

Cost Principles & Budgeting

Uniform Guidance Subpart E

- Cost Considerations
- Types of Costs



UG 2CFR Part 200

Subpart E Cost Principles 200.400-200.475

& Appendices III - IX

- ❑ **Appendix III to Indirect Costs for (IHEs)**
- ❑ Appendix IV Indirect Costs for Nonprofit
- ❑ Appendix V Costs for State/Local Government
- ❑ Appendix VI Costs for State Public Assistance
- ❑ Appendix VII Indirect Costs for States and Local Government and Indian Tribes
- ❑ Appendix VIII List of Nonprofit Organizations
- ❑ Appendix IX Hospital Cost Principles (45CFR Part 75 Appendix E)



UG 200.400

Policy Guidance

- ❑ (c) The non-Federal entity has the primary responsibility for employing whatever form of sound organization and management techniques may be necessary in order to assure proper and efficient administration of the Federal award.
- ❑ (d) Application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity.



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Policy Guidance

- ❑ (f) For non-Federal entities that educate and engage students in research, the dual role of students as both trainees and employees (including pre- and post-doctoral staff) contributing to the completion of Federal awards for research must be recognized in the application of these principles.
- ❑ (g) Non-Federal entity may not earn or keep any profit resulting from Federal financial assistance



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These Cost Principles do not apply to federal financing in the form of:

- Scholarships, fellowships, traineeships or other fixed amounts based on education allowance or published tuition rates/fees.
- Awards based on case counts or number of beneficiaries
- Fixed amount awards
- Federal awards to hospitals see Appendix IX to Part 200—Hospital Cost Principles
- Exempt non-profits that operate similar to for-profits. List is in Appendix VIII.



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UG 200.402 – 200.405

Criteria that Must be Met

ALLOWABLE

Permitted as a cost within federal regulations and sponsor's guidelines

REASONABLE

Passes the “prudent person” test

ALLOCABLE

Items charged to a project should benefit that project

CONSISTENTLY TREATED

Treating like costs the same in like circumstances



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Factors Affecting the Allowability of Costs

ALLOWABLE Permitted as a cost within federal regulations and sponsor's guidelines

The tests of allowability of costs under these principles are:

- a) they must be reasonable;
- b) they must be allocable to sponsored agreements;
- c) they must be given consistent treatment... appropriate to the circumstances;
- d) they must conform to any limitations or exclusions set forth in these principles or in the sponsored agreement



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Treating like costs the same in like circumstances



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Reasonable Costs

REASONABLE Passes the “prudent person” test

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

Reasonable Cost Considerations

- Market prices for comparable goods/services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities.
- Whether the non-Federal entity significantly deviates from its established practices and policies



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Treating like costs the same in like circumstances



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Allocable Costs

ALLOCABLE Items charged to a project should benefit that project

A cost is allocable to a particular cost objective (project), if the goods/services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

- It is incurred specifically for the work under the sponsored agreement;
- It benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods; or
- It is necessary to the overall operation of the institution and is assignable in part to the award



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Criteria that Must be Met

ALLOWABLE

Permitted as a cost within federal regulations and sponsor's guidelines

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Items charged to a project should benefit that project

CONSISTENTLY TREATED

Treating like costs the same in like circumstances



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Consistently Treated Costs

CONSISTENTLY TREATED Treating like costs the same in like circumstances

It is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal awards.



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Cost Accounting Standards (CAS) and Disclosure Statement

- IHE's that receive **\$50 million** or more in Federal awards in a fiscal year
- Must comply with the CASB's CAS located at 48 CFR 9905.501, 9905.502, 9905.505, and 9905.506
- Must disclose their cost accounting practices by filing a Disclosure Statement **(DS-2)**

9905.501

Requires consistency in estimating, accumulating, and reporting costs.

9905.502

Requires consistency in allocating costs incurred for the same purpose.

9905.505

Requires proper treatment of unallowable costs.

9905.506

Requires consistency in the accounting periods used for cost accounting.



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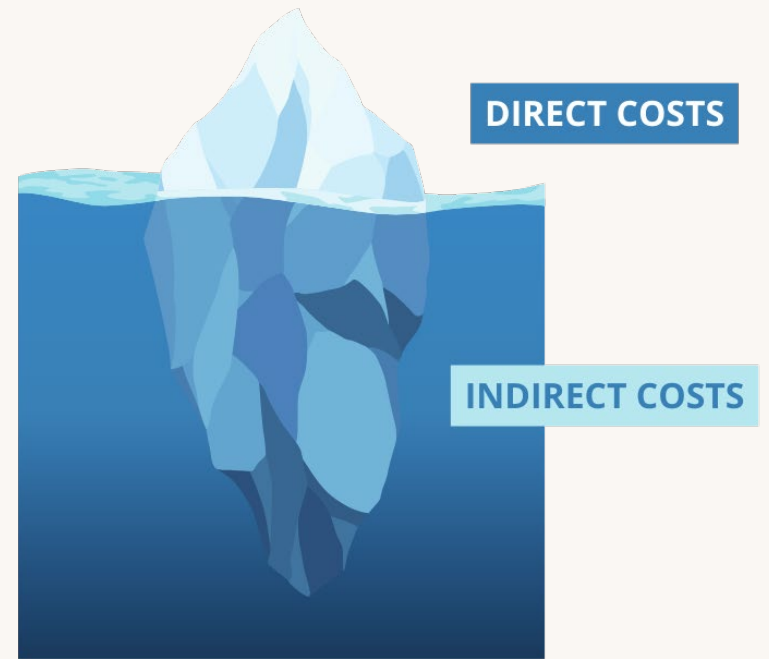
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Direct Costs

Direct Costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award

They can also be directly assigned to such activities relatively easily with a high degree of accuracy.










