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Leading Excellence in Research
Costing Practices

# More Potential Impacts to Costing as We Have Known It: 2 CFR Part 200

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# Equipment and Subaward Threshold Changes

- OMB increased the allowable threshold for equipment (up to $10,000) and subawards in the MTDC base (up to $50,000); made **available** for fiscal years beginning October 1, 2024, and later

CAS **cannot** change the new thresholds until:

- **the change is either made in a rate proposal and effective with the new rates negotiated (or)**
- **changed with an impact statement submitted with a rate extension request**

# Subaward Threshold Change

- Impact statement provided to Cost Allocation Services (CAS)
- Based on an analysis of the effect on the F&A rate of the threshold changing from $25k to $50k applied to the average subaward amount per year

| Base Increase: | | |
|---|---|---|
| Average New Subawards Per Year | | Impact of Calculated Capped F&A Rate |
| | | |
| $1,800,000 | | -0.70% |

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# Equipment Threshold Change

- Impact statement provided to Cost Allocation Services (CAS)
- Based on an analysis of the effect on the F&A rate of the threshold changing from $5k to $10k; (increase to base, equipment write-off spread across negotiation time period, decrease to prior year depreciation)

| Base Increase: Average Annual Acq Cost of Assets $5k-$10k | Depreciation to be written off as of June 30, 2025 | Prior column divided by years negotiated | Est Annual Depreciation $5k - $10k | Impact on the Calc Capped F&A Rate |
|---|---|---|---|---|
| $450,000 | $2,100,000 | $700,000 | -$400,000 | -0.05% |
| | | 3 years | | |

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# HHS Salary Limitation

- HHS Grants Policy Statement issued 10/1/2024
  - Executive Level II aligned to base year
  - Step 1: Identify amount to be adjusted
  - Step 2: Apply FB Rate (or proportionate amount)
  - Step 3: Remove amount allocated to pool
- No adjustment for Direct Salaries over the cap

# HHS Salary Limitation

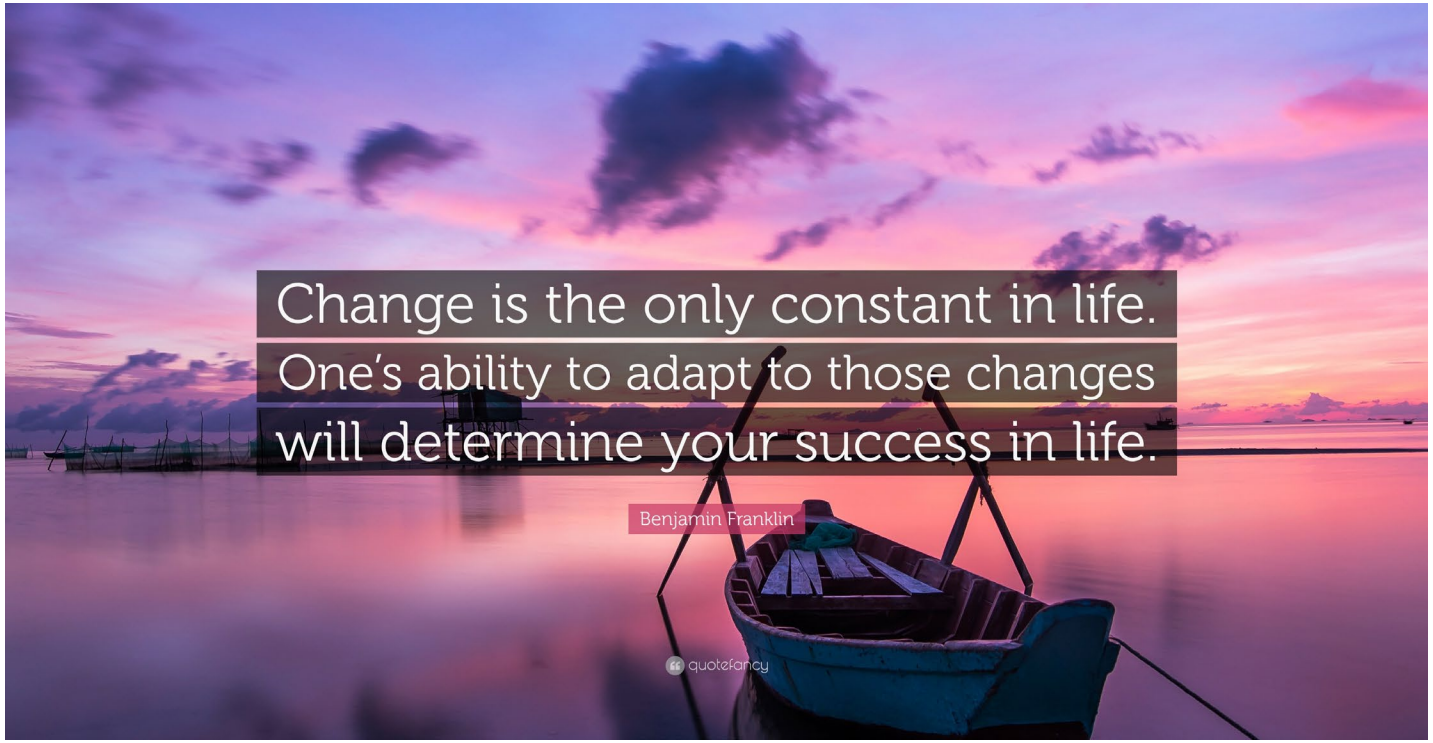
- Effect on Long Form Colleges & Universities
  - Admin salaries will need adjustment; however, if well above the 26% administrative cap there may be no impact on the administrative rate
  - Some O&M and Library salaries will need adjustment, lowering the facilities rate
- May be able to negotiate two rates with CAS:

