



RUTGERS

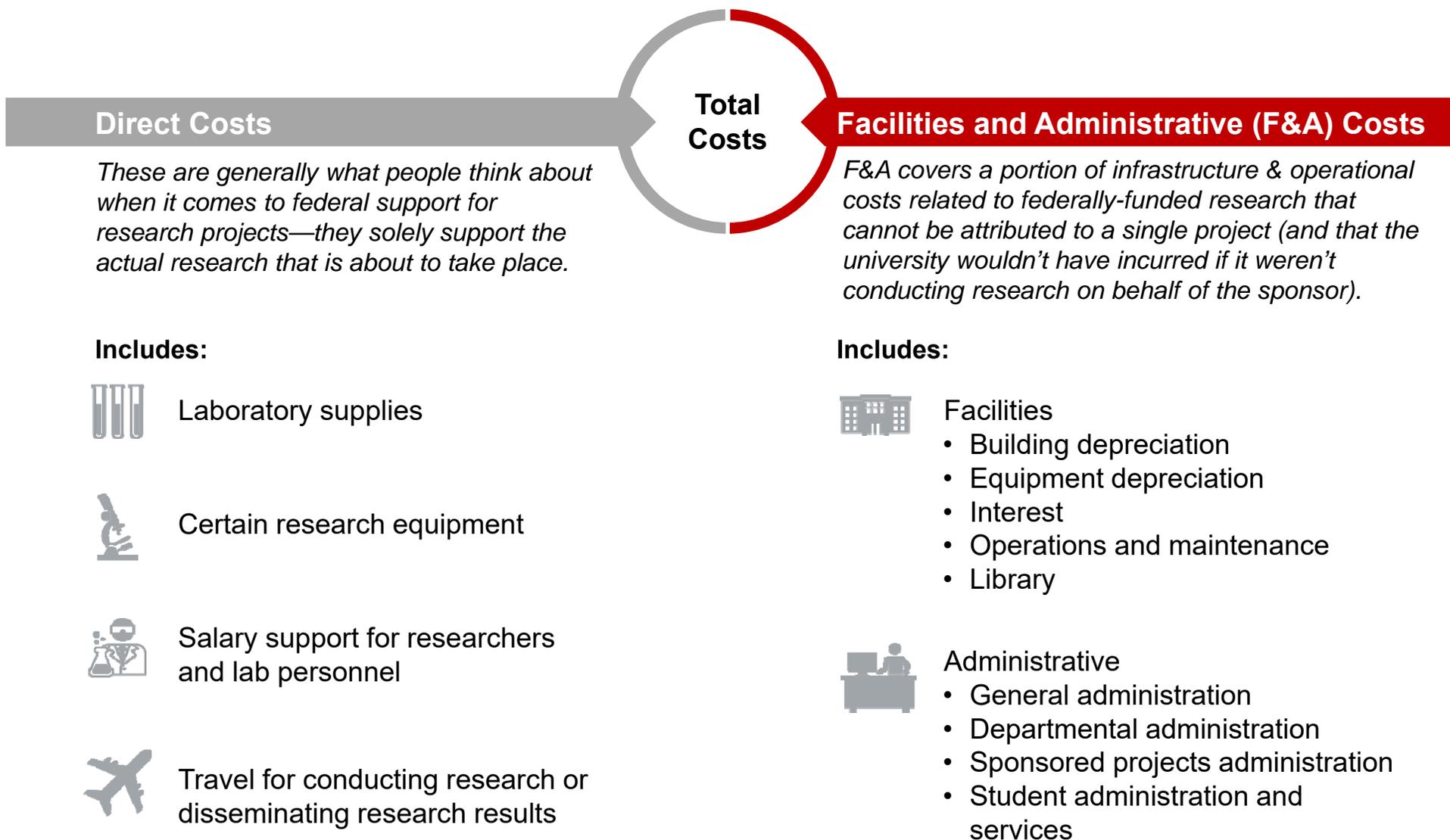
**Facilities & Administrative (F&A) Cost
Rate Agreement Update**

*Office of Research and Economic Development (ORED)
University Controller Office (UCO)*

June 2019

- Rutgers' \$712.5 million in annual research and development expenditures (as of FY2017) place us among the nation's top public universities
- Rutgers' R&D expenditures exceed those of all other New Jersey colleges and universities combined
- Rutgers has 300 research centers and institutes around the state
- Rutgers research has a compound annual growth rate (CAGR) of 4.2% since 2014
- In FY2018, Rutgers received 3,402 research awards, 74 of which were valued at more than \$1 million
- Initial FY2018 Higher Education Research and Development (HERD) survey data shows 4% growth in expenditures over FY2017

What Are Facilities and Administrative Costs?



Some Common F&A Myths...