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Direct Costs

Costs directly associated with a sponsored project:

- Personnel (salary, wages, and associated fringe benefits) 
- Capital Equipment 
- Travel 
- Patient Care Costs 
- Participant Support Costs 
- Subcontracts 
- Other Direct Costs 



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Institutional Base Salary (IBS)

- ❑ IBS is defined as the annual compensation paid by an IHE for an individual's appointment
- ❑ IBS excludes any income that an individual earns outside of duties performed for the IHE
- ❑ Charges must not exceed the proportionate share of IBS
- ❑ In unusual cases where work is in addition to regular responsibilities, may allow additional pay
- ❑ Effort reporting system

DIRECT COSTS

- ***Personnel (salary, wages, and associated fringe benefits)***
- *Capital Equipment*
- *Travel*
- *Patient Care Costs*
- *Participant Support Costs*
- *Subcontracts*
- *Other Direct Costs*

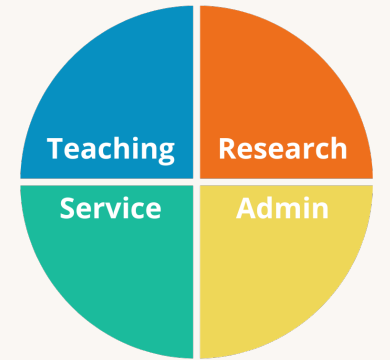


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Documentation of Personnel Expenses (Effort Reporting)

- ❑ Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.
- ❑ Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.
- ❑ Because practices vary as to the activity constituting a full workload (for IHE's, IBS), records may reflect categories of activities expressed as a percentage distribution of total activities.
- ❑ It is recognized that teaching, research, service, and administration are often inextricably intermingled in an academic setting. When recording salaries and wages charged to Federal awards for IHE's, a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.



DIRECT COSTS

- **Personnel (salary, wages, and associated fringe benefits)**
- Capital Equipment
- Travel
- Patient Care Costs
- Participant Support Costs
- Subcontracts
- Other Direct Costs



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Documentation of Personnel Expenses (Effort Reporting)

EFFORT REPORTING: COST SHARE/MATCH

- ❑ Salaries and wages of employees used in meeting cost sharing or matching requirements on Federal awards must be supported in the same manner as salaries and wages claimed for reimbursement from Federal awards.

DIRECT COSTS

- **Personnel (salary, wages, and associated fringe benefits)**
- *Capital Equipment*
- *Travel*
- *Patient Care Costs*
- *Participant Support Costs*
- *Subcontracts*
- *Other Direct Costs*



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Salaries of Administrative and Clerical Staff

- ❑ Should normally be treated as indirect (F&A) costs.
- ❑ Direct charging of these costs may be appropriate only if all of the following conditions are met:
 1. Integral to a project or activity;
 2. Individuals involved can be specifically identified with the project or activity;
 3. Cost are explicitly included in the budget or have the prior written approval of the awarding agency;
 4. Costs are not also recovered as indirect costs

DIRECT COSTS

- **Personnel (salary, wages, and associated fringe benefits)**
- *Capital Equipment*
- *Travel*
- *Patient Care Costs*
- *Participant Support Costs*
- *Subcontracts*
- *Other Direct Costs*



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Fringe Benefits / Rate

Fringe Benefits: allowances and services employers provide to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave, employee insurance, pensions, and unemployment benefits.

Calculation:

$$\text{Salary \& Wages} \times \text{Fringe Rate (\%)} = \text{Fringe Benefits}$$

DIRECT COSTS

- ***Personnel (salary, wages, and associated fringe benefits)***
- *Capital Equipment*
- *Travel*
- *Patient Care Costs*
- *Participant Support Costs*
- *Subcontracts*
- *Other Direct Costs*



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Equipment & Other Capital Expenditures

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$10,000.

- Note As of October 1, 2024 the threshold was raised from \$5,000 to \$10,000.

DIRECT COSTS

- *Personnel (salary, wages, and associated fringe benefits)*
- **Capital Equipment**
- *Travel*
- *Patient Care Costs*
- *Participant Support Costs*
- *Subcontracts*
- *Other Direct Costs*



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Travel Costs

Travel: Allowable as a direct cost where such travel will provide direct benefit to the project.

- ❑ Transportation, lodging, subsistence, and related items incurred by employees.
- ❑ May be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination.
- ❑ General Services Administration (GSA) published rates.

DIRECT COSTS

- *Personnel (salary, wages, and associated fringe benefits)*
- *Capital Equipment*
- **Travel**
- *Patient Care Costs*
- *Participant Support Costs*
- *Subcontracts*
- *Other Direct Costs*



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Travel Costs

Airfare costs in excess of the basic, least expensive, unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations would:

- (i) Require circuitous routing;
- (ii) Require travel during unreasonable hours;
- (iii) Excessively prolong travel;
- (iv) Result in additional costs that would offset the transportation savings; or
- (v) Offer accommodations not reasonably adequate for the traveler's medical needs.

DIRECT COSTS

- *Personnel (salary, wages, and associated fringe benefits)*
- *Capital Equipment*
- ***Travel***
- *Patient Care Costs*
- *Participant Support Costs*
- *Subcontracts*
- *Other Direct Costs*



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Dependent Care During Conferences

Temporary dependent care costs above and beyond regular dependent care that directly results from travel to conferences is allowable provided that:

- i) The costs are a direct result of the individual's travel for the Federal award;
- (ii) The costs are consistent with the non-Federal entity's documented travel policy for all entity travel; and
- (iii) Are only temporary during the travel period.

DIRECT COSTS

- *Personnel (salary, wages, and associated fringe benefits)*
- *Capital Equipment*
- ***Travel***
- *Patient Care Costs*
- *Participant Support Costs*
- *Subcontracts*
- *Other Direct Costs*



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Patient Care Costs

- Costs directly related to treatment required for research
 - Does not include personal expense reimbursement (such as travel, per diem, lodging)
- Details Needed:
 - Outpatient or Inpatient?
 - Number of patients
 - Frequency and number procedures performed

DIRECT COSTS

- *Personnel (salary, wages, and associated fringe benefits)*
- *Capital Equipment*
- *Travel*
- **Patient Care Costs**
- *Participant Support Costs*
- *Subcontracts*
- *Other Direct Costs*



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Participant Support Costs

PSC: Direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.

