects. Usually includes:
 - Organized research
 - Sponsored instruction
 - Other sponsored activity

Building Blocks of F&A

- Government Costing Expenditure Database based on year-end expenditures
- Government Costing Asset Database based on year end asset and depreciation files
- Government Costing FTE file based on DMI Activity Reporting System entries
- Space file based on UIUC space study

**FACILITIES AND ADMINISTRATIVE
COST RATE CALCULATION**

**OVERVIEW BASED ON
LONG-FORM SUBMITTAL
FOLLOWING A-21 PRINCIPLES**



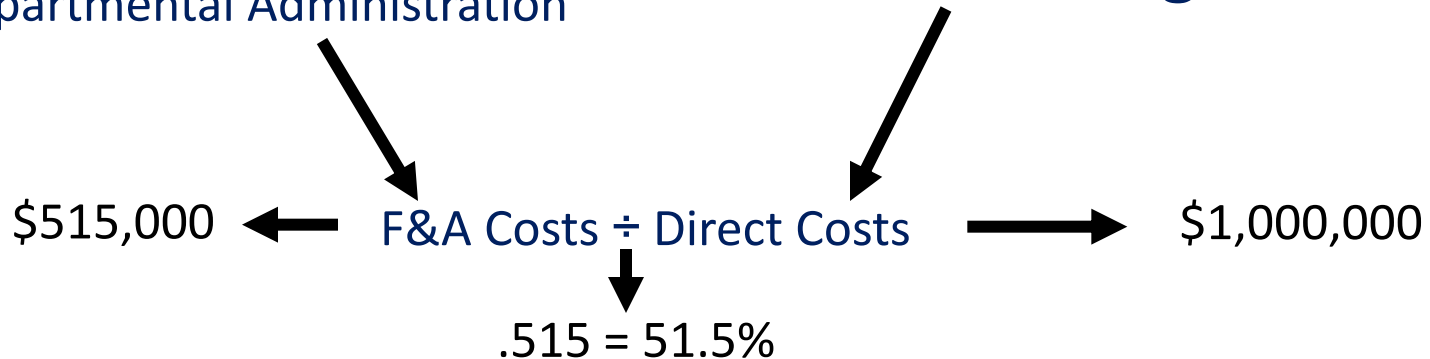
Impact of Cost Sharing on Rate

F&A COSTS

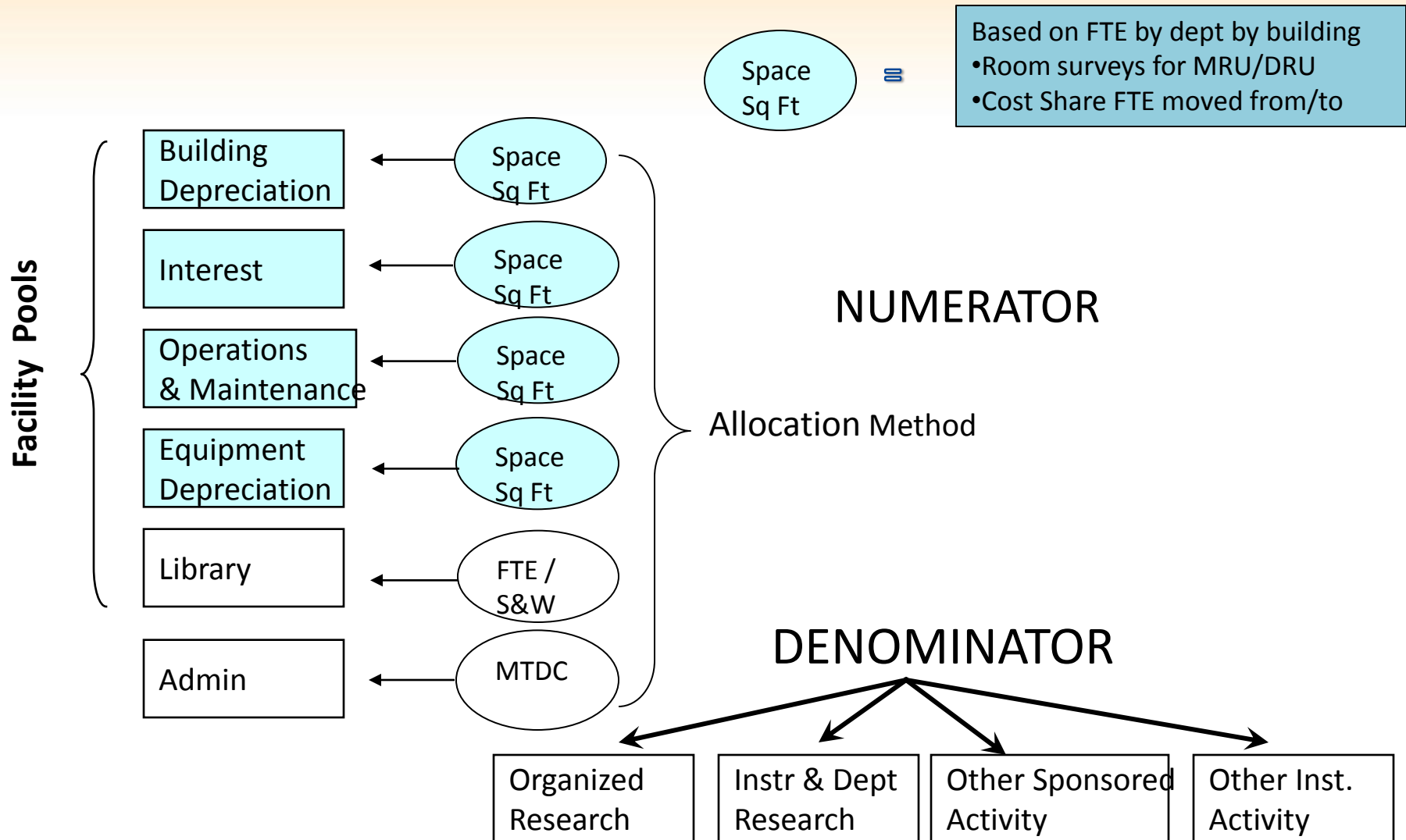
- Building and Equipment Depreciation/Allowance
- Interest
- Operations & Maintenance
- Library Support
- General Administration
- Sponsored Programs Admin.
- Departmental Administration

DIRECT COSTS

- Salaries & Fringe
- Contracted Services
- Travel
- Fixed Charges
- Research/Training Supplies
- Internal Services
- Subcontracts
- **Cost Sharing**



