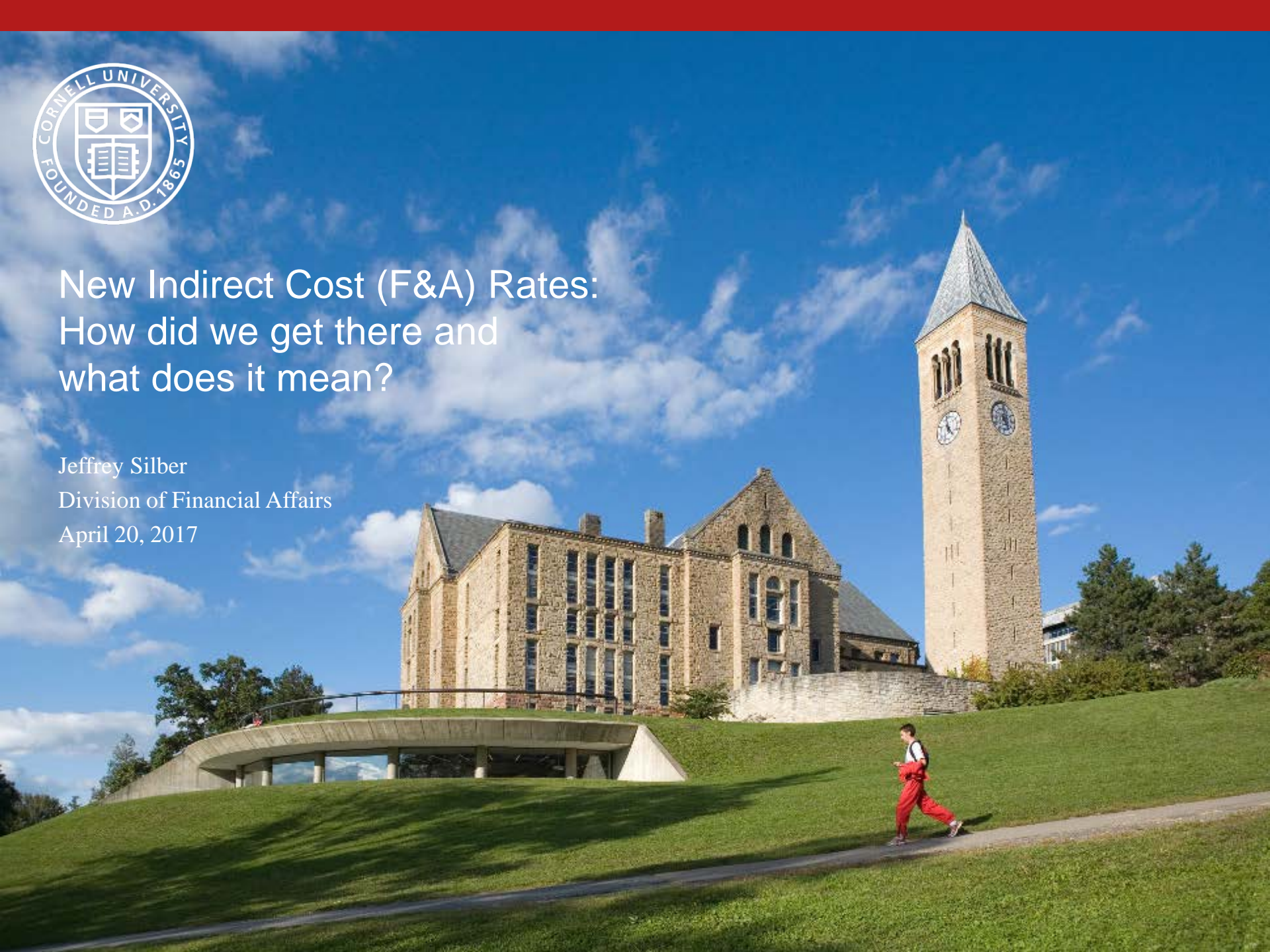


# New Indirect Cost (F&A) Rates: How did we get there and what does it mean?

Jeffrey Silber

Division of Financial Affairs

April 20, 2017





## Facilities & Administrative Costs 101

- In the Uniform Guidance (2 CFR 200), and in the world of cost accounting, costs may be separated into two basic categories
  - Direct §§413: identified specifically with a particular final cost objective
    - E.g. lab supplies, GRA support, PI summer salary, subawards
  - Indirect §§56: those 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.
    - E.g. depreciation, facilities, libraries, utilities
  - Classification §§412: it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances as either a direct or indirect (F&A) cost...