Direct costs are the only “real costs” of research—F&A **diverts dollars away** from supporting actual research



F&A is a centrally administered “**tax**” on research that allows universities to “**profit**”



F&A is arbitrarily determined and represents a “**slush fund**” for universities, providing little benefit to researchers

...Don’t Align with Realities



F&A costs are real costs, without which faculty and universities would not be able to conduct any research



F&A is a **partial reimbursement** for **costs already incurred** by the university to support research. The university *never* recovers full costs.



F&A rate is **negotiated** with the federal government through a rigorous process and **strategically reinvested** in the research enterprise

Rate-Setting Process



Calculation

- Universities use rules defined by OMB¹ and audited financial data
- Rate is based on an average for the institution



Negotiation

- F&A rates are submitted to and rigorously reviewed by the university's "cognizant agency" (DHHS²)
- University and cognizant agency negotiate a rate normally effective for 2-5 years



Charging

- Negotiated rate is applied to subset of the direct costs of each research project
- Negotiated federal F&A rate is used for all agencies—universities don't negotiate different rates for different agencies

1. Office of Management and Budget

2. Department of Health and Human Services

F&A Cost and Rate Trends

20-85%

Range of F&A rates across the United States

53%

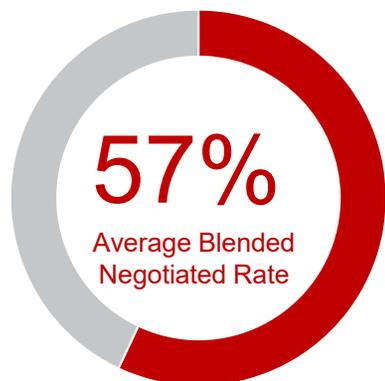
Average negotiated F&A rate for universities across the United States

55%

Rutgers University's negotiated F&A rate for FY19

Rutgers University (Organized Research)

FY18 \$88.4M in unrecovered F&A



Recovery Challenges



Federally-negotiated rate is always lower than actual costs



Administrative portion of F&A is capped at 26%



Some federal agencies cap F&A (e.g., USDA)



Some non-federal sponsors only offer reduced or no F&A (e.g., foundations)

National Outlook

34%

Average effective F&A recovery rate



\$5B+

Total F&A not recovered by all doctoral institutions in FY16



*** If Rutgers would have achieved the average effective rate it would have meant another \$17M in FY18**

Reality of F&A Rates (and the negotiation process)

- Negotiated rate is almost always less than the actual calculated rate
 - Even if all sponsors paid the applicable negotiated rate, Rutgers is not fully recovering its actual F&A costs
 - But not all sponsors pay the full rate, reducing the proportion recovered even more

Importance of Maximizing F&A Recovery

- Applying the F&A rate represents recovery of costs **already incurred** by the University and which benefited the sponsors
- F&A recovery is a critical component of the University's budget and necessary to support a sustained investment in the research enterprise

Principal Investigator Perspective (and the challenge it brings)

- Waiving or lowering the applicable F&A rate increases the portion of the budget available for salaries, supplies, and other direct costs

Application of Rate

- Modified Total Direct Costs (MTDC) is defined in federal regulations and refers to the costs against which the F&A rate is applied – not all costs on a research grant are charged the F&A rate
- Federal research awards generally must be charged the F&A rate negotiated with the federal government
 - Some kinds of federal awards may be required to apply a different F&A rate because of regulations or statutes (e.g., National Institute of Health research training grants and K awards, some federal flow-through awards)
- Other sponsors may be charged different F&A rates established by the University but variations from the established F&A rates require approval from our cognizant agency

Use of DUNS

- 13 total (Data Universal Numbering System) DUNS numbers including 9 DUNS numbers under RBHS
- Under the new agreement, we are required to phase out the use of RBHS Employer Identification Number (EIN)/DUNS
- We are in the process of consolidating RBHS DUNS and expect to send guidance to the field in late Summer

| | | PRIOR TO July 1, 2018 | EFFECTIVE July 1, 2018 - June 30, 2023 | | |
|---|----------------|--------------------------|--|----------------------|----------------------|
| | | | 7/1/2018 - 6/30/2019 | 7/1/2019 - 6/30/2021 | 7/1/2021 - 6/30/2023 |
| ORGANIZED RESEARCH | | | | | |
| | Rutgers | 55% | 55% | 56% | 57% |
| | RBHS | 59% | | | |
| INSTRUCTION | | | | | |
| | Rutgers | 53% | 53% | 53% | 53% |
| | RBHS | N/A | | | |
| OTHER SPONSORED ACTIVITIES | | | | | |
| | Rutgers | 37.2% | 37.2% | 37.2% | 37.2% |
| | RBHS | 26.1% | | | |
| NATIONAL TRANSIT INSTITUTE (NTI) | | 14% | 14% | 14% | 14% |
| OFF-CAMPUS (ALL) | | 26% | 26% | 26% | 26% |