  ~ **a capped HHS rate and an uncapped rate applicable to all non-HHS awards**

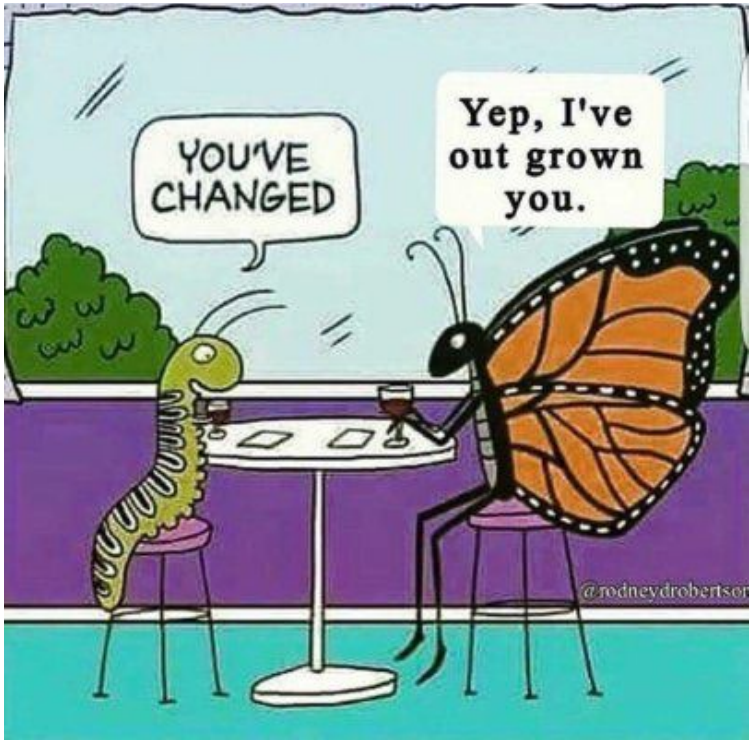
# Disclosure Statements

- No longer required per Uniform Guidance (2 CFR 200.419)
- FAR – Submission, review and approval when CAS-covered Contracts ≥ $50M
- No change following recent FAR Revisions