The F&A Allocation



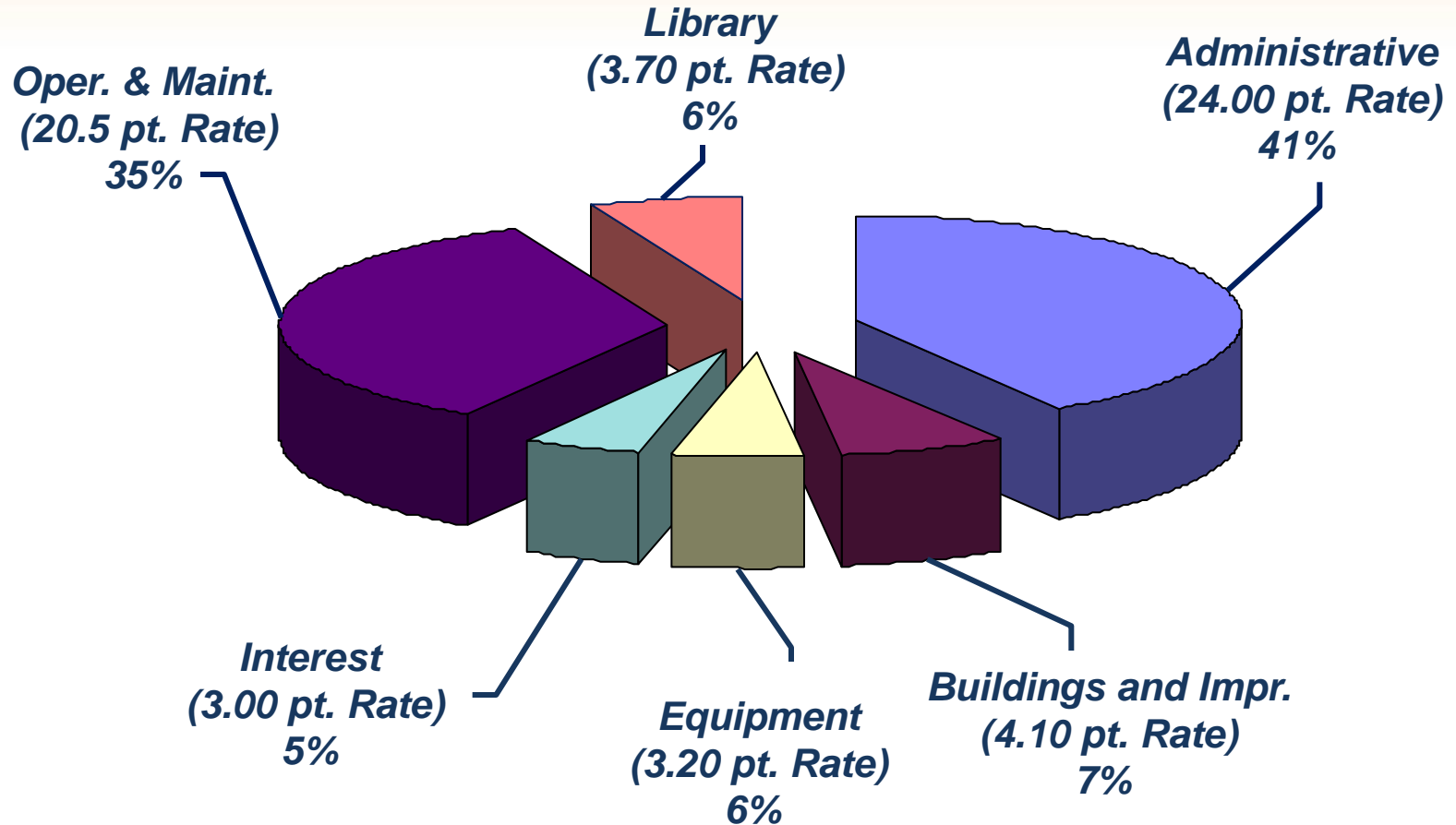
Stepdown Allocation Exercise

A fun exercise to put all that we have learned to
test

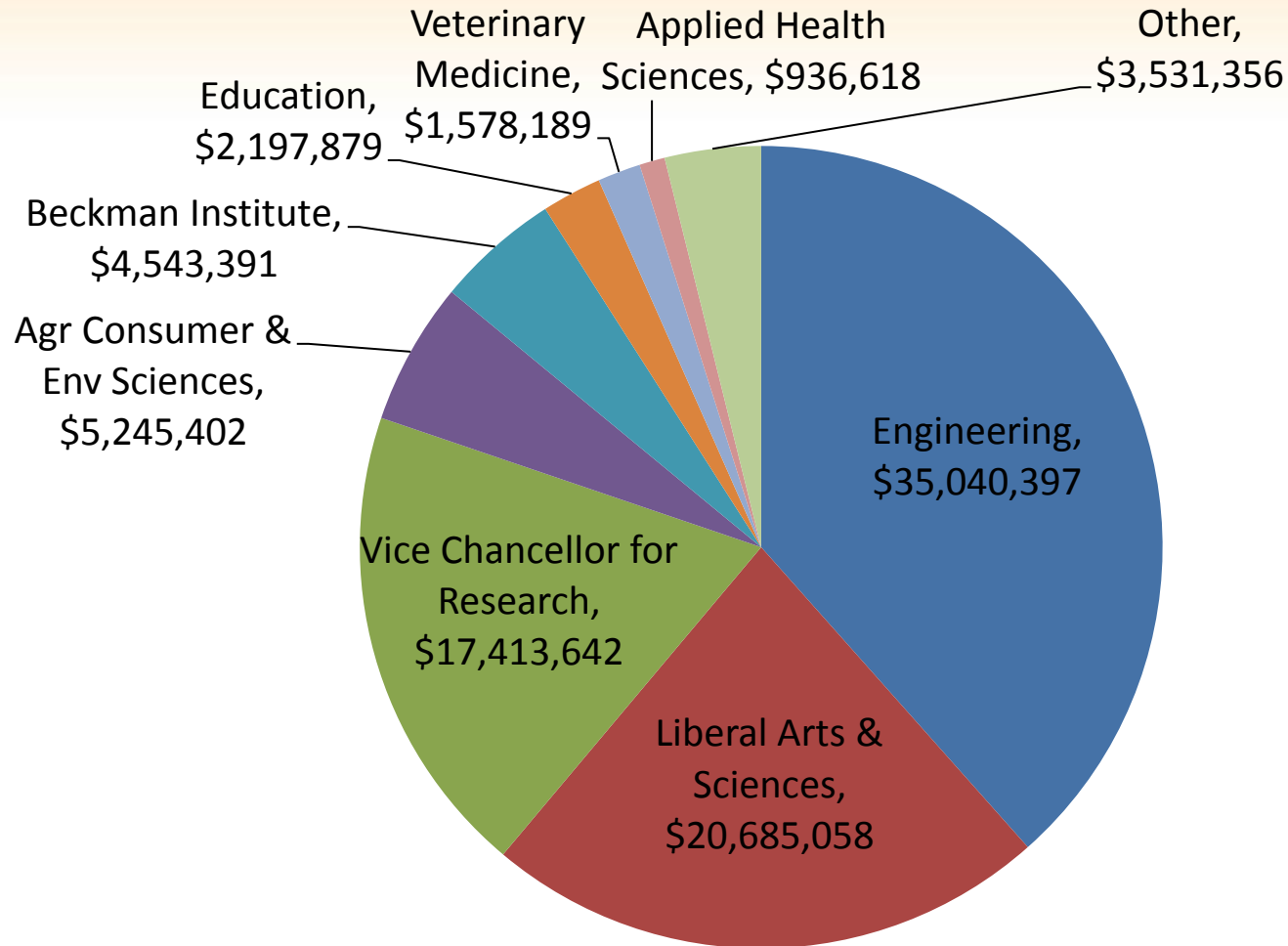


See “Costing Basics Stepdown Exercise” handout

Rate Components for 58.5% Rate



F&A Earned FY10

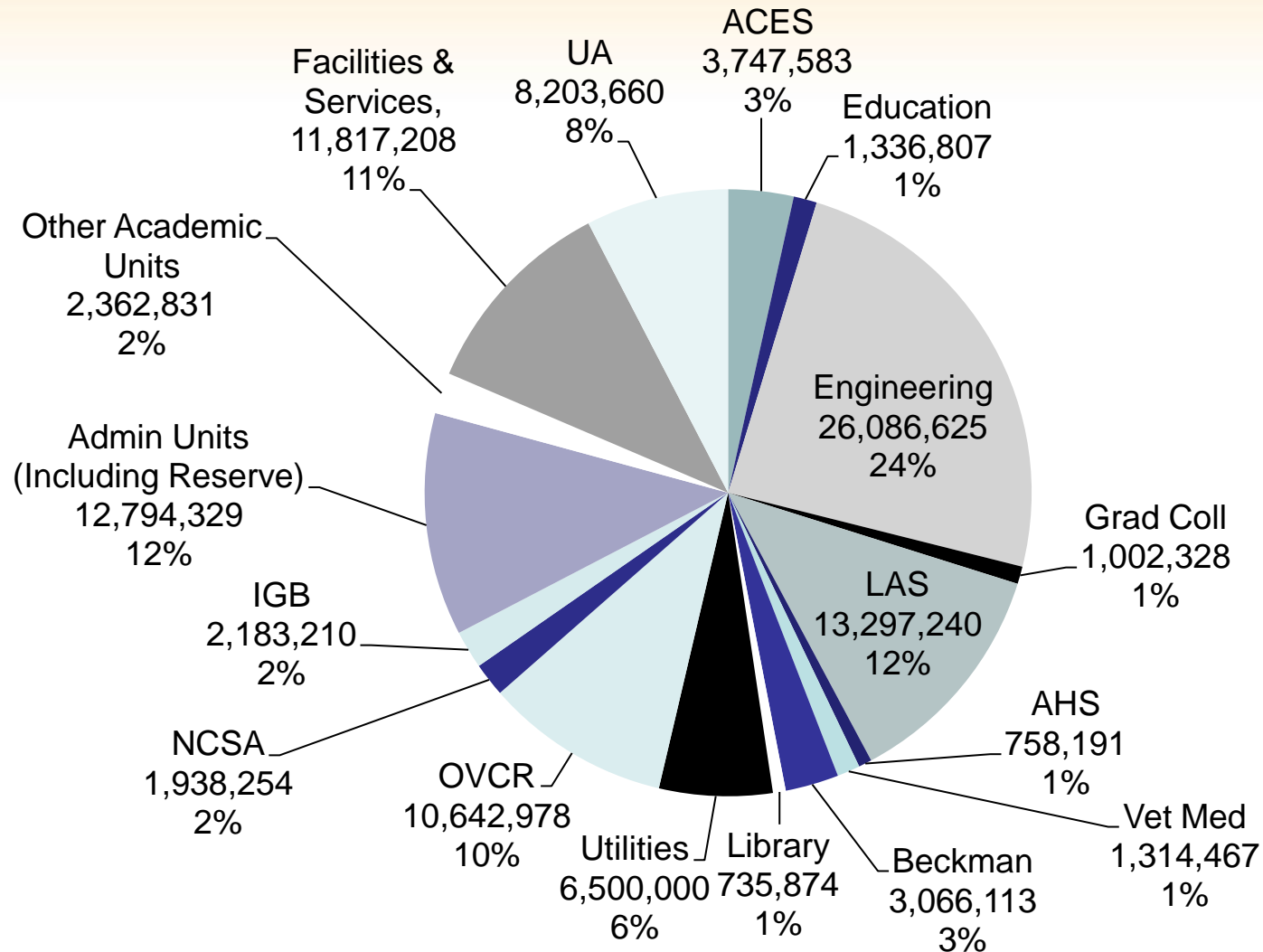


