Indirect Cost
Facilities and Administration (F&A)
Overview
June 15, 2021
Meet Our Presenters

Vicki Nichol  
Campus Controller

Elizabeth Spencer  
Associate Director, Accounting

Moderated by:  
Sharon DeCarlo  CCO Training Team
Ask Questions at Any Time

Using the Chat Feature
Recording and Slides Available

colorado.edu/controller/training
Poll Question #1
Multiple Choice
What is your level of understanding about F&A?
Indirect Cost
Facilities and Administration (F&A)
What it’s all about and why it’s important to CU Boulder

Audience:
Please be sure to mute yourself on Zoom and get ready to adjust your volume.
To advance our nation’s economy security and health around the time of WWII, the federal government decided to partner with universities to conduct research on behalf of the government. Central to this partnership is federal grant money.

Performing research on behalf of federal agencies incurs a variety of costs that universities would not otherwise have, both leading up to and while conducting a specific research project.

Indirect cost (F&A) payments help reimburse a portion of the university’s infrastructure and operational costs related to federally-funded research that have already been incurred and reviewed.
Indirect Costs

Expenses that indirectly support research

- Operation and maintenance of research facilities
- Utilities for the research spaces
- Personnel in support of research
- Library costs

Source: COGR, Costs of Research infographic
Direct Costs

Expenses that directly support research

Salary for researchers and lab personnel

Lab supplies and materials

Capital equipment specifically for research

Travel costs (sponsor approved)

Source: COGR, Costs of Research infographic
Poll Question #2

Multiple Choice

Is F&A charged on all direct costs? If not, which ones are excluded?
Modified Total Direct Cost (MTDC)

Not all direct costs are subject to F&A. Some costs, like the exemptions listed here, are not included in our calculated F&A rate.

Exemptions include:

- **Subaward** amount over $25K
- **Capital Equipment** and other capital expenses
- **Tuition Remission**, Scholarships, Fellowships
- **Participant Support** Costs
- **Rental** Costs
Calculated Rate

\[
\text{F&A Rate} = \frac{\text{Allowable Indirect Costs}}{\text{Modified Total Direct Costs (MTDC)}}
\]

Allowability is determined by Federal Uniform Guidance
For more information, contact the Campus Controller’s Office
Every four to five years CU Boulder negotiates a new F&A rate (officially known as an indirect cost rate agreement) with our cognizant audit agency, the Department of Health and Human Services.
Poll Question #3

True or False

An F&A calculated rate is the same as an F&A negotiated rate?
Calculated rate is not the same as the **negotiated** rate.
<table>
<thead>
<tr>
<th>Direct Cost Pools</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Instruction</strong></td>
</tr>
<tr>
<td>Faculty activity that is not separately budgeted</td>
</tr>
<tr>
<td><strong>Organized Research</strong></td>
</tr>
<tr>
<td>Inquiry, experiment, or investigation that is separately budgeted</td>
</tr>
<tr>
<td><strong>Other Sponsored Activity</strong></td>
</tr>
<tr>
<td>Service agreements and public service projects</td>
</tr>
<tr>
<td><strong>Other Institutional Activities</strong></td>
</tr>
<tr>
<td>Auxiliaries enterprises and internal service activities</td>
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</tbody>
</table>
Facilities Cost Pools (indirect)

**Building & Capital Equipment Depreciation**
- Depreciation for CU Boulder buildings and non-structural improvements
- Depreciation for capitalized equipment

**Operations & Maintenance**
- Utilities (lights, heat, water, etc.); custodial services; building and equipment maintenance; public safety; grounds and deferred maintenance; facilities management administration

**Interest on Construction Bonds**
- Interest costs incurred and identifiable to research buildings constructed after July 1, 1982.

**Library**
- Running and maintaining the CU Boulder library system
- Purchase of new books
- Library administrative costs including, director, libraries and administrative staff, office supplies and other operating expenses

Source: [Costs of Sponsored Projects, Understanding F&A Costs](#)
Administration Cost Pools (indirect)

Administration costs are capped at 26% for research.

General & Administrative Expenses
Costs associated with general and academic administration of benefit to the entire university.

Departmental Administration
Dean, school, and academic department management

Sponsored Projects Administration
Costs incurred specifically for sponsored projects.

Student Services Administration
Costs incurred for services to students.

