

**UIDP TOWN HALL**

# University Indirect Cost Rates: The Basics

June 15, 2023

1- 2 p.m. ET



**Tony Boccanfuso**

UIDP



**Jilda Garton**

UIDP



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## Webinar Logistics

### Tech Support

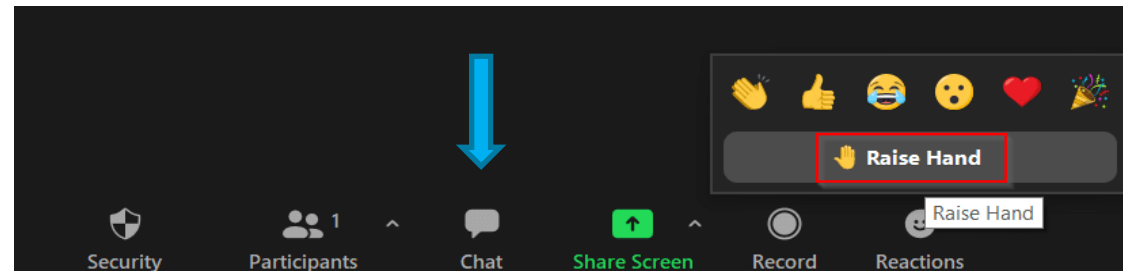
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[Webinar ID: 889 0193 0272](#)

- You may also use the chat to contact UIDP Staff and someone will assist you.

### Chat and Resources

- Please submit your questions using the Chat box on your screen. You may submit questions at any time during the webinar.
- A recording will be emailed to all registrants within a week after the webinar is over.



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A hand is shown pulling back a red curtain on the left side of the slide, revealing a dark background behind it. The text is overlaid on this scene.

# University Indirect Cost Rates: The Basics

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# F&A Rates

## QUICK FACTS

- Sometimes called **Indirect Cost** or **Overhead Rates**
- Can cause tension in negotiating university awards (contracts or gifts)
- Real costs calculated by federal government in conjunction with university
- Non-U.S. universities also request them
- Vary by school and can also vary by type of project
- **All** organizations have these expenses but may treat them differently



# UIDP Facilities & Administrative (F&A) Rate List 2021

## FEDERAL, ON-CAMPUS RATES UNLESS OTHERWISE NOTED

**U.S. UIDP Members**  
**Non-U.S. Based UIDP Members,**  
**and Others in NSF Top 100**  
 (representative sample)

UIDP F&A Rate List:  
<https://uidp.org/publication/fa-rate-list-2022/>



University/Link to Source	Rate	Campus	Type
<a href="#">McGill University</a>	30.00%	On-Campus	Clinical Trials
<a href="#">North Carolina State University</a>	52.00%	On-Campus	Organized Research
<a href="#">North Carolina State University</a>	27.60%	Off-Campus	Organized Research
<a href="#">Stanford University</a>	57.40%	On-Campus	Organized Research
<a href="#">Stanford University</a>	29.20%	Off-Campus	Organized Research
<a href="#">University of Tokyo</a>	30.00%	On-Campus	Research
<a href="#">University of Toronto</a>	40.00%	On-Campus	Research
<a href="#">University of Utah</a>	53.50%	On-Campus	Organized Research
<a href="#">University of Virginia</a>	61.50%	On-Campus	Organized Research
<a href="#">Vanderbilt University</a>	58.50%	On-Campus	Research
<a href="#">Yale University</a>	67.50%	On-Campus	Organized Research

*U.S. universities' rates are publicly available and are often linked from their websites!*

# Example

## MIT AGREEMENT

- Negotiation Agreement found [here](#)
- Rate increased in 2022

Type	From	To	Rate	Base	Applicable To	Location
Fixed	7/1/2022	6/30/2023	59.0%	(a)	Organized Research	On Campus
Fixed	7/1/2022	6/30/2023	6.2%	(a)	Organized Research	Off Campus
Fixed	7/1/2023	6/30/2024	59.0%	(a)	Organized Research	On Campus
Fixed	7/1/2023	6/30/2024	6.2%	(a)	Organized Research	Off Campus



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# University Research Budget – Components

**DIRECT COSTS + (FACILITIES & ADMINISTRATIVE COSTS) = TOTAL PROJECT COST**

## Stuff the PI needs for this project

- Personnel
- Equipment
- Materials and Supplies
- Travel

## A rate charged to all research projects for things the university pays for in order to do research

- Utilities
- Building operation
- Depreciation
- Administration of research

## Project Budget

Direct Costs.....\$  
F&A Costs.....\$  
Total.....\$

Note – Universities do not have profit in their budgets due to nonprofit status!!!



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# What costs are included in a university research budget?