- **Requires Prior Agency Approval**
- **F&A is not charged on these costs**

DIRECT COSTS

- *Personnel (salary, wages, and associated fringe benefits)*
- *Capital Equipment*
- *Travel*
- *Patient Care Costs*
- **Participant Support Costs**
- *Subcontracts*
- *Other Direct Costs*



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Sub-Awards

SUBAWARD: An award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity.

Examples of items required of sub-awardee:

- Certifications (Debarment, lobbying, drug-free certification, COI, etc.)
- Letter of Collaboration/Commitment
- Statement of Work
- Budget/Budget Justification

DIRECT COSTS

- *Personnel (salary, wages, and associated fringe benefits)*
- *Capital Equipment*
- *Travel*
- *Patient Care Costs*
- *Participant Support Costs*
- **Subcontracts**
- *Other Direct Costs*



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Sub-Awards

- ❑ The sub-recipient will be included as a co-author on any publications
- ❑ Formal proposal signed by authorized representative with a statement of work and budget are required
- ❑ F&A is charged on the first \$50,000 of subaward. **Example using a 48.5% NICRA:**

	YEAR 1	YEAR 2	YEAR 3
Sub A	\$25k	\$25k	\$25k
Sub B	\$0	\$25k	\$25k
F&A Sub A	\$12,125	\$12,125	\$0
F&A Sub B	\$0	\$12,125	\$12,125

DIRECT COSTS

- Personnel (salary, wages, and associated fringe benefits)
- Capital Equipment
- Travel
- Patient Care Costs
- Participant Support Costs
- **Subcontracts**
- Other Direct Costs



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Contractors

UG 200.22 - CONTRACT:

A legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award.

- Often called Subcontractor or Vendor
- Provides Goods & Services
- Not subject to the award requirements
- F&A charged on full amount

DIRECT COSTS

- *Personnel (salary, wages, and associated fringe benefits)*
- *Capital Equipment*
- *Travel*
- *Patient Care Costs*
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- *Subcontracts*
- ***Other Direct Costs***



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Publication & Printing Costs

- ❑ Publication costs for electronic and print media are allowable
- ❑ Page charges for professional journal publication are allowable where:
 - The publications report work supported by the Federal Government; and
 - The charges are levied impartially on all items published by the journal, whether or not under a Federal award.
 - The non-Federal entity may charge the Federal award before closeout for the costs of publication or sharing of research results if the costs are not incurred during the period of performance of the Federal award.

DIRECT COSTS

- *Personnel (salary, wages, and associated fringe benefits)*
- *Capital Equipment*
- *Travel*
- *Patient Care Costs*
- *Participant Support Costs*
- *Subcontracts*
- ***Other Direct Costs***



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Specialized Service Facilities

- ❑ *Examples:* computing facilities, wind tunnels, reactors
- ❑ Costs must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that:
 - Does not discriminate between activities under Federal awards and other activities of the non-Federal entity
 - Is designed to recover only the aggregate costs of the services

DIRECT COSTS

- *Personnel (salary, wages, and associated fringe benefits)*
- *Capital Equipment*
- *Travel*
- *Patient Care Costs*
- *Participant Support Costs*
- *Subcontracts*
- ***Other Direct Costs***



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UG 200.471

Telecommunication & Video Surveillance Costs

- ❑ Allowable *except* for those items described in 200.216 to:
 - Procure or obtain, extend or renew a contract to procure or obtain;
 - Enter into a contract to procure
 - Obtain the equipment or services
 - Produced by Huawei Technologies Company or ZTE Corporation (or any [subsidiary](#) or affiliate of such entities).

DIRECT COSTS

- *Personnel (salary, wages, and associated fringe benefits)*
- *Capital Equipment*
- *Travel*
- *Patient Care Costs*
- *Participant Support Costs*
- *Subcontracts*
- ***Other Direct Costs***



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Tuition

Tuition paid as, or in lieu of, wages to students performing necessary work is allowable provided that -

- (1) The individual is conducting activities necessary to the federal award;
- (2) Tuition remission and other support are provided in accordance with established policy of the IHE and consistently provided in a like manner to students in return for similar activities conducted under federal awards as well as other activities; and
- (3) During the academic period, the student is enrolled in an advanced degree program at the institution or affiliated institution and the activities of the student in relation to the Federally sponsored research project are related to the degree program;
- (4) the tuition or other payments are reasonable compensation for the work performed and are conditioned explicitly upon the performance of necessary work; and
- (5) it is the IHE's practice to similarly compensate students under federal awards as well as other activities.

DIRECT COSTS

- *Personnel (salary, wages, and associated fringe benefits)*
- *Capital Equipment*
- *Travel*
- *Patient Care Costs*
- *Participant Support Costs*
- *Subcontracts*
- **Other Direct Costs**



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Unallowable Cost Items

- ☐ Advertising and Public Relations
- ☐ Advisory Councils
- ☐ Alcoholic Beverages
- ☐ Alumni Activities
- ☐ Bad Debts
- ☐ Entertainment Costs
- ☐ Fines, Penalties
- ☐ Fundraising
- ☐ Lobbying