Source: Costs of Sponsored Projects, Understanding F&A Costs
Cost Pools

Total University Expenditures
Remove Exclusions
Allocate into Cost Pools

Facilities Cost Pools
- Building Depreciation
- Capital Equipment Depreciation
- Interest
- Operations & Maintenance
- Libraries

Administration Cost Pools
- General & Administrative
- Departmental Administration
- Sponsored Projects Admin
- Student Services

Indirect

Facilities Cost Pools

Direct

Instruction (On, Off-campus)

Organized Research (On, Off, LASP)

Other Sponsored Activity

Other Institutional Activities
Cost Pools, Allocation Example

Building A
$20,000 utility expense, allocating over 100,000 square feet, based on space survey

Research
40,000 square feet (40%)
Organized Research (On-Campus) $8,000

Instruction
60,000 square feet (60%)
Instruction (On-Campus) $12,000
**Calculated Rate**

**F&A Rate**

\[
\text{F&A Rate} = \frac{\text{Allowable Indirect Costs}}{\text{Modified Total Direct Costs (MTDC)}}
\]

*Allowability* is determined by Federal Uniform Guidance

For more information, contact the Campus Controller’s Office
16% F&A Rate = $8,000 Allowable Indirect Costs / $50,000 Modified Total Direct Costs (MTDC)

Allowability is determined by Federal Uniform Guidance. For more information, contact the Campus Controller’s Office.
Survey data collected will be used to allocate the indirect costs to the direct costs for the calculation.
# Current F&A Rates

<table>
<thead>
<tr>
<th>Current Approved Agreement (based on FY12 base year)</th>
<th>In Current Negotiations (based on FY17 base)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-Campus Research</td>
<td>Other Institutional Activities</td>
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<tr>
<td>Off-Campus Research</td>
<td>Other Sponsored Activities</td>
</tr>
<tr>
<td>LASP</td>
<td></td>
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<tr>
<td>On-Campus Instruction</td>
<td></td>
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<tr>
<td>Off-Campus Instruction</td>
<td></td>
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<tr>
<td>Other Institutional Activities</td>
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<tr>
<td>Other Sponsored Activities</td>
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<tbody>
<tr>
<td>On-Campus Research</td>
<td>Off-Campus Research</td>
</tr>
<tr>
<td>Research</td>
<td>Research</td>
</tr>
<tr>
<td>54.0%</td>
<td>26%</td>
</tr>
<tr>
<td>40%</td>
<td>49%</td>
</tr>
<tr>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>To come</td>
<td>To come</td>
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</tbody>
</table>

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<table>
<thead>
<tr>
<th>Organized Research F&amp;A Rate Components</th>
<th>FY12 Calculated</th>
<th>FY12 Negotiated</th>
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</thead>
<tbody>
<tr>
<td><strong>Administration Components</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Administration</td>
<td>10.06</td>
<td></td>
</tr>
<tr>
<td>Department Administration</td>
<td>15.91</td>
<td></td>
</tr>
<tr>
<td>Sponsored Projects Administration</td>
<td>2.36</td>
<td></td>
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<tr>
<td>Student services</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Uncapped Administration</strong></td>
<td>28.33</td>
<td></td>
</tr>
<tr>
<td><strong>Total Capped Administration</strong></td>
<td>26.00%</td>
<td>26.00%</td>
</tr>
<tr>
<td><strong>Facilities Components</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building Depreciation</td>
<td>5.21</td>
<td></td>
</tr>
<tr>
<td>Capital Equipment Depreciation</td>
<td>2.60</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>0.72</td>
<td></td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>14.81</td>
<td></td>
</tr>
<tr>
<td>Library</td>
<td>2.52</td>
<td></td>
</tr>
<tr>
<td><strong>Total Facilities Components</strong></td>
<td>25.86%</td>
<td>26.50%</td>
</tr>
<tr>
<td><strong>Actual Calculated</strong></td>
<td>51.86%</td>
<td></td>
</tr>
<tr>
<td><strong>Projections of research space additions</strong></td>
<td>8.41%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Rate</strong></td>
<td>60.27%</td>
<td>52.50%</td>
</tr>
</tbody>
</table>
**Timelines**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Phase 1</th>
<th>Phase 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Library Survey</td>
<td>Begins July 1, 2021</td>
<td>Complete June 30, 2022</td>
</tr>
<tr>
<td>Proposal</td>
<td>Build F&amp;A Proposal September - December 2022</td>
<td>Submission of F&amp;A Proposal December 2022</td>
</tr>
<tr>
<td>Negotiation</td>
<td>Work with external consultants</td>
<td>Indeterminate and ongoing</td>
</tr>
</tbody>
</table>
Summary

The F&A cost rate is:
❖ Used for reimbursement of costs incurred to support research activity
❖ Does not recover all support costs due to imposed caps and the negotiation process

The process of developing the rate is:
❖ Based on expenses, metrics and research activity from one year (base year)
❖ Requires surveys to collect non-financial data

The result:
❖ Allows CU the ability to support and invest in research that positively impacts students and sets us apart from other universities.
Questions?

Before you go, please complete the feedback survey
https://cuboulder.qualtrics.com/jfe/form/SV_9uVbzfL59PdkR6K

Thank you!