F&A Earned FY10

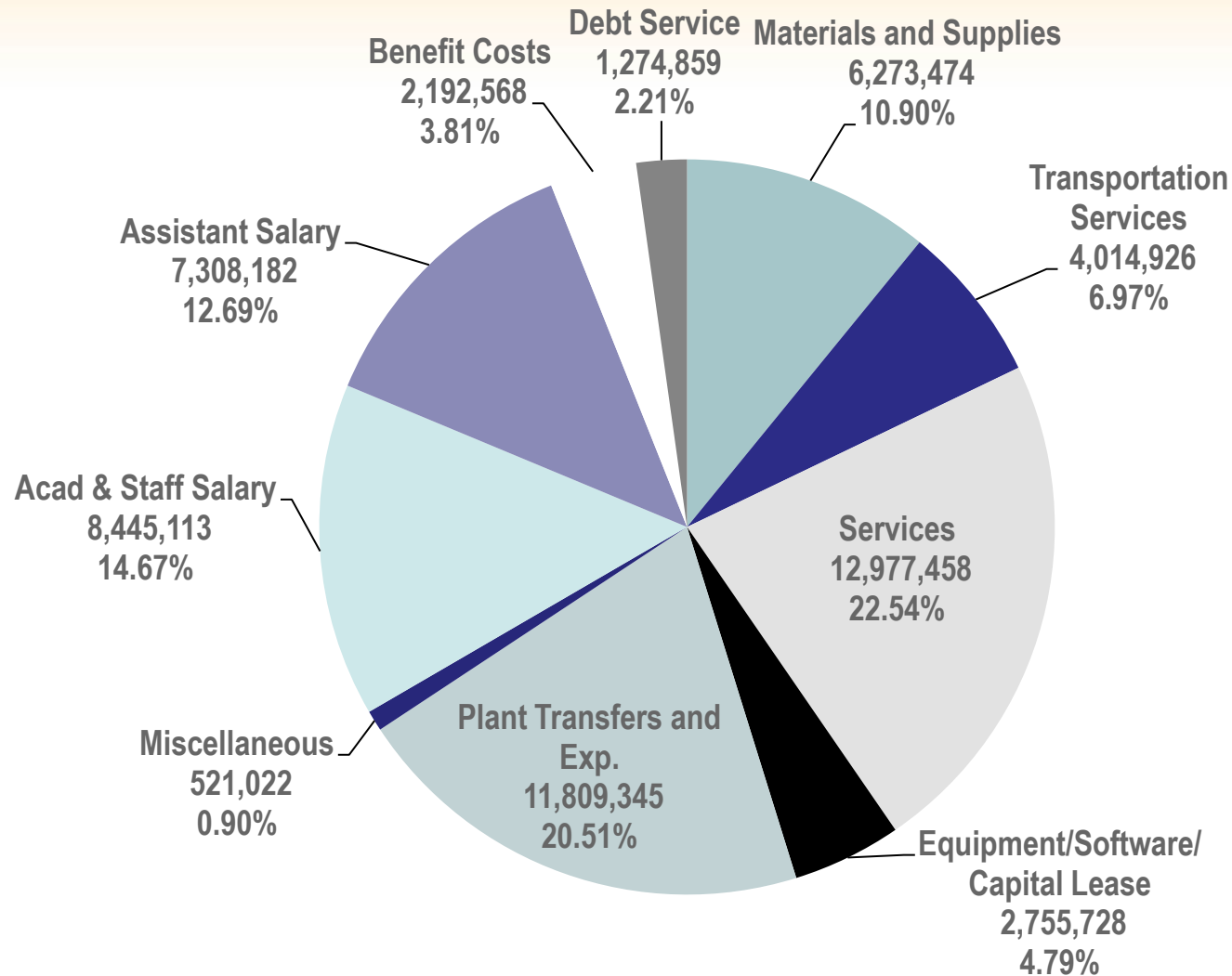
Engineering	\$35,040,397
Liberal Arts & Sciences	\$20,685,058
Vice Chancellor for Research	\$17,413,642
Agr Consumer & Env Sciences	\$5,245,402
Beckman Institute	\$4,543,391
Education	\$2,197,879
Veterinary Medicine	\$1,578,189
Applied Health Sciences	\$936,618
Other	<u>\$3,531,356</u>
	\$91,171,932

How We Allocated ICR in FY10

(Total = \$107,787,698 Adjusts for ICR-State Swaps, IGB & NCSA Shown Separately)



How We Spent ICR in FY10 (Total = \$57,572,674)



Workshop Summary

- The Facilities and Administration (F&A) Cost Rate calculation is based on A-21 federal definitions and cost principles.
- The F&A Rate provides for many costs of doing sponsored projects so we can't also direct charge those costs.
- Components of costs recovered for F&A are not a true match to distribution or spending of those dollars.
- We're here to help explain!

Questions / Concerns?