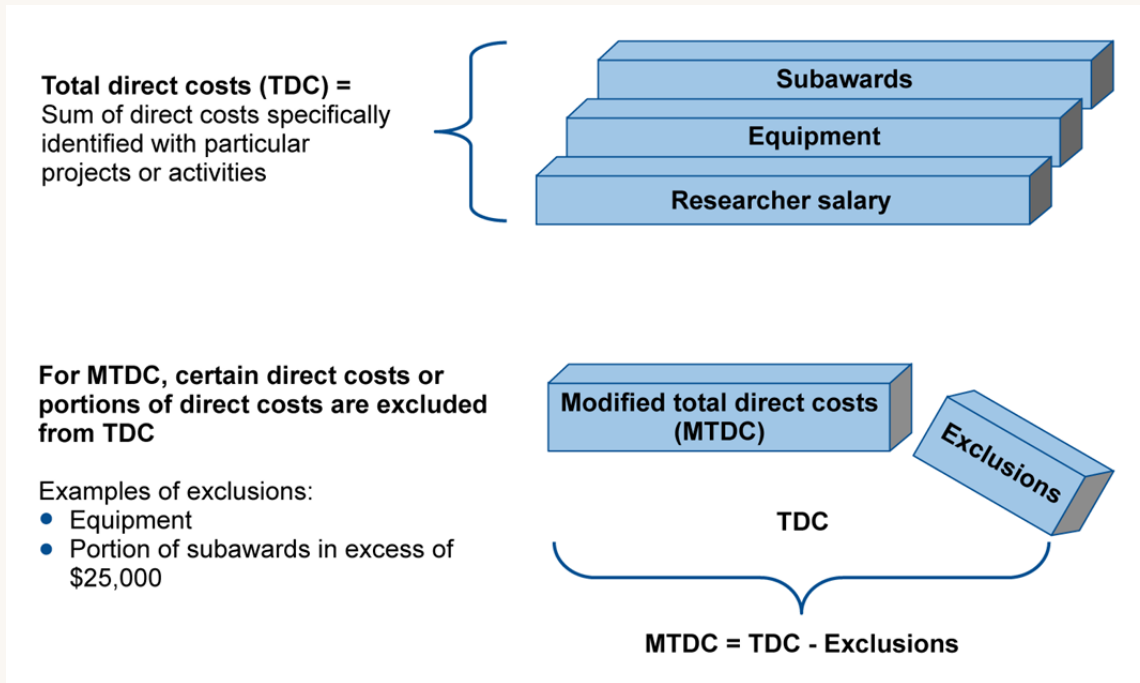


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Modified Total Direct Costs (MTDC)

MTDC is used as an IDC base and consists of all direct costs less certain categories of exclusions (modifications).



INCLUDES:

- Direct salaries and wages
- Applicable fringe benefits
- Materials/Supplies
- Travel
- Services
- Up to the first \$50k of each subaward**

EXCLUDES:

- Capital equipment
- Participant support
- Patient care costs
- Tuition
- Rent (off-site)
- Scholarships/Fellowships
- Portion of subawards in excess of \$50,000**

****Increased from \$25k to \$50k effective 10/01/2024**



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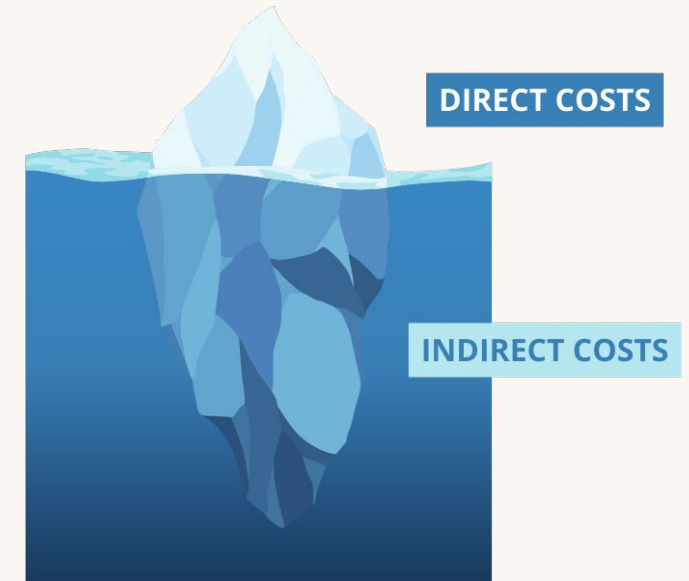
UG 200.414

Indirect (F&A) Costs

INDIRECT COSTS:

Sometimes called “overhead,” Indirect Costs (IDC) are those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

- To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs.
- Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived



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UG 200.414 - Indirect (F&A) Costs

Costs of Federally Sponsored Research

The total cost of federally sponsored research includes a combination of both direct expenditures and facilities and administrative (F&A) costs, also known as indirect costs. Both types of expenditures are essential to an institution's ability to conduct cutting-edge research. F&A costs consist of the construction and maintenance costs of laboratories and high-tech facilities; energy and utility expenses; and safety, security, and other government-mandated expenses. Research is impossible without the infrastructure investments that F&A costs create and sustain.



Direct costs: These expenses cover the salaries and stipends for researchers and graduate students; project-specific lab supplies and equipment; travel costs for conducting, sharing, and publishing research results; and other related activities

No federal funds used: Upkeep of any building space not used directly for federally funded research, such as classrooms or lobbies, is not covered by F&A reimbursement

F&A costs: Personnel in support of research, including security, financial, administrative, technical, maintenance, and janitorial staff

F&A costs: Radiation, biological, and chemical safety, including safety training and hazardous waste disposal

