

F&A Basics at UW-Madison

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Terminology

May be referred to as:

Indirect Costs

Overhead

ICR (Indirect Cost Recovery)

Institutional Costs

F&A (Facilities & Administrative Costs)

Once recovered from grants, the funds on campus are referred to by the terms above, but also *FICR* (Federal Indirect Cost Reimbursement), *CapEx*, or Fund 150

Definition of IDC

Indirect Costs (extracted from FAR Part 31.2)

An indirect cost is any cost not directly identified with a single, final cost objective, but identified with two or more final cost objectives or an intermediate cost objective. After direct costs have been determined and charged directly to the contract or other work, indirect costs are those remaining to be allocated to multiple cost objectives. An indirect cost shall not be allocated to a final cost objective if other costs incurred for the same purpose in like circumstances have been included as a direct cost of that or any other final cost objective.

Definition of IDC

- Partnership between federal government and universities to conduct research in the nation's interest
- Some costs can clearly be identified as specific to an individual funded project, including:
 - Personnel
 - Research supplies, equipment, travel
- Costs that are incurred for the benefit of research but can't be readily tied to a specific project are charged on an *indirect basis*; primary components include:
 - Laboratory facilities
 - Research specific utilities, maintenance security
 - Information technology
 - Staffing needed for compliance and administration of research
 - Libraries

Definition – IDC Rate

An indirect cost rate is simply a device for determining fairly and expeditiously the proportion of general expenses that each project will bear.

It is the ratio between the non-direct costs in a determined base year and the total direct costs of research in that same year. That rate is used in future years on a reimbursement basis.

Calculation and Negotiation Process

- Cognizant federal agency (DHHS for UW-Madison)
- Exacting calculation, based on OMB cost principles
- Incorporates all research expenses based on account coding used for expenses (program code 4)
- Space Survey of the most research-intensive buildings
- Base year
- Team: RSP, Vice Chancellor for Finance, Space Management Office and OVCRGE
- Administrative costs – capped at 27%

- Submission, response, negotiation, final rate agreement
- Current status at UW-Madison (in extension period)

Current Rates

Research	55.5% of MTDC
Public Service	38% of MTDC
Instruction	53% of MTDC
Commercially Sponsored Clinical Trials	30% of TDC
Off Campus Research	26% of MTDC
State of Wisconsin	15% of TDC
DPI, WI Tech College System	8% of TDC

Modified Total Direct Costs
vs
Total Direct Costs

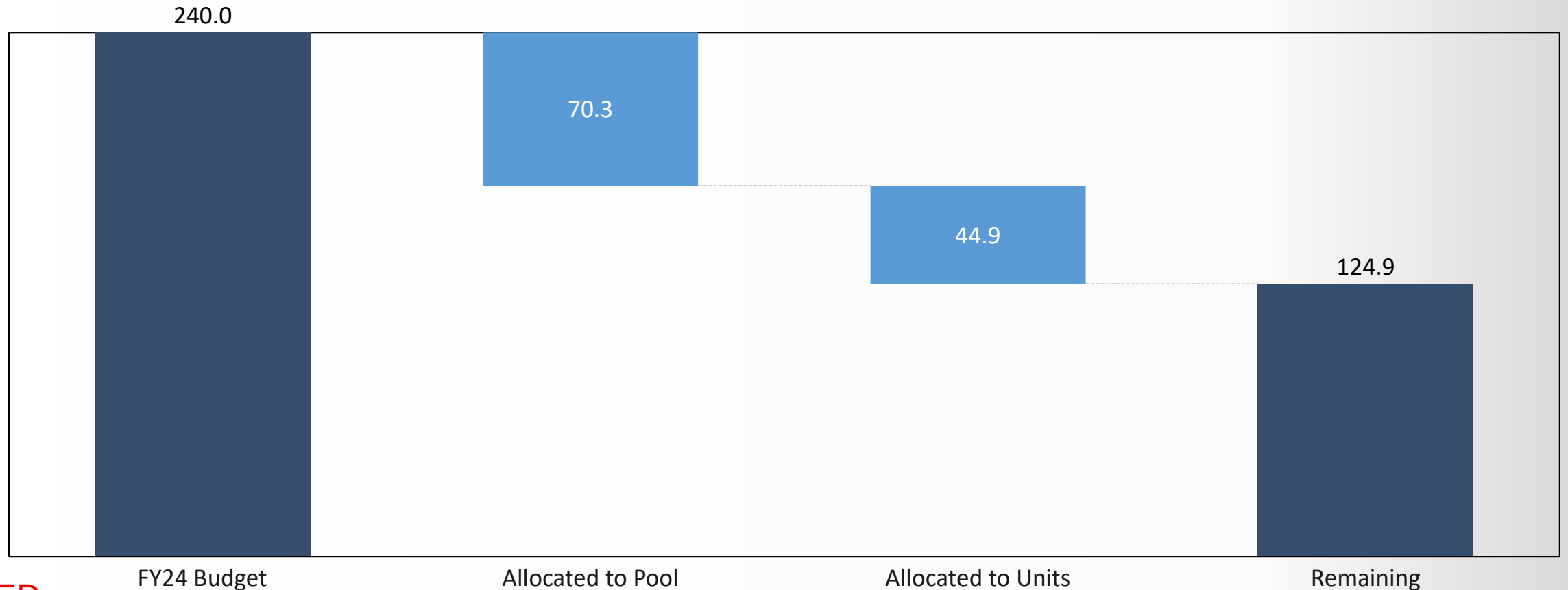
A note about exceptions; gifts, non-profits with published policies, federal programs with formal rates, such as training grants