F&A is how universities pay for:

- Buildings
- Interest on funds borrowed to construct buildings
- Electricity
- Vehicles
- Books
- Librarians
- Police officers
- Central, college, and unit support staff
- Administrative systems
- and, of course, research administrators!
- And lots more too ... although it does not cover the full cost



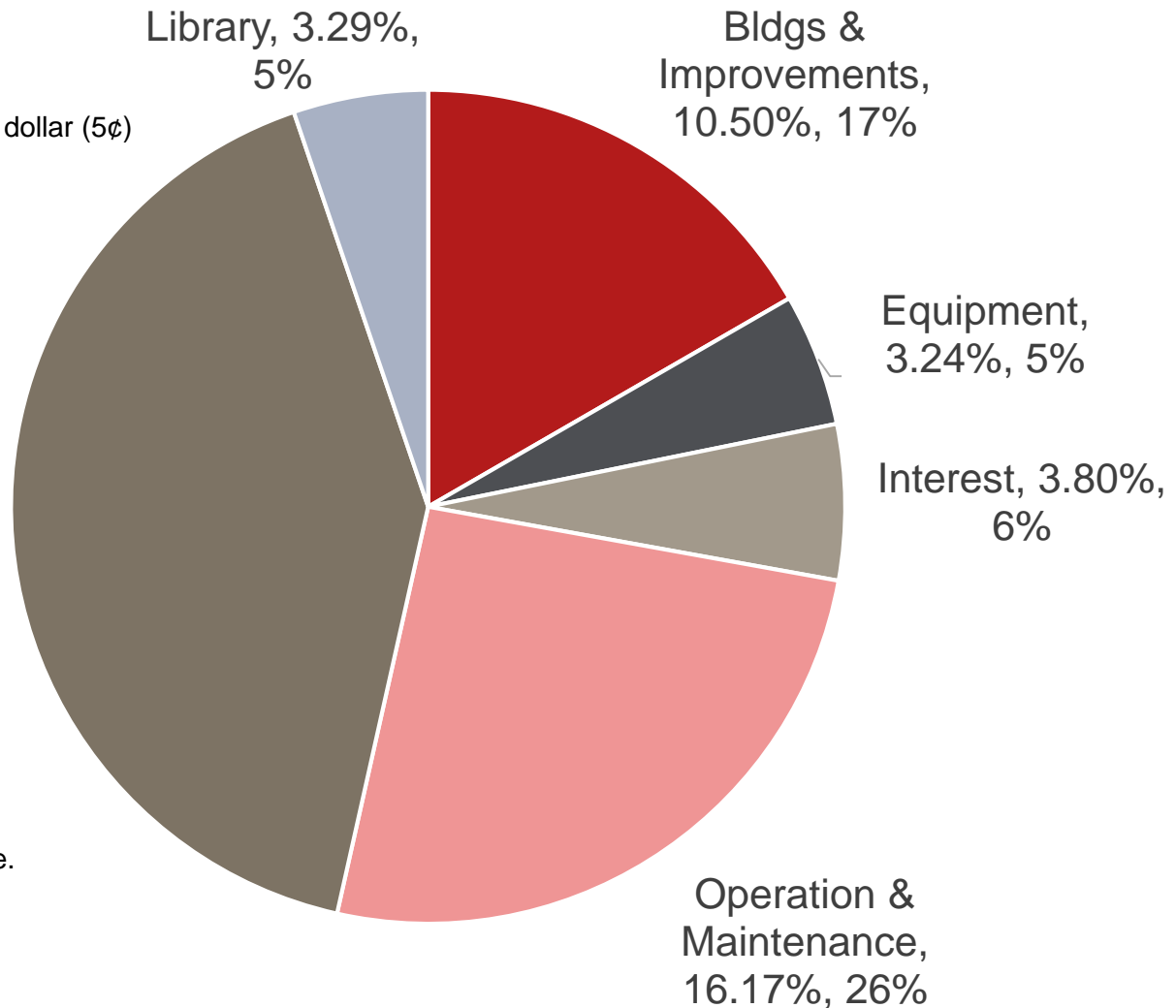
# What the F&A dollar pays for (example is EN Research FY18):

## Key to Data Labels

Component name (e.g. Library)

Rate (3.29 points)

Portion of each full-rate recovery dollar (5¢)



Includes General Administration, Departmental Administration, Student Services, and Sponsored Projects Administration. By regulation recovery for administrative components is capped at 26 points of the rate.



