



# Northern Illinois University

## Indirect Cost Rates Introduction and Pre -Award

Sponsored Programs Administration

September 27, 2023

# Topics to be Covered



1. Defining indirect costs and rates
2. How NIU rates compare
3. Budgeting indirect costs
4. Internal allocation process

# Two Types of Costs on Sponsored Projects



## Direct

Direct costs are those expenditures that can be identified specifically with a particular sponsored project, instructional activity or any other activity, relatively easily and with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs.

## Indirect

(Also commonly called Facilities & Administrative F&A Costs or Overhead). Indirect costs are those expenditures or costs that are not readily identifiable with a particular project or activity, but are necessary to the general operation of the university and the conduct of its activities.

# Costs of Federally Sponsored Research

The total cost of federally sponsored research includes a combination of both direct and facilities and administrative (F&A) costs. Both types of expenditures are key to an institution's ability to conduct cutting-edge research. F&A consists of the construction and maintenance costs of laboratories and high-tech facilities; energy and utility expenses; and safety, security, and other government-mandated expenses. These costs are real and research cannot be conducted without them.



*Direct costs - These expenses solely cover research and include lab supplies and equipment; salaries and stipends for researchers and graduate students; and travel costs for conducting and sharing research*

*Personnel in support of research, including security, financial, administrative, technical, maintenance, and janitorial staff*

*Radiation and chemical safety, including safety training and hazardous waste disposal*

*Secure data storage, internet, telecommunications, and high-speed data processing*

*Utilities – ventilation, heat, air conditioning, water, and lighting*

*Upkeep of any building space not used directly for federally funded research, such as classrooms or lobbies, is **not** covered by F&A reimbursement*

*Costs of federal, state, and local regulatory compliance, including human and animal safety review boards*

*Library and research facilities*

*Advanced research lab equipment*

- Direct costs
- F&A costs
- No federal funds used



# NIU Indirect Cost Allocation



<b>Unit</b>	<b>Allocation</b>
<b>Principal Investigator</b>	<b>5%</b>
<b>College/Division</b>	<b>10%</b>
<b>Department/Unit</b>	<b>10%</b>
<b>Research Centers</b>	<b>0/15%</b>
<b>Office of the Vice President for Research (OVPR)</b>	<b>55/40%</b>
<b>General Fund</b>	<b>20%</b>
<b>Total</b>	<b>100%</b>

# Indirect Cost Basics



- Indirect cost rates are based on NIU's federally [negotiated indirect cost rate agreement \(NICRA\)](#) with the Federal Government
  - 49%- On campus research and instruction rate
  - 32.9%- On campus other sponsored activity rate (e.g., service projects, technical testing)
  - 26 %- All off campus projects
- NIU is not allowed to recover indirect costs on certain cost categories such as tuition remission (this is referred to as a Modified Total Direct Cost MTDC base)
- If the sponsor prohibits indirect costs altogether or mandates a lower rate, SPA will follow the sponsor's published guidelines

# Indirect Cost Basics



- SPA calculates and distributes earned indirect each month. Distribution reflects indirects earned for the previous month (i.e., a January distribution will be for December expenses posted to the general ledger)
- Indirect revenue for departments and centers are generally distributed to the college—with the college distributing internally to local units.
- Indirect recovery is driven by good direct charging practices:
  - Calculations are based on **allowable** expenses posted to the grant account
  - Cost transfers and adjustments may require adjustments to indirects
  - Indirect revenue is only earned as expenses are incurred