Unrecovered F&A

- Calculated Rate from UW's last proposal: 59.7%
- Negotiated Rate: 55.5%
- The cost not covered equates to approx. $\$600\text{M} * 4.2\% = \25M
- *Effective* Rate for federally sponsored research is even lower because of exceptions

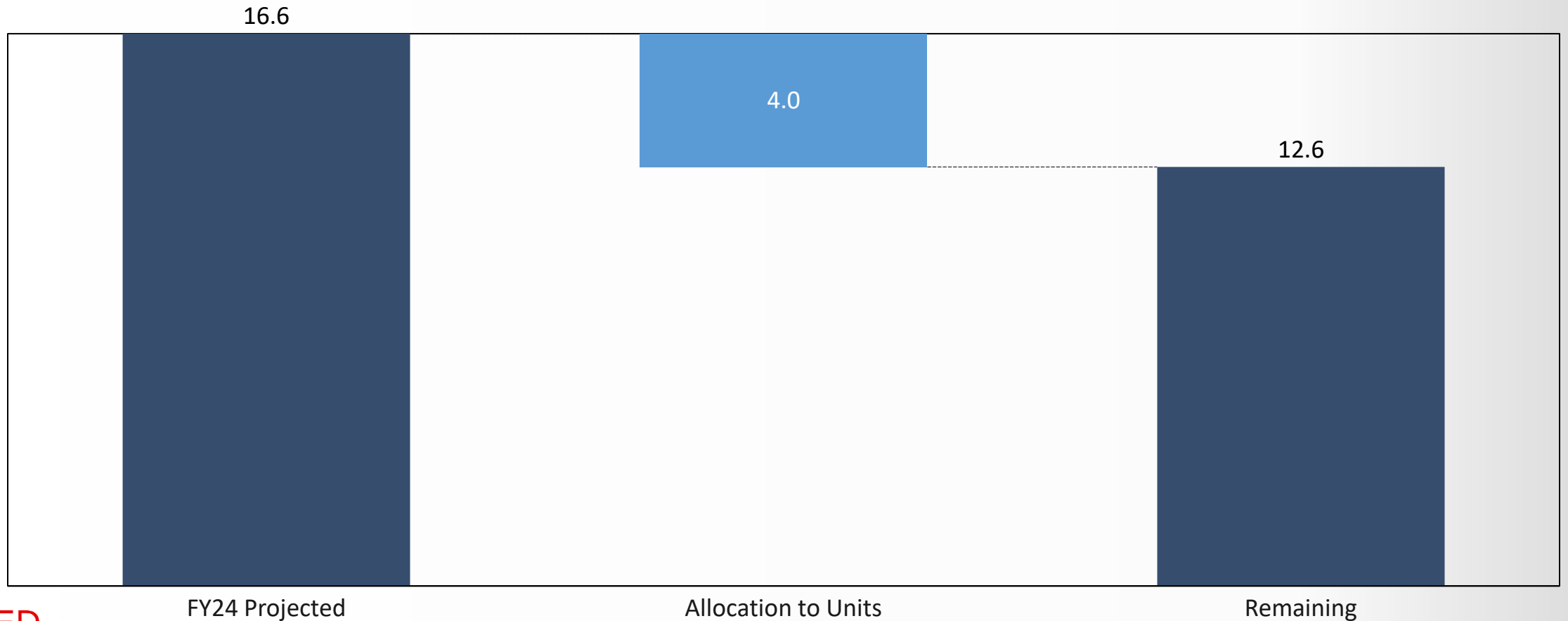
Use of Federal IDC Revenue

- \$'s in millions



Use of Non-Federal IDC Funds

- \$'s in millions

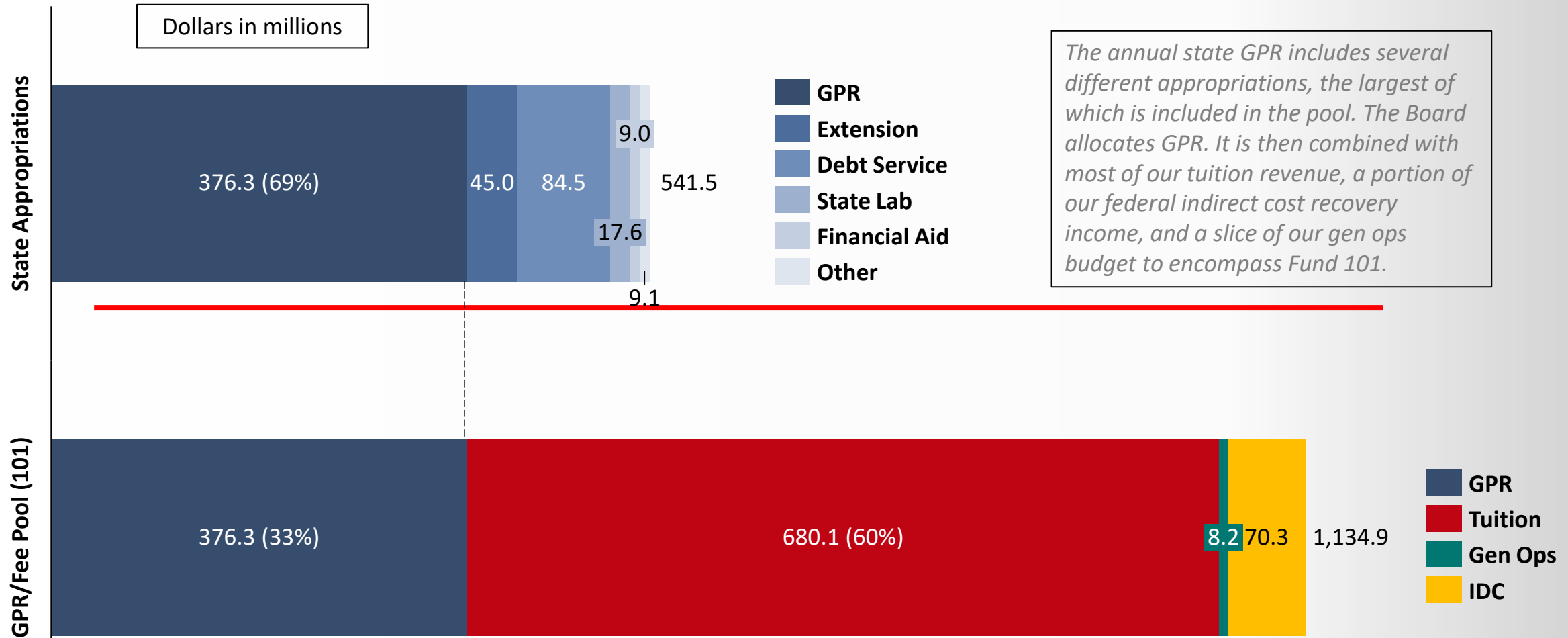


FY24 Projected

Allocation to Units

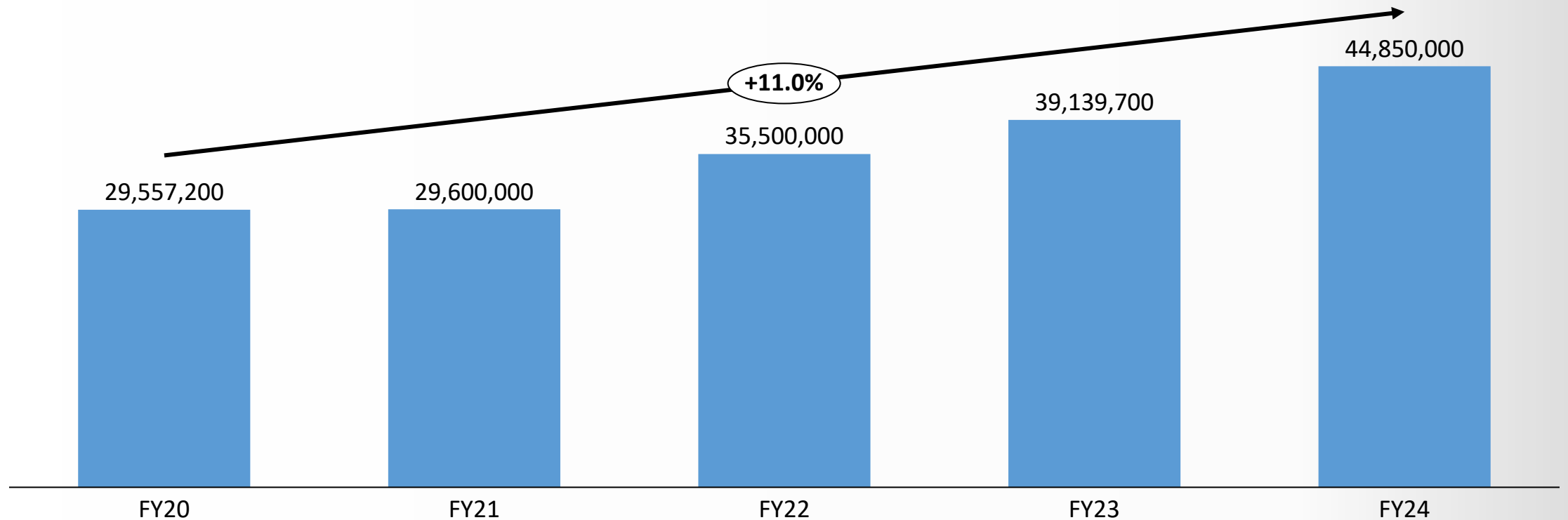
Remaining

Sources of Fund 101 - which funds general operations



Recent Distributions of Federal IDC to Schools and Colleges.

- \$'s in millions



Formula for Allocating IDC to Schools and Colleges

- Amount of total IDC allocated to schools and colleges is arbitrary. After remaining stagnant for many years, the amount of federal IDC distributed has grown in recent years because total federal IDC has risen.
- Allocation to individual schools and colleges is based on their percentage of the total IDC generated over the last two years with the most recent year weighted twice.
- Allocation formula has been revisited periodically by ad hoc committees
- Allocations are made at the divisional level. Deans have full discretion over whether to distribute these funds to departments and/or PIs.

Collaborative Grants Expenditures Policy

UW-3002