- Direct costs - salaries, travel, equipment, and supplies directly supporting the funded project or activity.
- Facilities and administrative (F&A) costs - common or joint expenses that cannot be readily identified with an individual project or program. Examples include utilities, building operations and depreciation, and required administrative functions.
- F&A costs are calculated by applying the university's negotiated F&A rate to the direct costs and are requested as a percentage.

From <https://www.niaid.nih.gov/grants-contracts/know-basics-facilities-and-administrative-costs>



# In the U.S., who decides what the F&A rates are?



Office of Naval Research  
**ONR**

United States Department of Defense

The  
university's  
cognizant  
agency:  
*DHHS or ONR*



The Office of Cost Allocation Services  
**DHHS**

United States Department of  
Health and Human Services



## Who decides what the F&A rates are for a university?

- Each university negotiates its rates with one cognizant agency
- A university may have more than one negotiated rate, *e.g.*,
  - *Research*
  - *Sponsored instruction*
  - *Department of Defense uncapped rate*
  - *Other sponsored activity*
  - *Off-campus (for projects for which the preponderance of work will take place outside university facilities)*

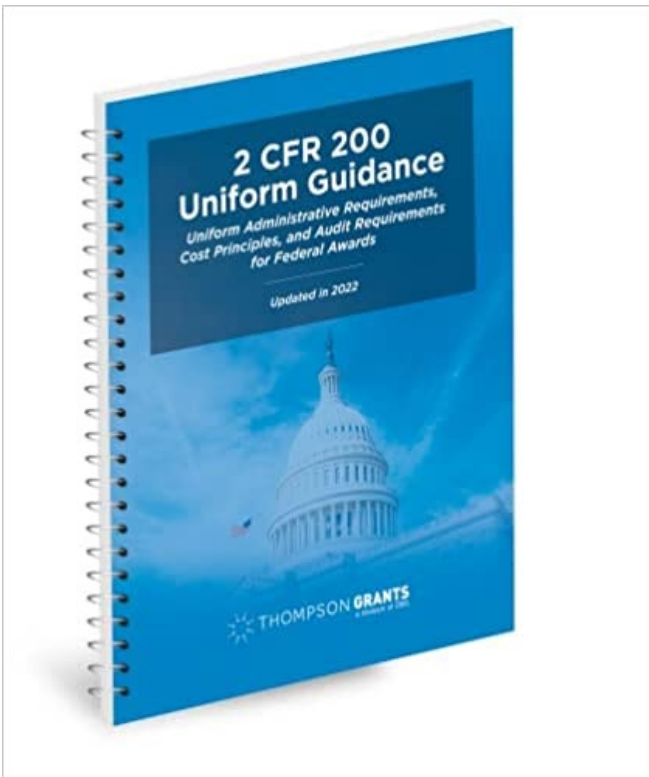
# How are F&A rates determined?

There is a strict set of requirements for universities and the government to follow.

Proposal → Audit → Negotiation → Signature

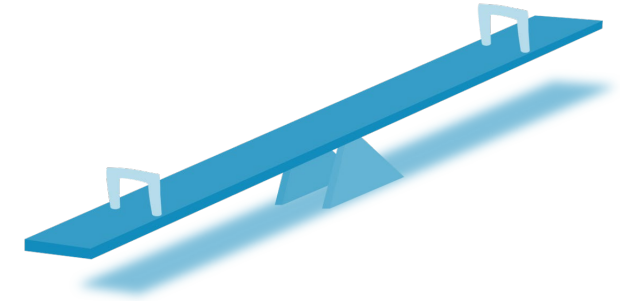


1. The university preforms a study of all its costs for research and prepares an F&A rate proposal.
2. A DHHS or ONR negotiator reviews the documentation.
3. The negotiator “computes and negotiates an appropriate rate.”
4. There are several levels of review and usually some back-and-forth with the university.
5. The agency director or deputy director submits the rate agreement to the university for signature.



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# But wait, there's more.....or less:



## F&A Caps

- The federal government imposes a 26% cap on the administrative portion of F&A rates.
- Except in the case of certain contracts funded by the Department of Defense
  - *But that's only important for entities contracting or subcontracting under DoD prime **contracts***

## Some Direct Cost Excluded from Bearing F&A

- Equipment
- Tuition remission
- Participant support
- Scholarships, fellowships, stipends
- Portion of subgrants or subcontracts in excess of \$25,000



# F&A

## INDUSTRY AGREEMENTS



Many universities default to government rates but...

Some use the calculated (uncapped) rate.