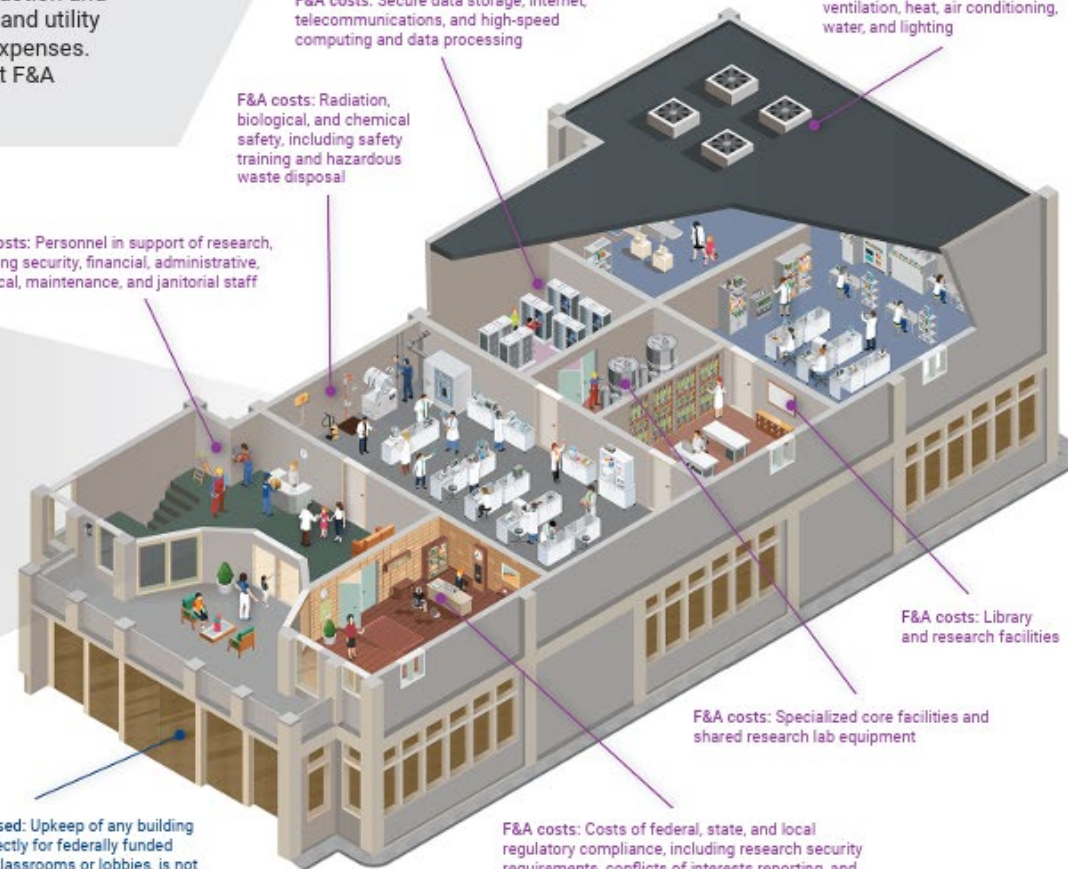
F&A costs: Secure data storage, internet, telecommunications, and high-speed computing and data processing

F&A costs: Utilities, including ventilation, heat, air conditioning, water, and lighting

F&A costs: Library and research facilities

F&A costs: Specialized core facilities and shared research lab equipment

F&A costs: Costs of federal, state, and local regulatory compliance, including research security requirements, conflicts of interests reporting, and human and animal safety review boards



UG 200.414

Indirect (F&A) Costs

Facilities & Administration (F&A)

↳ FACILITIES

“Facilities” components include:

- Depreciation on buildings, equipment and capital improvement
- Interest on debt associated with certain buildings, equipment and capital improvements
- Operations and maintenance expenses
- Library



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Indirect (F&A) Costs

Facilities & Administration (F&A)

ADMINISTRATION ←

“Administration” capped at 26% of MTDC includes:

- General administration and general expenses such as the director's office, accounting, personnel
- Departmental administration
- Sponsored project administration
- Student administration and services and all other types of expenditures not listed specifically under one of the subcategories of “Facilities



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UG Appendix III

Major Functions of an Institution

INSTRUCTION

**ORGANIZED
RESEARCH**

**OTHER
SPONSORED
ACTIVITIES**

**OTHER
INSTITUTIONAL
ACTIVITIES**

As defined in the UG & the circulars



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UG Appendix III

Major Functions of an Institution

INSTRUCTION:

The teaching and training activities of an institution.

1. Sponsored instruction and training means specific instructional or training activity established by grant, contract, or cooperative agreement.
2. Departmental research means research, development and scholarly activities that are not organized research and, consequently, are not separately budgeted and accounted for.



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UG Appendix III

Major Functions of an Institution

INSTRUCTION

**ORGANIZED
RESEARCH**

**OTHER
SPONSORED
ACTIVITIES**

**OTHER
INSTITUTIONAL
ACTIVITIES**

As defined in the UG & the circulars



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UG Appendix III

Major Functions of an Institution

ORGANIZED RESEARCH:

All research and development activities of an institution that are separately budgeted and accounted for.

1. Sponsored research means all research and development activities that are sponsored by Federal and non-Federal agencies and organizations.
2. University research means all research and development activities that are separately budgeted and accounted for by the institution under an internal application of institutional funds.

TREATMENT OF COST SHARE IN ORGANIZED RESEARCH IDC BASE:

Only mandatory cost sharing, or cost sharing specifically required to be committed in the project budget, must be included in the organized research base for computing the indirect (F&A) cost rate or reflected in any allocation of IDC.

- Salary costs above the statutory limits are not considered cost sharing.



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UG Appendix III

Major Functions of an Institution

INSTRUCTION

**ORGANIZED
RESEARCH**

**OTHER
SPONSORED
ACTIVITIES**

**OTHER
INSTITUTIONAL
ACTIVITIES**

As defined in the UG & the circulars



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UG Appendix III

Major Functions of an Institution

OTHER SPONSORED ACTIVITIES:

Programs and projects financed by Federal and non-Federal agencies/organizations which involve the performance of work other than instruction and organized research

Example:

- Health or community service projects



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UG Appendix III

Major Functions of an Institution

INSTRUCTION

**ORGANIZED
RESEARCH**

**OTHER
SPONSORED
ACTIVITIES**

**OTHER
INSTITUTIONAL
ACTIVITIES**

As defined in the UG & the circulars



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UG Appendix III

Major Functions of an Institution

OTHER INSTITUTIONAL ACTIVITIES:

All activities of an institution **except** instruction, departmental research, organized research, and other sponsored activities.

Includes:

- Operation of residence halls, dining halls, hospitals and clinics, student unions, and similar auxiliary enterprises.
- Costs of which are “unallowable” to federal awards



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Cost Accounting Period

- ❑ Institutions should use their **fiscal year** as their cost accounting period
- ❑ The same cost accounting period shall be used for accumulating costs in an F&A cost pool as for establishing its allocation base, except that the Federal Government and educational institution may agree to use a different period for establishing an allocation base.