# CHANGES GOING FORWARD



# Facilities & Administrative / Indirect Costs



# FLAT RATES

| Agency | Issuance Date | Rate | Base | Applicable |
|---|---|---|---|---|
| **NIH** | Feb 07, 2025 | 15% MTDC/TC | MTDC/TC | All Recipients |
| **DOE – IHE** | April 11, 2025 | 15% MTDC | MTDC | IHEs |
| **DOE – Others** | May 08, 2025 | 10% or 15% TC – Max Amount | TC – Max amount | Nonprofits, For Profits, State and Local Governments |
| **NSF** | May 02, 2025 | 15% MTDC | MTDC | IHEs |
| **DOD** | May 14, 2025<br>June 12, 2025 | 15% MTDC | MTDC | IHEs |

# The Future of Rates

- OMB wants flat rates
- May be a Flat Rate plus an add-on
- Flexibility may be given to allow each agency to set regulations on what can be charged on federal awards above the flat rate
- Agency appropriation bills for 2026 being written now

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# What We Know

- The times, they are a-changin'
- The current indirect cost methodology does not result in full recovery of costs
- Flat rates will drastically worsen the situation
- It is likely grantees will need to move to more of a direct charge model
- For some cost pools, this may help recover true costs

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# Direct Charge Models


- O&M, Admin, Incremental Library, Equipment
- Recharge Centers to SSF
- Space costs per Square Foot direct charged
- JAG FAIR Model

# Direct Charge Models

- Departmental O&M sometimes charged directly; allocate more at the departmental level
- Direct charge more Administrative positions directly related to project
- Development a service center for incremental library costs related to research
- Direct charge more equipment; look to charge federal awards for all equipment needed to conduct the research project

# Direct Charge Models – Recharge vs Specialized Service Facilities (SSF)

- Recharge Centers have direct costs in the billing rates, however, are not fully loaded with space costs
- Specialized Service Facilities (SSF) do fully load billing rates with space costs
- Reclass Recharge Centers into SSF where it is reasonable
- And charge the full rates on awards!

# Direct Charge Models – Space Costs

- How do the foundations that pay flat rates pay for the space costs
- Space costs are usually paid directly on a cost per square foot basis
- Take the allocated depreciation plus O&M costs, divided by the applicable square feet
- Could be the direction the federal government goes in

# JAG FAIR Model

The JAG FAIR model, developed by the Joint Associations Group, aims to enhance transparency and accountability in funding indirect costs associated with sponsored programs, streamlining the reimbursement process for research institutions.

This alternative is designed for use across all federal agencies and research institutions and directs research funding to project-specific needs.

# JAG FAIR Model

- The FAIR Model proposes two options for organizations, the Simple and Detailed Options
  - Under the Simple Option, Essential Research Performance Facilities and Research Information and Data Services are included as 10% of the total project budget
  - The Simple Option is available for all institutions and is intended to be attractive for organizations with insufficient administrative resources, or lacking the type of research appropriate for, the Expanded Option
  - The Detailed Option includes all Essential Research Performance Support (ERPS) costs listed in the next slide

# JAG FAIR Model

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## Current Traditional Budget

| Direct Costs | |
|---|---|
| Senior Key Personnel (e.g., PIs) | $$ |
| Other Personnel (e.g., grad students) | $$ |
| Supplies | $$ |
| Publication costs | $$ |
| Etc. | $$ |
| **Indirect (F&A) Costs** | |
| *Facilities & Admen Rate – % of MTDC* | $$ |
| | |
| | |
| | |
| **General Research Operations (GRO) (% of budget)** | 0% |

## FAIR Detailed Option

| Research Performance Costs (RPC) | |
|---|---|
| Senior Key Personnel (e.g., PIs) | $$ |
| Other Personnel (e.g., grad students) | $$ |
| Supplies | $$ |
| Publication costs | $$ |
| Etc. | $$ |
| **Essential Research Performance Support (ERPS)** | |
| *Regulatory Compliance (RC)* | $$ |
| *Award Monitoring, Oversight, and Reporting (AMOR)* | $$ |
| *Essential Research Performance Facilities (ERPF) (% of budget)* | % |
| *Research Information Services (RIS)* | $$ |
| **General Research Operations (GRO) (% of budget)** | 15% |