# Simple Sample Budget

## Personnel (Salary and Fringe Benefits)

J. Appleseed	Principal Investigator (2% academic year; 1 month summer)	16,272
P. Bunyan	Co-investigator (1 month summer)	12,728
To Be Named	Graduate Research Assistant (12 months)	34,500

## Materials, Supplies, and Travel

Laboratory Supplies (see budget justification)	4,375
Travel for PI to attend 2 meetings at company headquarters (see budget justification)	2,125

**Modified Total Direct Costs** **\$70,000**

**Facilities and Administrative Costs (55% of Modified Total Direct Costs)** **\$38,500**

## Other Direct Costs

Equipment (durable items that cost > the threshold for capital equipment - usually \$5,000)	15,000
Tuition Remission (\$350/month)	4,200

**Total Other Direct Costs** **\$19,200**

**Total Project Costs** **\$127,700**



# Example: 4 Types of Agreements for U.S. Companies

## GEORGIA TECH CONTRACT CONTINUUM

The institution's normal industry F&A Rate applies to these types of agreements.

Agreement Type	Purpose	IP Terms
Basic Research	To explore fundamental challenges in a technical area	Opportunity to license the resulting IP
Applied Research	To explore a technology's viability and overcome practical challenges	Fee-based access to the resulting IP
	To test a product during final stages of development	Exclusive field-of-use rights for specified time period can be extended or converted to non-exclusive license
Demonstration	To improve existing technology during product development	Exclusive rights to any improvements to company's IP at no additional cost
Specialized Testing	To test new and existing products using Georgia Tech's equipment	Company owns all test results

From <https://osp.gatech.edu/contract-continuum>



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# Example: Uses of F&A Rates

## GEORGIA TECH OFFICE OF SPONSORED PROGRAMS

Title	FY23 Rate	Use
Uncapped Research	64.60%	Use for contracts for research with DoD and all U.S. not-for-profit sponsors; also use for all industry- and non-U.S. sponsors regardless of the type or location of activity.
Capped Research	58.20%	Use for federal (non-DoD) grants and contracts for research and for DoD grants for research.
Other Sponsored Activities/State of Georgia	35.90%	Use for all GA state and local government grants and contracts regardless of type or location of activity; also use for public service activities for federal sponsors and U.S. not-for-profit sponsors.
Instruction	53.40%	Use for instructional activities for federal sponsors and U.S. not-for-profit sponsors.
Uncapped Off Campus	32.40%	Rate for off campus research programs/projects.
Capped Off Campus	26.00%	Rate for off campus research programs/projects.

From <https://osp.gatech.edu/rates>



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# Some universities charge a processing fee on corporate gifts for research. Why?

**As Georgia Tech explains:**

## **Processing Fee on Research Gifts**

‘By law...[the university is]...strictly prohibited from charging the additional costs associated with the administration of research gifts to the...[institution’s]...Facilities and Administrative (F&A) reimbursements, which is how all other support services in GTRC are funded.’ Therefore, a processing fee of 5% is collected on all research gifts.”

In the event that a donor offers more than 5% for administration the remainder is used to offset the unrecovered F&A created by the use of the gift funds for research.

<https://research.gatech.edu/research-gifts-georgia-tech>



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# For Further Information

## REFERENCES

- COGR:
  - <https://www.cogr.edu/fa-and-cost-research>
- SUNY:
  - [https://www.rfsuny.org/media/RFSUNY/Procedures/facilities and administrative costs primer gui.pdf](https://www.rfsuny.org/media/RFSUNY/Procedures/facilities_and_administrative_costs_primer_gui.pdf)



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# THANK YOU!

Tony Boccanfuso  
President & CEO, UIDP  
[tony@uidp.net](mailto:tony@uidp.net)

Jilda Garton  
UIDP Senior Fellow  
[gartonjilda@gmail.com](mailto:gartonjilda@gmail.com)



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# UIDP Irvine

**October 3-5, 2023**

University of California, Irvine



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A nighttime aerial view of a city with mountains in the background. In the foreground, a large, modern stadium with a white, tent-like roof structure is illuminated. The sky is dark with some clouds, and city lights are visible in the distance. A large, stylized graphic of a blue and green 'A' shape is overlaid on the left side of the image.

UIDP  
**CONTRACTING  
FORUM**  
**January 24-25, 2024**

**Register:**

<https://bit.ly/UIDPContracting2024>

# Help shape the future of engineering R&D



NSF Engineering Research  
Visioning Alliance

**UIDP** is administrative partner, with core partners **Big Ten Academic Alliance** and **EPSCoR IDeA Foundation**

- Inclusive, multi-stakeholder organization
- NSF-funded, five-year initiative

## Get involved!

- Become an ERVA Champion at [www.ervacommunity.org](http://www.ervacommunity.org)
- Follow #ERVACommunity on LinkedIn, Facebook, Twitter



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better meet your needs.



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