## Ithaca Facilities & Administrative Cost Recovery

- F&A represents real dollars to cover real (larger) costs
- All direct expenses bear F&A regardless of whether it is charged
- F&A recovery, from all (research and other) sponsored awards, has been essentially flat over recent years.

2014:       \$84.8M

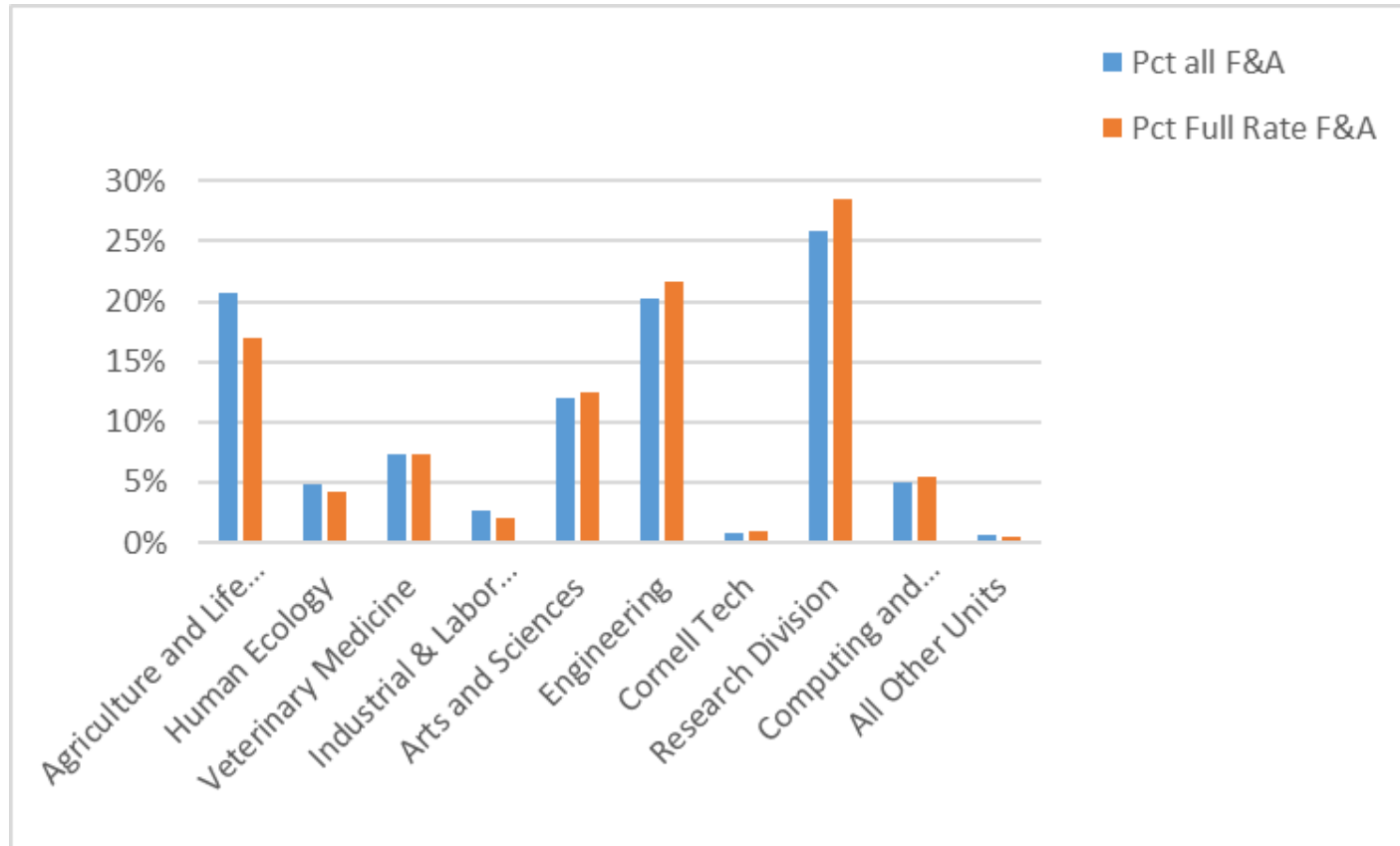
2015:       \$84.6M

2016:       \$85.2M

2017:       \$87.0M (estimated)