# JAG FAIR Model

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**Both Models**

### Regulatory Compliance (RC)

Costs required for the safe and responsible conduct of modern federally funded research, e.g., animal and human subjects, radiation safety, biosafety, clinical trial monitoring, specialized data security

### Award Monitoring, Oversight, and Reporting (AMOR)

Project-specific costs associated with financial and non-financial management

### General Research Operations (GRO)

*Represents portions of institutional offices that serve all sponsored research activities (e.g., human resources, procurement, fire and life safety); universal compliance and monitoring requirements (e.g., conflict of interest, research integrity)*

**Detailed Model**

### Essential Research Performance Facilities (ERPF)

Project-specific costs associated with the type of space used, e.g., maintenance, utilities, operations, building depreciation, and leases directly attributable to research spaces used. Calculated as a % of total budget

### Research Information and Data Services (RIDS)

Expenses, e.g., scientific journal subscriptions, database access, and institutional repositories (physical and digital) directly supporting research activities

# Essential Research Performance Facilities (ERPF)

- Rates (%) specific to type of facilities used
- Consists of Building, Equipment, Capital Improvements, Interest, and Operations & Maintenance
- Types of facilities:
  - Offices
  - Wet Labs
  - Clinical
  - Dry Lab
  - Special
  - Etc.

# ERPF (cont)

**Step 1: Determine breakdown of total institution square footage by room type:**

| Room Type Category | ASF | % Total ASF |
|---|---|---|
| **Lab / Lab Services (OR)** | **777** | **9%** |
| Lab / Lab Services (IDR) | 432 | 5% |
| Lab / Lab Services (OSA) | 86 | 1% |
| Lab / Lab Services (Other) | 173 | 2% |
| **Dry Lab (OR)** | **259** | **3%** |
| Dry Lab (IDR) | 259 | 3% |
| Dry Lab (OSA) | 86 | 1% |
| Dry Lab (Other) | 86 | 1% |
| **Offices (OR)** | **259** | **3%** |
| Offices (IDR) | 690 | 8% |
| Office (OSA) | 259 | 3% |
| Office (Other) | 1,640 | 19% |
| **Special (OR)** | **173** | **2%** |
| Other (non OR) | 3,539 | 41% |
| | 8,718 | 100% |

# ERPF (cont)

**Step 2: Allocate allowable facilities costs to various room types.**

**Building Depreciation / Interest Expenses**

| Room Type Category | % Total ASF | Bldg Depr | Interest | Total Bldg & Interest |
|---|---|---|---|---|
| **Lab / Lab Services (OR)** | **9%** | **$ 7,688** | **$ 855** | **$ 8,543** |
| Lab / Lab Services (IDR) | 5% | $ 4,271 | $ 475 | $ 4,746 |
| Lab / Lab Services (OSA) | 1% | $ 683 | $ 76 | $ 759 |
| Lab / Lab Services (Other) | 2% | $ 1,452 | $ 162 | $ 1,614 |
| **Dry Lab (OR)** | **3%** | **$ 2,563** | **$ 285** | **$ 2,848** |
| Dry Lab (IDR) | 3% | $ 2,563 | $ 285 | $ 2,848 |
| Dry Lab (OSA) | 1% | $ 854 | $ 95 | $ 949 |
| Dry Lab (Other) | 1% | $ 854 | $ 95 | $ 949 |
| **Offices (OR)** | **3%** | **$ 2,563** | **$ 285** | **$ 2,848** |
| Offices (IDR) | 8% | $ 6,834 | $ 760 | $ 7,594 |
| Office (OSA) | 3% | $ 2,563 | $ 285 | $ 2,848 |
| Office (Other) | 19% | $ 16,231 | $ 1,805 | $ 18,036 |
| **Special (OR)** | **2%** | **$ 1,709** | **$ 190** | **$ 1,899** |
| Other (non OR) | 41% | $ 35,024 | $ 3,895 | $ 38,919 |
| | 100% | $ 85,425 | $ 9,500 | $ 94,925 |