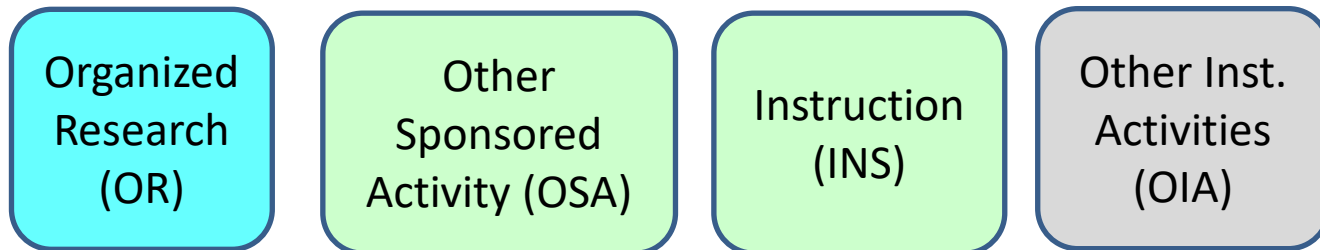
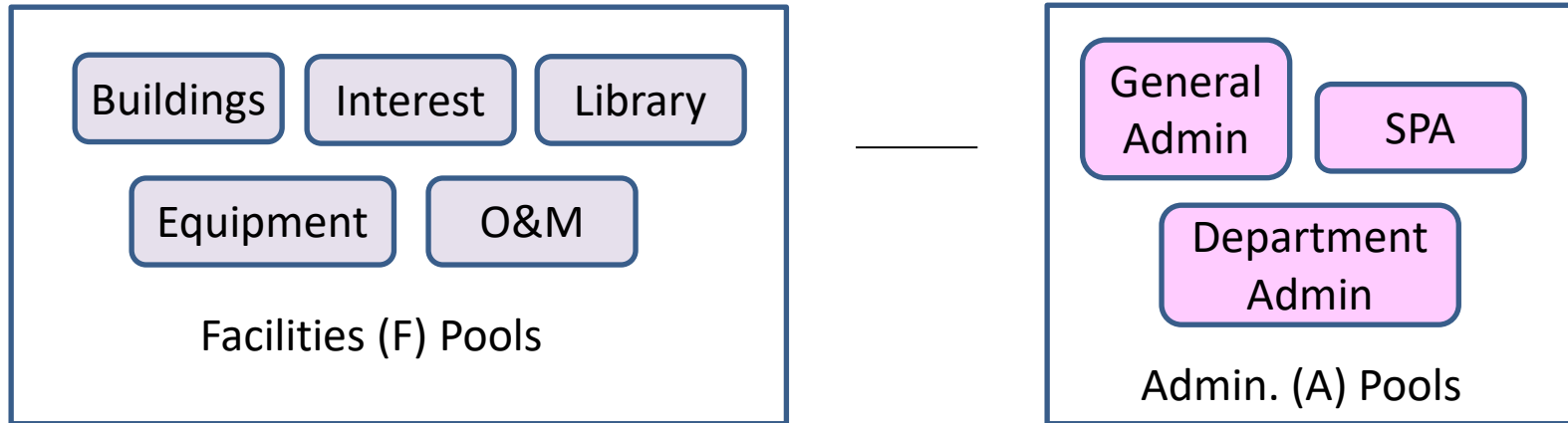
# Rate Calculation



- Highly prescribed process set by the federal government
  - Facilities (“F” )= Uncapped
  - Administrative (“A”) = Capped. Government will not pay more than 26 cents on the dollar for administrative support for research.
- Rates are calculated on a “base year” proxy for future year overhead costs and use university general ledger and audited financial statement.
  - NIU’s base year for current rates was FY 21
- Costs must benefit an activity
  - Research, Instruction, Other Sponsored Activities (e.g., public service)



# Rate Calculation Model



# How Do NIU's Rates Compare?



	FY 2023 – On Campus Research Rate
All Research Universities (average)	56.0
Public Research Universities (average)	55.0
NIU	49.0



Source: Council on Governmental Relations: 2023 Survey of F&A Rates, August 2023

# Budgeting Indirect Costs



## 4 Considerations:

1. Agency regulations
  - 2 CFR 200.414
  - **Published** program guidelines
2. Activity Type
  - Research
  - Instruction
  - Other Sponsored Activities
3. Base
  - Modified Total Direct Costs (MTDC)
  - Total Direct Costs (TDC)
  - Total Project Costs (TPC)
4. Project Location
  - On Campus
  - Off Campus

# 3 Common Indirect Cost Calculation Bases



- **Modified Total Direct Cost (MTDC)** base is used when federally negotiated rates are applied. It is derived by excluding certain costs from the direct cost total. MTDC excludes equipment and fabrication of equipment, capital expenditures, charges for patient care, participant support costs, tuition remission, rental costs of off-site facilities, scholarships and fellowships; as well as the amount of each subaward over \$25,000. **Always check the specific agency guidelines for instructions on budget calculations as some sponsoring agencies and funding programs vary in their application of these categories.**

# 3 Common Indirect Cost Calculation Bases



- **Total Direct Cost (TDC)** base is used when a sponsor mandates an indirect rate that is less than the federally negotiated F&A rate. When using a TDC base, the sponsor's allowed rate is applied to the total direct costs, and no exclusions are taken prior to calculating the indirect costs. If the sponsor's published guidelines require certain costs to be excluded from the calculation base, then those requirements will be followed.
- **Total Cost (TC)** base is used when the sponsor states that only a certain percentage of total project costs can be charged for indirect indirect costs.

# MTDC Calculation Example



Personnel Costs	\$90,000
Equipment	\$10,000
Total	\$100,000
MTDC Base	\$90,000 (less equipment)
F&A rate (49% x MTDC)	\$44,100
Total Request	\$144,100

# TDC Calculation Example



Personnel Costs	\$90,000
Equipment	\$10,000
Total	\$100,000
TDC Base	\$100,000
F&A rate (49% x TDC)	\$49,000
Total Request	\$ 149,000

# Total Project Cost Example



Personnel Costs	\$90,000
Equipment	\$10,000
Total Direct Costs (TDC)	\$100,000
Total Cost (TC) ( $\$100,000 / .90$ )	\$111,111
F&A rate (10% of TC)( $.10 \times \$111,111$ )	\$11,111



# Backing Indirects into a Budget Cap



Example: PI is responding to a program call for an on-campus research proposal with a \$100,000 cap and wants to quickly figure out how much budget they have available after F&A.