## Distribution of Cornell F&A by College (7/13 – 3/17)







## Federal F&A Recovery

- Federal funding represents 89% of indirect cost recovery
- 90% of that federal recovery is from full-rate awards
- Rates for a five year period were established this year. The Modified Total Direct Cost (MTDC) research rates are:

	EN / TC / JI	CC
FY 17	61%	55%
FY 18	63%	56%
FY 19-21	64%	57%

- Effective federal MTDC rate is ~48%, TDC rate is 31%
- Approximately one in four federal award dollars goes to F&A



## Federal F&A Process

- Rates are set following the rules in the UG, especially Appendix III
- A proposal is developed. It involves over a person-year of work to develop, and we do a practice run in the prior year.
- It undergoes extensive university reviews.
- Our proposal development started after final year-end closing (September 2015) and was submitted on May 17, 2016. It was 676 pages long and has lots of numbers
- It is reviewed by Cost Allocation Services in the Department of Health and Human Services



Cornell University  
Division of Financial Affairs

May 13, 2016

Louis Martillotti, Branch Chief  
Department of Health and Human Services  
Cost Allocation Services  
26 Federal Plaza, Room 3412  
New York, NY 10278

Dear Mr. Martillotti:

Enclosed you will find the Facilities and Administrative (F&A) cost rate proposal along with supporting data for the fiscal year (FY) ended June 30, 2015. This FY15 F&A cost submission is our base year and is intended to provide you with information to be used in establishing predetermined rates for FY17 and beyond. We anticipate additional facilities-related costs in FY17 and beyond, and will prepare and submit a revision





## Then the government reviews our proposal ...

- On September 20 the government sent us questions about the proposal. This was our first indication of which departments they would look at.
- On October 7 we provided additional details for specific departments on
  - Space (room by room coding)
  - Departmental salaries by account, name, job title, and salary amount
  - Breakdown of departmental expenses by category
  - Details on buildings (construction date, useful life, cost, depreciation)
  - Information on equipment (tag #, description, acquisition date and cost, useful life, depreciation, funding source)
  - Building interest (amounts, loan terms, maturity schedules)
  - As well as other revisions to our proposal



## The government visits Cornell

- On October 19 CAS indicated the names of the PIs who they wanted to interview whose space they wanted to visit on October 26-27.
- During the visits they interviewed the PIs about the personnel and space, toured the space and looked for specific items of equipment.
- After the visit we provided supplemental information, including information on equipment that couldn't be found during the visit.
- On November 30 we (Joanne DeStefano, Gerald Hector, Jeffrey Silber) negotiated our rates with the government. We reached agreement in our meeting.
- We negotiated FY17 rates to be the same as FY16. Since our agreement wasn't completed until mid-FY17 this allowed us to avoid adjusting FY17 expenditures on awards issued in FY17.
  - Look at rate type in KFS to see if the old (XX1) or new (XX2) series applies.

**Indirect Cost Rate:** RE2

- After subsequent discussion about agreement wording and reviews of the rate components we received an agreement on January 30, 2017, which was signed and returned to CAS on February 8, and posted on the DFA website.



# Rate information is at <https://www.dfa.cornell.edu/capitalassets/cost/facilities>

## Facilities & Administrative Cost Rates

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### Endowed Research

		Predetermined Rates	Predetermined Rates	Predetermined Rates	Predetermined Rates
Rate Base		7/1/15-6/30/16	7/1/16-6/30/17	7/1/17-6/30/18	7/1/18-6/30/19
On-Campus	MTDC*	61% (KFS Rate RE1)	61% (KFS Rate RE2)	63% (KFS Rate RE2)	(KFS Rate RE2)
Off-Campus	MTDC	26% (KFS Rate OFF)	26% (KFS Rate OFF)	26% (KFS Rate OFF)	(KFS Rate OFF)

### Endowed Other Sponsored Activity

Rate Base		Predetermined Rates 7/1/15-6/30/16	
On-Campus	MTDC	37% (KFS Rate OE1)	Use Campus
Off-Campus	MTDC	26% (KFS Rate OFF)	Use Campus