# ERPF (cont)

**Equipment Depreciation**

**Note: Institution may elect to allocate using total space statistic (2a) as with Building/Interest or use pooled totals from prior proposal (2b).**

| Room Type Category | (1) Identified by Room | % Total ASF | (2) Allocated by Dept/Bldg | (1+2) Total Equip. |
|---|---|---|---|---|
| **Lab / Lab Services (OR)** | **$ 3,000** | **9%** | **$ 1,391** | **$ 4,391** |
| Lab / Lab Services (IDR) | $ 850 | 5% | $ 773 | $ 1,623 |
| Lab / Lab Services (OSA) | $ 250 | 1% | $ 124 | $ 374 |
| Lab / Lab Services (Other) | $ 50 | 2% | $ 263 | $ 313 |
| **Dry Lab (OR)** | **$ 1,500** | **3%** | **$ 464** | **$ 1,964** |
| Dry Lab (IDR) | $ 100 | 3% | $ 464 | $ 564 |
| Dry Lab (OSA) | $ 150 | 1% | $ 155 | 304.5 |
| Dry Lab (Other) | $ 100 | 1% | $ 155 | $ 255 |
| **Offices (OR)** | **$ 50** | **3%** | **$ 464** | **$ 514** |
| Offices (IDR) | $ 75 | 8% | $ 1,236 | $ 1,311 |
| Office (OSA) | $ 50 | 3% | $ 464 | $ 514 |
| Office (Other) | $ 25 | 18% | $ 2,781 | $ 2,806 |
| **Special (OR)** | **$ 500** | **2%** | **$ 309** | **$ 809** |
| Other (non OR) | $ 1,000 | 41% | $ 6,335 | $ 7,335 |
| | $ 7,700 | 100% | $ 15,450 | $ 23,150 |

# ERPF (cont)

**Operations & Maintenance**

**Note: This allocation acknowledges that laboratory space and some special facilities require additional O&M expenses like Utilities, EH&S, etc.**

**(1) Plant and Operations allocated by Dept / Bldg.**
**(2) Utilities with an established factor of 2x for Labs & 1.5x for Dry Lab**
**(3) EHS / Radiation Safety / Biohazard for Labs and Special Only**

| | | (1) | | | (2) | | | (3) | |
|---|---|---|---|---|---|---|---|---|---|
| Room Type Category | % Total ASF | Allocated by Dept/Bldg | ASF | Adjusted ASF | % Total ASF | Utilities Allocation | ASF | % Total ASF | EHS / Radiation | |
| **Lab / Lab Services (OR)** | **9%** | **$ 14,760** | **777** | **1,554** | **15%** | **$ 9,592** | **777** | **53%** | **$ 6,616** | **$ 30,968** |
| Lab / Lab Services (IDR) | 5% | $ 8,200 | 432 | 864 | 8% | $ 5,333 | 432 | 29% | $ 3,678 | $ 17,211 |
| Lab / Lab Services (OSA) | 1% | $ 1,312 | 86 | 172 | 2% | $ 1,062 | 86 | 6% | $ 732 | $ 3,106 |
| Lab / Lab Services (Other) | 2% | $ 2,788 | 173 | 346 | 3% | $ 2,136 | 173 | 12% | $ 1,473 | $ 6,397 |
| **Dry Lab (OR)** | **3%** | **$ 4,920** | **259** | **389** | **4%** | **$ 2,398** | - | - | - | **$ 7,318** |
| Dry Lab (IDR) | 3% | $ 4,920 | 259 | 389 | 4% | $ 2,398 | - | - | - | $ 7,318 |
| Dry Lab (OSA) | 1% | $ 1,640 | 86 | 129 | 1% | $ 796 | - | - | - | $ 2,436 |
| Dry Lab (Other) | 1% | $ 1,640 | 86 | 129 | 1% | $ 796 | - | - | - | $ 2,436 |
| **Offices (OR)** | **3%** | **$ 4,920** | **259** | **259** | **2%** | **$ 1,599** | - | - | - | **$ 6,519** |
| Offices (IDR) | 8% | $ 13,120 | 690 | 690 | 7% | $ 4,259 | - | - | - | $ 17,379 |
| Office (OSA) | 3% | $ 4,920 | 259 | 259 | 2% | $ 1,599 | - | - | - | $ 6,519 |
| Office (Other) | 18% | $ 29,520 | 1,640 | 1,640 | 16% | $ 10,122 | - | - | - | $ 39,642 |
| **Special (OR)** | **2%** | **$ 3,280** | **173** | **173** | **2%** | **$ 1,068** | **173** | **12%** | **$ 1,473** | **$ 5,821** |
| Other (non OR) | 41% | $ 67,240 | 3,539 | 3,539 | 34% | $ 21,844 | - | - | - | $ 89,084 |
| | 100% | $ 164,000 | 8,718 | 10,531 | 100% | $ 65,000 | 1,468 | | $ 12,500 | $ 241,500 |