Details

- Awards with a start date of **6/30/2018** and prior will remain at their existing F&A rate through the award end date
- Awards with a start date of **7/1/2018** and later will have F&A recalculated according to the newly-negotiated tiered rates

Provisional F&A Rates

- Provisional rates may be in effect at the time of an award.
- Provisional rates are not negotiated rates and are used for interim budgeting and billing purposes to allow adequate time for F&A rate negotiations.
- The provisional rate is used in proposals and sponsor billings until fixed or pre-determined rates are negotiated.
- After rates are negotiated, individual awards are adjusted to reflect the negotiated rate.

Uniform Guidance Appendix III Section C.7 states the following:

"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."

The F&A rates used are determined by the award date and F&A agreement period, rather than the project or budget period of the award.

For tiered rates, the rate in effect (as determined by the rate agreement in effect at the start of the award) at the time the expenses are incurred on an award is the rate that is applied to those expenses. Thus, if an award period continues into a new fiscal year and a different rate is in effect for that new fiscal year, then that different rate applies to the remainder of the award period in that new fiscal year.

Per 2 CFR Section 200.68 (definition of MTDC), standard exclusions include expenditures for:

- Capital equipment
- Capital expenditures
- Participant support costs
- Patient care charges
- Rental of space
- Scholarships and fellowships
- The portion of a subcontract in excess of \$25,000
- Tuition remission

*BASE

Modified total direct costs, consisting of all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). Modified total direct costs shall exclude equipment, capital expenditures, charges for patient care, rental costs of offsite facilities, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.

MTDC definition is from federal regulations. MTDC inclusion of expenditures is not negotiable.

Existing Awards Impacted

Roughly 560 awards that must be updated to the new burden schedule.

- Teams from GCA and UCO are nearly complete all of the updates.
 - 50 awards remains with Lamar for additional review.
- RBHS impacted with 4% reduction in F&A.
- Minimal OSA awards that will be impacted by a 10% increase in F&A.
 - To be completed and communicated directly to any units who may see this increase in costs on their projects.

What's a burden schedule?

1. Ensures appropriate costs are burdened per the F&A agreement (MTDC).
2. Ensure costs are burdened per the tiered rate schedule.

Updating Burden Schedules process in Oracle**3 step process to ensure projects and A/R are properly updated in Oracle.**

1. Update project to the correct burden schedule
2. Recalculate burdened costs
3. Recalculate invoices

System vs. Expenditure Item Dates

- **Project Journals** (Expenditure Item Date Selection) – Please be mindful of the dates you select.
- **Payroll** PeopleSoft (Reallocation of salary) - Extremely important to get reallocations complete prior to fiscal close periods.
- **Procurement** RU Marketplace (PO Date vs Actual Expenditure Date) – Oracle pulls the PO date as the expenditure, thus posting costs to a period that could be subject to a previous F&A rate.
 - GCA / Finance / Procurement are currently working together to resolve this issue. GCA is aware and will make adjustments as needed.

Other Grants Management**F&A Account (69200) is LOCKED**

- Only GCA can prepare manual F&A adjustments.
- If you notice discrepancies please reach out to your Grant Accountant, immediately.

Frequent Monitoring is a MUST!

- Review projects closely and regularly (timeliness is a major factor).
- Significantly reduce allocation of costs within inappropriate periods.
- Please be mindful of cost transfers
 - Consider what's being transferred and when-

Proposal Budgets

- Multi-year proposal budgets should incorporate the tiered rates for future years crossing fiscal years
- Multi-year proposal budgets for out years extending past FY2023 should use the last F&A rate per the agreement (i.e. 57% for Organized Research)
- Previously submitted proposals budgeted at prior (provisional) F&A rates will be re-budgeted between direct and indirect for new F&A rates when the award is received (award total must remain unchanged)

➤ **F&A Rate Application Determination**

- **General burdening**
- **Continuations:** Multi-year award
 - *Subject to the **same** rate schedule in effect at the time of the initial award, even when the funds are released annually*
- **No Cost Extension:** Added performance period only
 - *Subject to the **same** rate schedule in effect at the time of the initial award*
- **Modification:** Added performance period and funding (same award)
 - *Subject to the **same** rate schedule in effect at the time of the initial award*
- **Supplement:** Added performance period and funding (new award)
 - *Subject to the **current** rate agreement in effect at the time of award*
- **Master Agreement:** Agreement for specified period of time to perform multiple tasks
 - *Subject to the **current** rate agreement in effect at the time of task performance*

Examples

An award for on-campus research is made with a start date of 5/1/18. The award period is 5/1/18-4/30/22. What rate will be charged?