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Methods of F&A Calculation

NON-PROFITS:

- ☐ Direct Allocation
- ☐ Multiple Allocation
- ☐ Simplified

UNIVERSITIES:

- ☐ Standard (Long Form)
- ☐ Simplified – If expenditures are \$10M or less per fiscal year – Non-profits & IHE's
 - Salaries and Wages Base
 - Modified Total Direct Cost Base



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Methods of F&A Calculation

UNIVERSITIES:

SALARY & WAGE BASE

- Establish the total amount of S&W paid to all employees of the institution
- Establish an F&A cost pool of the expenditures customarily classified in:
 - General Administration and General Expenses
 - Operation & Maintenance of Physical Plant and Depreciation
 - Library
 - Department Administration Expenses

MODIFIED TOTAL DIRECT COST BASE

- Establish the total cost incurred by the institution
- Establish an F&A cost pool of the expenditures customarily classified in:
 - General Administration and General Expenses
 - Operation & Maintenance of Physical Plant and Depreciation
 - Library
 - Department Administration Expenses



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Establishment of F&A Rates

STANDARD – Long Form

- ❑ Begin with your financial statement
- ❑ Adjust to MTDC
- ❑ Assign expenditures to cost pools
- ❑ Remove unallowable costs from pools
- ❑ Allocate pools to major functions
- ❑ Calculate rates
- ❑ Prepare the indirect cost rate proposal and submit it to your cognizant agency
- ❑ Rate negotiation



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Establishment of F&A Rates

SPACE SURVEYS

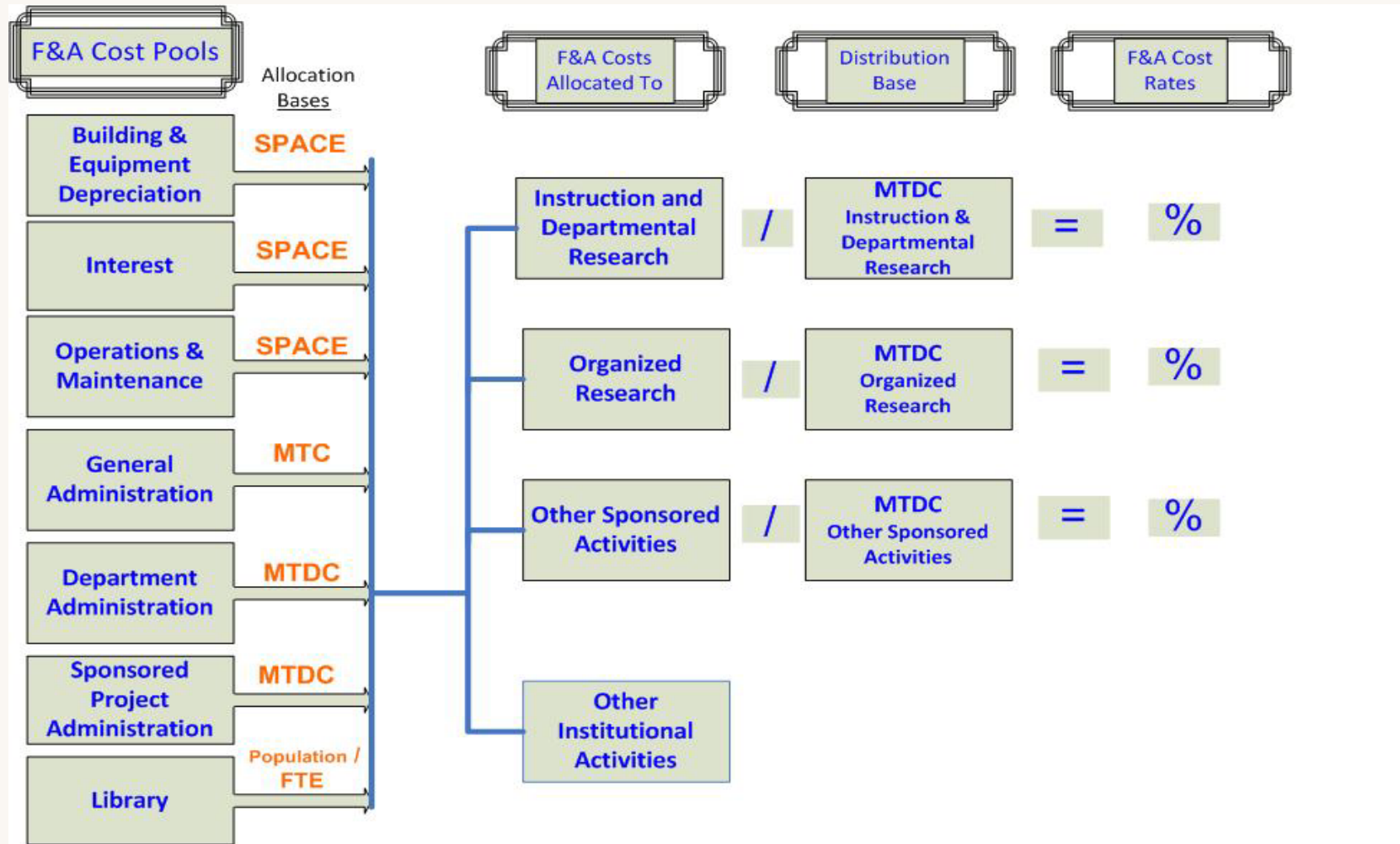
- ❑ Space related costs are allocated to buildings and then to units on the basis of assigned square footage, then to function by a space survey
- ❑ Used to calculate the % of space that is used to support **Organized Research**
- ❑ Used to allocate Building and Equipment Depreciation, Interest and O&M



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Establishment of F&A Rates



Rate Increase / Decrease Factors

Rate Increase:

- ❑ A university's research grants stay relatively flat or decrease over a period of time
- ❑ A university's F&A costs increase significantly over a period of time

Rate Decrease:

