



TEXAS A&M UNIVERSITY SYSTEM OFFICES

FACILITIES & ADMINISTRATION PRESENTATION

FEBRUARY 16, 2023

OBJECTIVES

- Provide an overview of the Facilities & Administration (F&A) Cost Rate (Indirect Cost Recovery Rate) process
 - Define the TAMUS Accounting Team's role
- Review the F&A calculation
- Q&A Session

INDIRECT COST RECOVERY (IDC) OR FACILITIES AND ADMINISTRATIVE (F&A) COST RECOVERY

- Indirect costs — sometimes called overhead, facilities and administrative (F&A) costs, or shared expenses — costs incurred in the conduct of externally sponsored research shared across a large number of projects, campuses, functions, etc.
- Indirect costs include utilities, operations and maintenance costs, IT services, lab operations, depreciation, administrative costs (capped at 26%) and interest payments on debt for construction projects to provide researchers with more modern facilities
- Uniform Guidance Section 200.56 of [eCFR :: 2 CFR Part 200 -- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#), provides direction on whether a cost can be directly charged to a sponsored project or should be included as an indirect cost

OVERVIEW OF THE F&A (IDC) RATE CALCULATION PROCESS

- The Texas A&M University System Office accounting team calculates the Facilities and Administration (IDC) rate proposal, and we work with Jim Nolan from Federal Costing Concepts, Inc., for over 25 years
- During the base year, data from our accounting systems (expenses, building, equipment, etc.) and data from the space survey (usage of lab and office space) software is loaded into the cost accounting software
 - A space survey was completed during the Spring semester of 2021; the next space survey will be completed in 2025
- The agreement was negotiated for 4 years and with varying rates
- The Texas A&M University-College Station F&A rate applies to: TAMU, TAMUG, and Agencies residing in College Station since space and expertise across many disciplines are shared
- There are 3 main rates which are calculated and negotiated:

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024-2025</u>	<u>FY 2026</u>
○ Organized Research Rates	51.5%	51.5%	52.5%	54%
○ Instruction Rates	51.5%	51.5%	52.5%	54%
○ Other Sponsored Activity Rate	30.0%	32.0%	32.0%	32%

WHAT KINDS OF POLICY DRIVE IDC CHANGE

- Administrators' Perspective
- PI Perspective

ADMINISTRATORS' PERSPECTIVE

- Align the F&A (IDC) Rate with Actual Costs
- TAMU System Office's role is to calculate an accurate rate
 - Work with each fiscal office to ensure the data is accurate
 - Ensure the space survey is completed and uploaded into the cost accounting software
 - Work with Jim, our F&A consultant, and management during negotiations
 - Often detailed questions are asked by DHHS
 - There has been a site visit in the last 2 proposals; lab and research facilities were walked through

Things to Remember about Facilities & Administration (F&A):

1. F&A reimburses an institution for actual incurred costs recorded on the financial statements
2. F&A rates do not increase the “total” grant revenue a school receives from the Federal government
3. F&A rates do determine the amount of revenue spent on Direct costs (grants, etc.) versus the amount spent on “other” types of expenses at the school

Example: \$1,000,000 grant and 50% F&A rate. Direct costs: \$666,667; F&A costs: \$333,333

Example: \$1,000,000 grant and 55% F&A rate. Direct costs: \$645,160; F&A costs: \$354,840

Note: Total amount of grant (\$1,000,000) did not change; the only change was how the \$1,000,000 was distributed between Direct and F&A

4. If another institution has a higher F&A rate...it means they are spending more, on a percentage basis, on facilities costs (i.e. Depreciation, Interest and Operation & Maint.) supporting research

F&A Rate Components:

1. Facilities Costs* (Numerator)
2. Administration Costs (Numerator)
3. Modified Total Direct Costs (Denominator)

*Costs include building depreciation, equipment depreciation, interest on debt, operation and maintenance and library costs

F&A Rate Calculation:

	<u>Actual</u>	<u>Allowed</u>	<u>Requirements</u>
1. Facilities Costs Divided by MTDC Costs	31.2%	31.2%	No Cap
2. Administration Costs Divided by MTDC Costs	<u>43.0%</u>	<u>26.0%</u>	Federal Cap
Total	74.2%	57.2%	

Negotiated Rate = 54%

Current Situation and the Future Proposal

- TAMUS submitted a proposal based on FY 2021 data to DHHS our federal cognizant agency located in Dallas, Texas
- The calculated Organized Research rate was 57.2% and the following rates were negotiated:
 - FY 2023 51.5%, FY 2024 & 2025 52.5% and FY 2026 54.0%
 - Actual rate spent was greater than the negotiated rates
- TAMU's next F&A proposal will be based on FY 2025 data

Facilities & Administration Rates for TAMU and Peer Institutions			
	Type of Rate		
Institution Name	Research	Instruction	Other Sponsored Activity
Georgia Institute of Technology	64.6	53.4	35.9
U. Pennsylvania State	62.5	55.0	39.0
U. California, Berkeley	60.5	48.0	40.0
U. of California, Davis	60.0	50.0	42.5
U. of Illinois System	58.6	44.9	31.7
Indiana University	58.5	46.5	32.0
U. of Texas in Austin	58.5	50.0	40.0
U. California, San Diego	58.0	53.0	48.5
Ohio State University	57.5	52.0	32.0
U. California, Los Angeles	56.0	40.0	38.0
U. Michigan, Ann Arbor	56.0	54.0	29.0
U. of North Carolina	55.5	50.0	36.0
U. Wisconsin, Madison	55.5	53.0	38.0
Purdue University	55.0	54.0	38.0
U. of Minnesota	55.0	50.0	33.0
Texas A&M University 9/1/25 - 8/31/26	54.0	54.0	32.0
U. of Florida	52.5	47.5	32.6
Average	57.5	50.3	36.4

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JANUARY 4, 2023

Questions?