Answer:

The award will use the original F&A rate (55% for RU or 59% for RBHS) at the time of the original start date.

An award for on-campus research is made with a start date of 7/1/2020. The award period is 7/1/20-7/1/22. What rate will be charged?

Answer:

The first year's Modified Total Direct Costs (MTDC) expenditures from 7/1/20 through 6/30/21 will be subject to the 56% rate.

The second year expenditures from 7/1/2021 to 6/30/22 will be subject to the 57% rate.

An award for on-campus research is made with a start date of 5/1/19. The total award period is 5/1/19 through 4/30/24. What rate will be applied to this award?

Answer:

The expenditures for first two months of the award from 5/1/19 through 6/30/19, will be subject to the 55% F&A rate.

The expenditures from 7/1/19-6/30/21 will be subject to the 56% rate.

Expenditures on 7/1/21 through the end of the award in 2024 will be subject to 57% rate.

An award for on-campus research that began on 7/1/17 was scheduled to end on 6/30/19 but is extended via a “no-cost extension” (NCE) to 6/30/20. What rate will apply?

Answer:

This NCE is subject to 55% for RU and 59% for RBHS to the end of the NCE.

An award for on-campus research that began on 7/1/17 is scheduled to end on 6/30/19. The award is receiving a supplement to add new funds to the award and will extend the award to 6/30/20. This supplement will be effective from 4/1/19-4/30/20. Which rate will apply?

Answer:

If the Supplement is given a **new award number**, then Supplemental funding will be subject to two different rates – 55% for the period from 4/1/19-6/30/19 and 56% for the period from 6/30/19-4/30/20.

If the Supplement with the new funds and the extension come as a **modification** to the existing award number, then the original F&A rate (55% for RU or 59% for RBHS) will be applied to it.

An award for on-campus research that began on 7/1/17 received a **continuation** award for year three (3) of the project which begins 7/1/19. What rate will apply?

Answer:

The continuation year will use the original F&A rate (55% for RU or 59% for RBHS).

An award for on-campus research that began on 7/1/17 received a **modification** on 5/1/19 to increase the award by \$25,000. What rate will apply?

Answer:

The modification to an existing award will use the original F&A rate (55% for RU or 59% for RBHS).

A master agreement is signed for the period covering 5/1/19 – 4/30/24. What rate will apply when a task order is received?

Answer:

- Task Order Dated 6/1/19 – 55% (FY19 Rate)
- Task Order Dated 9/1/20 – 56% (FY21 Rate)
- Task Order Dated 12/1/22 – 57% (FY23 Rate)
- Task Order Dated 3/1/24 – Subject to negotiated rate in effect, i.e. new F&A agreement to be negotiated for FY2024 (current agreement end date is 6/30/2023).

- **Open Sessions**

- Open Information Sessions are being scheduled on all campuses.
 - **RBHS/NJMS (Newark)** – May 13th, 1:00-2:30pm, MSB B610 (185 S. Orange Avenue, Newark)
 - **RBHS-NB/RWJMS** – May 22nd, 10:00-11:30am, CINJ Auditorium A (195 Little Albany Street, New Brunswick)
 - **RU NB SEBS, ENG, SAS** – May 23rd, 2:00-4:00pm, Alampi Room, Marine and Coastal Science Bldg (71 Dudley Rd, New Brunswick)
 - **RU Newark** – June 5th, 10am-Noon, MSB B-554 (185 S. Orange Avenue, Newark)
 - **RU New Brunswick (General)** – In-Person & Webinar - June 10th, 10:00am-Noon, 135 A & B (33 Knightsbridge Rd, Piscataway)
 - **RU Camden** – June 19th, 1:00-3:00pm, 4th Floor Classroom (401 Penn Street, Camden)

- **Training**

- Ongoing training and education sessions are being planned and will be available throughout FY19 and beyond.

- **Inquiries**

- Please direct questions to the below contacts, also provided in previous campus F&A communication.

| Type of Question | Who to Contact |
|------------------------|--|
| Proposal and Pre-Award | Chrissa Papaioannou at cp847@ored.rutgers.edu Diane Ambrose at ambrosdm@ored.rutgers.edu |
| Post-Award | Lamar Oglesby at gca@ored.rutgers.edu |
| General F&A | A. Chea Smith at cost@finance.rutgers.edu |

New F&A Agreement and Information

Cost Analysis & Reporting Website

<https://costanalysis.rutgers.edu/facilities-and-administrative-cost-rates-0>

Proposal & Budget Preparation Information

Office of Research and Sponsored Programs Website

<https://orsp.rutgers.edu/facilities-and-administrative-costs>