### Contract Colleges Research-Ithaca and Geneva

		Predetermined Rates	Predetermined Rates	Predetermined Rates	Predetermined Rates
Rate Base		7/1/15-6/30/16	7/1/16-6/30/17	7/1/17-6/30/18	7/1/18-6/30/19
On-Campus	MTDC	55% (KFS Rate RC1)	55% (KFS Rate RC2)	56% (KFS Rate RC2)	(KFS Rate RC2)

### SECTION I: INDIRECT COST RATES

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

#### EFFECTIVE PERIOD

TYPE	FROM	TO	RATE (%)	LOCATION	APPL
PRED.	07/01/2016	06/30/2017	61.00	On-Campus	Endo Rese
PRED.	07/01/2017	06/30/2018	63.00	On-Campus	Endo Rese
PRED.	07/01/2018	06/30/2021	64.00	On-Campus	Endo Rese
PRED.	07/01/2016	06/30/2017	55.00	On-Campus	Cont Coll Rese
PRED.	07/01/2017	06/30/2018	56.00	On-Campus	Cont Coll Rese
PRED.	07/01/2018	06/30/2021	57.00	On-Campus	Cont Coll Rese
PRED.	07/01/2016	06/30/2021	37.00	On-Campus	Endo



## Cornell Ithaca Research Rates

	Endowed (including Cornell Tech)	Contract Colleges
FY17	61%	55%
FY18	63%	56%
FY19	64%	57%
FY20	64%	57%
FY21	64%	57%

Weill Cornell Medicine develops and negotiates their own rates. Their research rate is 69.5% through FY20.

*Trivia: Our FY87 EN research rate was 66%. By FY94 it was 75%. In FY99 it fell to 57% and did not reach 60% for 13 years.*



## Other Rates

- OSA rate
  - Single rate for both endowed and contract divisions
  - Used for awards that are not research. Typical uses include
    - Extension activities
    - Public services awards
    - Conferences
- IPA Rate
  - New rate. Previously we did not charge anything.
  - Used where a faculty member works for a federal agency under an Intergovernmental Personnel Agreement



## Off campus rate

- The off-campus rate for all activity is 26% of MTDC
  - This rate only contains the “A” components of F&A, since people have little access to the “F” when they are off-campus
- After consideration by senior administration the criteria remains unchanged, and has been incorporated into our federal agreement.
- *“For all activities performed at a location which has neither the use nor aid of owned or leased University-operated facilities and with personnel off-campus for two months or longer, the off-campus rate will apply. Normally actual costs will be apportioned between on-campus and off-campus components with each portion bearing the appropriate rate. For further details please refer the Disclosure Statement (DS-2).”*
- Faculty on sabbatical are exempt from the two month duration requirement.





## Fixed Rates for the Life of the Sponsored Agreement

- 7. Except as provided in paragraph (c)(1) of §200.414 Indirect (F&A) costs, Federal agencies must use the negotiated rates in effect at the time of the initial award throughout the life of the Federal award. Award levels for Federal awards may not be adjusted in future years as a result of changes in negotiated rates. “Negotiated rates” per the rate agreement include final, fixed, and predetermined rates and exclude provisional rates. “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 awarding agency at the time of the Federal award. If negotiated rate agreements do not extend through the life of the Federal award at the time of the initial award, then the negotiated rate for the last year of the Federal award must be extended through the end of the life of the Federal award.



Once we have the rates we need to use the rates.

Which set do we use?

- Awards issued prior to FY17 (July 1, 2016-June 30, 2017) remain at the old rates, regardless of the start date
  - If the award is subsequently amended with funds and time beyond the original proposal, the new rates apply. A new account may be required.
- Awards with an issuance date in FY17 with start date in FY17 are at the new rates
- Awards with an issuance date in FY17, with a start date in FY16, are generally at the new rates, but are reviewed to determine if there are special circumstances.
- Amendments of awards frozen at the old rates, without additional time, are at the old rates.
- No cost extensions to awards frozen at the old rates, without additional funds, remain at the old rates.



## Questions?

- For further information about how a rate is calculated consider taking FIN 118
- For information on the rate to use for a proposal contact OSP or [osp-help@cornell.edu](mailto:osp-help@cornell.edu)
- If you're unsure whether the rate on an existing award is correct contact the SFS accountant for that award or [sfs-help@cornell.edu](mailto:sfs-help@cornell.edu)
- If you have general indirect cost questions contact [uco-cost@cornell.edu](mailto:uco-cost@cornell.edu)
- Or contact me at [silber@cornell.edu](mailto:silber@cornell.edu) or (607) 255-2016