- ❑ A university's research grants increase at a rapid rate over time (includes cost share)
- ❑ A university's F&A costs stay relatively flat or decrease over a period of time



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UG 200.414

De Minimis Rate

- ❑ Non-Federal entity that does not have a current negotiated indirect cost rate (NICRA)
- ❑ May elect to charge a de minimis rate of ****15%** of modified total direct costs (MTDC)
 - ❑ *****NOTE: Rate increased from 10% to 15% effective 10/01/2024***
- ❑ No documentation is required to justify the de minimis rate



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Types of Indirect Cost Rates

PREDETERMINED RATE

- ❑ Preferred method
- ❑ Negotiated for period of 2 – 4 years
- ❑ Used where the cost experience are deemed sufficient to enable the parties involved to reach an informed judgment as to the probable level of F&A costs during the ensuing accounting periods
- ❑ Not subject to adjustment



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Types of Indirect Cost Rates

PROVISIONAL RATE

- ❑ Temporary IDC rate; applicable to a specified period pending the establishment of a final rate for that period

FINAL RATE

- ❑ Applicable to a specified *past* period which is based on actual costs of the period

FIXED RATE

- ❑ Same characteristics as a predetermined rate, except that the difference between the estimated costs and the actual costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period
- ❑ May be negotiated where predetermined rates are not appropriate



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Rates for the Life of the Sponsored Agreement

- ❑ *UG Appendix III Section C.7*
- ❑ Federal agencies shall use the negotiated rates for F&A costs in effect at the time of the initial award throughout the life of the Federal award
- ❑ “Life,” for the purpose of this subsection, means each competitive segment of a project. A competitive segment is a period of years approved by the Federal agency at the time of the award

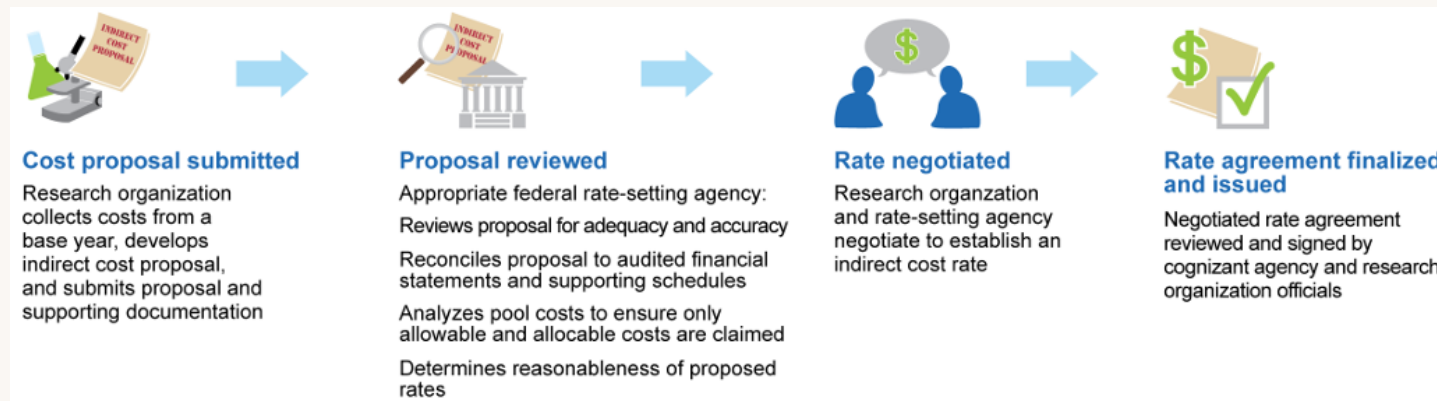


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F&A Rate Negotiation

- ❑ Cognizant agency assignments: "A cognizant agency" means the Federal agency responsible for negotiating and approving F&A rates for an educational institution on behalf of all Federal agencies.
- ❑ Either DHHS or ONR normally depending on which agency provides more funds to the educational institution for the most recent three years



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Acceptance of IDC Rate

- ❑ Negotiated rates must be accepted by all Federal awarding agencies.
- ❑ Agency may use a rate different from the negotiated rate only when:
 - *Required by Federal statute or regulation; or*
 - *When approved by a Federal awarding agency head.*



On-Campus vs. Off-Campus

ON-CAMPUS:

- ❑ Organized Research
- ❑ Instruction
- ❑ Other Sponsored Activity

OFF-CAMPUS:

Definition: For all activities performed in facilities not owned by the institution and to which rent is directly allocated to the project(s)

- ❑ Off-campus – all programs
- ❑ The off-campus rate only includes that administration portion of the F&A rate



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Sponsors/Agencies with Unusual Budget Rules

USDA:

- ❑ USDA often requires IDC to be calculated at 30% of Total Federal Funds awarded
- ❑ This is equal to 42.857% of Total Direct Costs (TDC)

NIH Modular Budgets:

- ❑ Up to \$250,000 per year in direct costs
- ❑ Direct costs requested in modules of \$25,000
- ❑ Flat funding – no future year escalation
- ❑ Extra module for justified purpose



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Example NICRA (TAMU)

SECTION I: Facilities And Administrative Cost Rates

RATE TYPES: FIXED FINAL PROV. (PROVISIONAL) PRED. (PREDETERMINED)

EFFECTIVE PERIOD

<u>TYPE</u>	<u>FROM</u>	<u>TO</u>	<u>RATE (%)</u>	<u>LOCATION</u>	<u>APPLICABLE TO</u>
PRED.	09/01/2022	08/31/2023	51.50	On Campus	Organized Research & Instruction
PRED.	09/01/2023	08/31/2025	52.50	On Campus	Organized Research & Instruction
PRED.	09/01/2025	08/31/2026	54.00	On Campus	Organized Research & Instruction
PRED.	09/01/2022	08/31/2026	32.00	On Campus	Other Sponsored Activities
PRED.	09/01/2022	08/31/2026	10.50	Off Campus	IPA Programs
PRED.	09/01/2022	08/31/2026	26.00	Off Campus	All Programs