ERPF (cont)

# ERPF (cont)

**Step 3: Determine Total OR $ by room type:**

| Room Type Category | % Total OR | TDC |
|---|---|---|
| Lab / Lab Services (OR) | 50% | $ 208,500 |
| Dry Lab (OR) | 20% | $ 83,400 |
| Offices (OR) | 18% | $ 75,060 |
| Special | 12% | $ 50,040 |
| | 100% | $ 417,000 |

**Step 4: Calculate total facilities rate by room type**

| | Total Facilities | | TDC | | ERPF |
|---|---|---|---|---|---|
| Lab / Lab Services (OR) | $43,902 | ÷ | $208,500 | = | 21% |
| Dry Lab (OR) | $14,093 | ÷ | $ 83,400 | = | 17% |
| Offices (OR) | $ 9,880 | ÷ | $ 75,060 | = | 13% |
| Special | $14,349 | ÷ | $ 50,040 | = | 29% |

# ERPF (cont)

**Step 3: Determine Total Sponsored Base $ by room type:**

| Room Type Category | % Total Spons | TDC |
|---|---|---|
| Lab / Lab Services | 17% | $ 340,000 |
| Dry Lab | 10% | $ 200,000 |
| Offices | 35% | $ 700,000 |
| Special | 3% | $ 60,000 |
| Other (Classroom, Lounge, Conference, etc.) | 28% | $ 560,000 |
| | 100% | $ 2,000,000 |

**Step 4: Calculate total facilities rate by room type**

| | Total Facilities | | TDC | | ERPF |
|---|---|---|---|---|---|
| Lab / Lab Services | $ 79,823 | ÷ | $ 340,000 | = | 23% |
| Dry Lab | $ 32,327 | ÷ | $ 200,000 | = | 16% |
| Offices | $ 107,262 | ÷ | $ 700,000 | = | 15% |
| Special | $ 14,281 | ÷ | $ 60,000 | = | 24% |

# Research Information and Data Services (RIDS)

- New "Library" component
- Meet Requirements for data storage, dissemination, management, etc.
- Examples:
  - Data Storage Platforms
  - Data Management Platforms and Training
  - Cybersecurity
  - Sample repositories

# RIDS (cont)

- Simple Option – 10%
- Detailed Option
  - Fixed Cost per award
  - Annual Fees
  - Tiered approach – data intensive research may be assessed higher rate aligned with actual usage

# Regulatory Compliance Costs

- Regulatory compliance costs are identified through a review of the SPA, GA and O&M pools. The following costs have been identified:
  - Institutional Biosafety Costs
  - Radiation Safety
  - Institutional Review Board
  - Clinical trial monitoring
  - Research Integrity Costs
  - Environmental Health & Safety

# Regulatory Compliance (RC) (cont)

- Per unit costs are calculated for each of these costs and the specific regulatory items will be selected for each project

# Award Management, Oversight, and Reporting (AMOR)

- Award Management, Oversight, and Reporting (AMOR) consists of the following costs:

- centralized **post-award** grants management normally in the Sponsored Projects Office, Research Accounting, Research Finance, or Post-Award office
- departmental post-award grants management, including assistance with post award regulatory compliance
- central finance department dedicated to post-award activities, e.g., audit and payment draws

# AMOR (cont)

Per unit costs are calculated for the total AMOR costs and are applied to each project