- Aligns expenditures with the location of the research
- Collaborative grants carried out in multiple physical locations will be supported by either sub-projects or expanded spending edits
- Payrolling of faculty salary will be done by the home department
- Campus service providers bill for their costs, and are not treated as collaborators in this regard

How the Deans Have Typically Used IDC Revenue

- Each Division uses different methods for covering costs centrally, vs allocations to units and expectation that they cover costs
- Commonly used for broad costs supporting research
 - Research support staffing
 - Faculty start-up packages
 - Renovations and facilities maintenance
 - Equipment
 - Bridge funds
- Because the funds are reimbursement, it is not necessary to spend only on costs included in the calculation, but funds are limited, and not all money is green.

Using IDC Funds for Capital Projects

- Several years ago, the legislature gave the University of Wisconsin authority to manage its own capital projects if the work was funded by gift or grant money. IDC is considered grant money.
- This is significant because prior to this change all capital projects needed to be enumerated by the legislature and were managed by DOA. That often meant a lengthy process. Now for gift or grant funded projects we have full control of the process and can move much more quickly.
- Since the change went into effect in July 2015, 143 separate projects across the Universities of Wisconsin totaling more than \$600 million have been completed or are currently in process.

Gift and Grant Funded Projects on the Madison Campus

- 57 projects completed since 2015
- 31 projects in design or construction today



Rendering of UW School of Computer, Data & Information Sciences Building

Use of Federal IDC to Support Laboratory Fitouts and Other Renovations

- We used federal IDC funds to renovate the space for the Kinesiology Department at the Medical Sciences Center.
- We currently have 18 laboratory renovation projects totaling ~\$68 million either in design or construction that are being funded by federal IDC.
- We are building an offsite library storage facility in Verona that will cost ~\$35 million and is funded from federal IDC. Once operational, we will be able to repurpose space in the campus libraries to better meet current curricular needs.

F&A at UW Madison – Summary and Q & A

- Refer to UW-Madison Policy Library, several relevant policies
- Distribution on campus is a perennial topic for all universities and colleges
- FICR is flexible, but must follow all UW-Madison accounting and procurement policies and procedures
- Remember to properly code research related expenditures using program code 4
- Questions?