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Example NICRA (TAMU)

COMPONENTS OF PUBLISHED F&A COST RATE

INSTITUTION: Texas A&M University - College Station

FY COVERED BY RATE: September 1, 2022 - August 31, 2026

APPLICABLE TO: ORGANIZED RESEARCH

<u>RATE COMPONENT:</u>	<u>ORGANIZED RESEARCH & INSTRUCTION FY 23 ON CAMPUS</u>	<u>ORGANIZED RESEARCH & INSTRUCTION FY 24-25 ON CAMPUS</u>	<u>ORGANIZED RESEARCH & INSTRUCTION FY 26 ON CAMPUS</u>	<u>OTHER SPONSORED ACTIVITIES FY 23-26 ON CAMPUS</u>	<u>ALL PROGRAMS FY 23-26 OFF CAMPUS</u>
Building Depreciation	6.6	6.9	7.3	1.0	
Equipment Depreciation	4.4	4.6	4.9	4.0	
Interest	2.7	2.8	3.0	0.1	
Operation & Maintenance	10.3	10.7	11.3	0.9	
Library	1.5	1.5	1.5		
Administration*	26.0	26.0	26.0	26.0	26.0
TOTAL	51.5	52.5	54.0	32.0	26.0

* Reflects provisions of Appendix III to Part 200 of Uniform Guidance—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs), C.S. dated December 26, 2013.



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Practice Questions

A researcher is proposing a budget to NSF for \$50,000 in equipment. The Indirect Rate is 46%. How much money will be available for equipment?

A. \$22,750

B. \$27,250

C. \$50,000

D. \$24,000

Answer: C. \$50,000

No indirect is charged on equipment



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How to calculate indirect costs based on Total Project Costs (TPC) or Total Funds Requested

The easiest way to do this calculation is to first convert the TPC rate to a TDC rate using the following formula:

Example: Sponsor limits the F&A costs on the proposals to 20% of the Total Funds requested

$$\frac{\text{TPC indirect rate}}{(1 - \text{TPC indirect rate})} = \text{TDC indirect rate}$$

$$\frac{20\%}{(1 - 20\%)} = \frac{20}{(100 - 20)} = \frac{20}{(100 - 20)} = \frac{20}{80}$$

$$= 0.25 = \mathbf{25\% \text{ TDC}}$$



A researcher is applying to a USDA program that requires indirect costs to equal 30% of total costs. Which IDC rate below can be used to meet this requirement?

A. 30% TDC

B. 33.333% TDC

C. 43.547% TDC

D. 42.857% TDC

$$\frac{\text{TPC indirect rate}}{(1 - \text{TPC indirect rate})} = \text{TDC indirect rate}$$

$$\frac{30}{(100 - 30)} = \frac{30}{70} = 0.42857 = 42.857\% \text{ TDC}$$

Answer: D. 42.857% TDC



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XYZ University has an indirect cost rate of 45.5%. A project is budgeted at \$125,000 in direct costs and includes permanent equipment at \$30,000 which is the only item excluded from the indirect cost base. What are the total project costs?

A. \$195,525

B. \$168,225

C. \$181,875

D. \$246,000

Answer: B. \$168,225

1. $\text{MTDC} = \$125,000 \text{ (Direct Costs)} - \$30,000 \text{ (Permanent Equipment)} = \$95,000$
2. $\text{Modified Total Direct Costs} = \$95,000$
3. $\$95,000 \text{ (MTDC)} * 45.5\% \text{ (Indirect Rate)} = \$43,225 \text{ (F\&A Costs)}$
4. $\$125,000 \text{ (direct costs)} + \$43,225 \text{ (F\&A Costs)} = \$168,225 \text{ Total Project Costs}$



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A DOE solicitation requires cost sharing – 20% of Total Project Costs. Total Sponsor Costs (federal dollars) are \$300,000. What is the Total Cost Sharing amount required ?

A. \$75,000

B. \$65,000

C. \$60,000

D. \$72,500

Answer: A. \$75,000

1. $100\% - 20\% (X) = 80\% (Y)$
2. $20\% (X) / 80\% (Y) = 25\% (Z)$
3. $\$300,000 \times 25\% = \$75,000$

X = Cost Sharing % Required

Y = Portion of Total Project Cost requested from sponsor

Z = Cost Share Multiplier (*calculated*)



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A researcher has permission to rebudget \$75,000 from equipment into a research associate salary. If the institutions indirect cost rate (based on MTDC) is 50% and the fringe benefit rate for a research associate is 30%, how much money will be available for the research associate's salary?

A. \$37,500

B. \$57,692

C. \$38,461

D. \$50,000

Answer: C. \$38,461

1. $\$75,000 / 1.5 (X) = \$50,000$ (Salary & Fringe)
2. $\$50,000 / 1.3 (Y) = \mathbf{\$38,461}$



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Professor Smith's 9 month salary is \$185,000. He plans to include 2 months effort, \$10,000 for materials & supplies, \$6,000 in equipment, and \$3,000 for travel in his budget to the National Cancer Institute. Assuming a fringe rate of 28%, F&A rate of 52%, and a current NIH Salary Cap of \$225,700, what is the total budget cost?

A. \$120,066

B. \$102,066

C. \$95,600

D. \$98,946

Answer: D. \$167,453

1. Is the PI subject to the NIH Salary Cap?

$$\$185,000 / 9 = \$20,556$$

$$\$20,556 \times 12 = \$246,667$$

$$\$246,667 > \$225,700 \rightarrow \text{YES!}$$

2. Salary = 2 months x (\$225,700 / 12) = \$37,616

3. Fringe = \$37,616 x 28% = \$10,533

4. Materials/Supplies: \$10,000

5. Travel: \$3,000

6. Equipment: \$6,000

7. IDC = \$61,149 (MTDC) x 52% = \$31,797

8. Total Budget = \$67,149 (TDC) + \$31,797 (IDC) = **\$98,946**



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THANK YOU

Texas A&M University
Division of Marketing & Communication