## No MTDC Exclusions

$\$100,000 / 1.49\% = \$67,114$  available direct costs

$(\$67,114 * .49\% = \$32,886 \text{ F\&A} = \$100,000)$

## MTDC Exclusions (ex: \$10,000 piece of equipment)

$(\$100,000 - \$10,000) / 1.49\% = \$60,403$  available direct costs

$(\$60,403 * .49\% = \$29,597 \text{ (F\&A)} + \$60,403 + 10,000 = \$100,000)$

# Examples of Program/Sponsor Restrictions



- Federal Training Grants
  - 8% Modified Total Direct Costs
- U.S. Department of Agriculture National Institutes of Food and Agriculture (NIFA)
  - 30% Total Project Costs
- Robert Wood Johnson Foundation
  - 12% Total Direct Costs

# Indirect Costs and Cost Share



- Indirect calculations on cost share must follow same rules as the sponsor side
- Unrecovered F&A (i.e., indirect) should be used to meet mandatory cost share whenever the sponsor allows it
- Unrecovered F&A is the difference between the amount charged to the Federal award and the amount which could have been charged to the Federal award under the non-Federal entity's approved negotiated indirect cost rate (Uniform Guidance 2 CFR 200.306(c))
- Use of Unrecovered F&A requires prior agency approval. Many federal agencies permit the use of unrecovered F&A as cost share
- Prior approval is generally extended by the sponsor via the program guidelines

# Unrecovered F&A Calculation



Example: Sponsor allows 10% F&A on Total Direct Costs (TDC) basis but states in their program guidelines that cost share can be met using Unrecovered F&A.

Personnel Costs	\$90,000
Equipment	\$10,000
Total Direct Costs	\$100,000
TDC Base	\$100,000
F&A Rate (10% TDC)	\$10,000
<b>Total Request</b>	<b>\$110,000</b>
Unrecovered F&A (49% *MTDC Base \$90,000 =\$44,100) Less \$10k from allowed 10% already claimed	\$34,100

# Pre-Award Allocation Considerations



- NIU's current indirect cost database distributes indirect revenue based on departments, not individuals
- The allocation of indirects for each sponsored project is determined at pre award as part of InfoEd routing
- The department allocation defaults to the PI/PI(s) primary university appointment home identified in PeopleSoft HRS and integrated with InfoEd. The College/Division share follows that department assignment.
- For projects with multiple PIs who reside in the same department, the department will receive 10% and the college 10%
- For projects with multiple PIs who reside in different departments, the F&A is split equally

The PI is responsible for communicating any alternative allocations to the Proposal Coordinator during pre -award routing. **Allocations cannot be changed once an award is established in PeopleSoft FMS.**

# Indirect Allocation Example InfoEd PD



SPA Record  
TEST22-391

Done

This is a test record for processing the New Award Checklist.  
PI Tester - TESTER Department (Test Sponsor)

Completed

[View Mode](#)

Person Months

- Setup Questions
- Personnel
- Budget
- Institutional Data
- Approvals
- Submit for Review
- Other Attachments
- Finalize

## Personnel

All Certifications and Training

Senior/Key

PI	NAME/ROLE	MAIL	ALERT	ORGANIZATION / DEPARTMENT	PERSON MONTHS			CV/BIOSKETCH	CURRENT/PENDING SUPPORT	REMOVE
					CALENDAR	ACADEMIC	SUMMER			
<input checked="" type="radio"/>	<b>1</b> PI Tester PD/PI * <a href="#">Certifications and Training</a>			Northern Illinois University TESTER Department	<input type="text" value="0"/>	<input type="text" value="6"/>	<input type="text" value="0"/>			

Legend:

**1** Prime

### Other Personnel Information:

Proposal Coordinator

Julie Miller

Award Coordinator

Grants and Contracts Associate

### Graduate Student Information

### Tuition Waiver and Student Count Information: (Add)

Waiver Requested:	# of GRA's	# of Waiver(s) Requested:	# Waiver(s) Approved:	GRA Involved?	Tuition Requested from Sponsor		
No				Yes No	Yes No	<a href="#">Edit</a>	

### F&A Distribution

#### F&A Allocation (Add)

PI/Co-PI Name:	Department:	College:	IDU/Center:		
[ Tester, PI ]	[ TESTER Department ]	[ TESTER College ]		<a href="#">Edit</a>	

### Distribution Notes

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# Center Allocations



- When a PI or CoPI is affiliated with a research center that has been approved by the Vice President for Research for indirect return, the center allocation is provided in addition to the department share.
- **If the PI or CoPI is a Center Director whose primary university appointment identified in HRS is in the research center approved for indirect cost return, the center will receive both the departmental allocation (10%) and center allocation (15%).**
- **If the PI or CoPI's primary university appointment is in the research center but they are not a Director, the center receives the department share (10%) only.**

# Resources



- [Budgeting Indirect Costs Policy](#)
- [Indirect Cost Distribution Policy](#)
- [SPA Budgeting F&A Guidance](#)
- [NIU Negotiated Indirect Cost Rate Agreement](#)





Thank you  
Questions