Facilities & Administrative Rate

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Higher Education: 4 Major Functions

- Instruction
- Organized Research
- Other Sponsored Activities
- Other Institutional Activities
F&A Rates

- All research and development activities of an institution Facilities and Administrative Cost - also known as *Indirect Cost, Overhead Cost*
- F&A Rates are Calculated per Major Function once every 3 or 4 years by the Office of Cost Studies
- F&A Rates of Instruction, Organized Research, and Other Sponsored Activities are then *Negotiated* with the Federal government
- **Organized Research** accounts for the largest reimbursement of the F&A Cost and is today’s focus
Organized Research

• All research and development activities of an institution are separately budgeted and accounted for including:

1. **Sponsored Research**: All research and development activities that are sponsored by Federal and non-Federal agencies and organizations

2. **University Research**: All research and development activities that are separately budgeted and accounted for by the institution under an internal application of institutional funds
F&A Rate Calculation

- The rate is based on a periodic calculation and submission of a rate proposal, which is then negotiated with Northwestern’s cognizant agency (DHHS)

\[
\text{Indirect Costs} \quad \frac{\text{Supporting Organized Research}}{\text{Direct Costs} \quad \text{of Organized Research}} = 54.5\%
\]
F&A Rate Development Methodology

Indirect Cost Assignment & Allocation

Instruction
Organized Research
Other Sponsored Activities
Other Institutional Activities

Direct Cost Buckets
The F&A Ratio

The “Pools”
- Facilities costs
- Administrative costs
- Based on allocations of actual costs

Indirect Cost “Pools”
\[ \frac{\text{Indirect Cost “Pools”}}{\text{Direct Cost “Base”}} = 54.5\% \]

The Base
- Based on actual costs charged to research projects
- Typically expressed as MTDC but can be TDC or salary & wages

The Ratio
Facilities & Administrative Costs

Facilities Related Costs
- Building Depreciation/ Use Allowance
- Equipment Depreciation/ Use Allowance
- Interest
- Operations & Maintenance
- Library

Administrative Related Costs
- General Administration (GA)*
- Department Administration (DA)*
- Sponsored Projects Administration (SPA)*
- Student Services
F&A Rate Calculation

1. Assign expenditures to pools and bases by function code
2. Remove unallowable costs from pools*
3. Allocate allowable pool costs to major functions
4. Divide: F&A Costs allocated to OR/MTDC* of OR
Step 3: Allocate Allowable Pool Costs to Major Functions

<table>
<thead>
<tr>
<th>Indirect Cost Pool</th>
<th>Allocation Basis</th>
<th>Allocation Basis Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities</td>
<td>Square Feet</td>
<td>• Allocation Statistic is equal to Sq. Ft used for each Major Function divided by Total Assignable Sq. Ft</td>
</tr>
<tr>
<td>Admin</td>
<td>Modified Total Cost of each major function</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Major Function</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Administration</td>
<td>University-wide MTC</td>
</tr>
<tr>
<td>Department Administration</td>
<td>School/ Department MTC</td>
</tr>
<tr>
<td>Sponsored Projects Administration</td>
<td>Sponsored project MTC</td>
</tr>
<tr>
<td>Student Services</td>
<td>Allocated 100% to Instruction</td>
</tr>
</tbody>
</table>
How F&A Costs are Distributed

- **Allowable Facilities Related Indirect Costs**: $150M
- **Allowable Administrative Indirect Costs**: $50M

**Space Allocations**
- $32M
- $2.5M
- $52.5M
- $20.0M
- $22.5M
- $1.25M
- $45M
- $6.25M

**MTC & Other Allocations**
- $54.5M
- $72.5M
- $23.75M
- $51.25M

**Organized Research**: $100M MTDC

**Instruction**: $200M MTDC

**Other Sponsored Activities**: $10M MTDC

**Other Institutional Activities**: $90M MTDC
Organized Research – F&A Rate

Allowable Facilities Related Indirect Costs $150M

Allowable Administrative Indirect Costs $50M

Space Allocations 25% to Research

$32M

$22.5M

$54.5M F&A

MTC & Other Allocations 45% to Research

= 54.5% Research F&A Cost Rate

Organized Research $100M MTDC
Space Survey

Why is it Important?
• Cost allocation for building and equipment deprecation/interest
• Operations and maintenance
• Rate is uncapped

How Can You Help?
• Key for F&A rate calculation*
• Offices will be calculated based on salary distribution by the Office of Cost Studies*
• For labs, account for who worked in the lab
  – Understand the funding per lab
  – Training grants vs. research grants
  – Recharge
Maximizing F&A Recovery

• F&A recovery is a critical part of the University’s budget and necessary to support a sustained investment in the research enterprise

• Negotiated rate is almost always less than the actual calculated rate*

• Accessing the F&A rate represents recovery of costs already incurred by the University, which benefited the sponsors
F&A Rate Calculation: How Can You Help?

Conduct the following activities *Timely and Appropriately*:

- Effort reporting (working with Cost Studies)
- Space survey (working with Facility Management and Cost Studies)
- Equipment inventory (working with Account Services and Cost Studies)
Questions?