



Indirect Cost Calculation

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Federal Government Concerns



- The current rates are too high
- Why can't we use foundation money to fund some of the IDC costs?
- We have our own agenda...we are using the IDC funds to support DEI grants?
- If foundations can exist using 15%..why can't higher ed?
- Changes to the Existing Calculation will continue
- Courts upheld existing percentages and processes; however, changes are expected in legislation
- Plus more transparency needed on the spending of IDC

JAG FAIR Model

The Financial Accountability in Research (**FAIR**) Model

Developed by the Joint Associations Group on Indirect Costs
(**JAG**)

JAG NATIONAL ORGANIZATIONS



Why and When?

- This JAG group began meeting to help gather expert opinions and provide data to the federal government before October
- They asked for input from many institutions, including TAMUS
- The federal government has their eyes on \$6.5 billion on IDC revenue across all institutions
- Lawmakers do not have the patience or time to understand the current model
 - It is complicated
 - The current calculation ranges from 30-75% recovery rates
 - Are these too high?
 - Need a new model which is simpler and speaks to republicans and democrats
 - We are in a bubble which does not resonate with lawmakers



OMB Existing IDC (F&A) Models



Types of Calculations

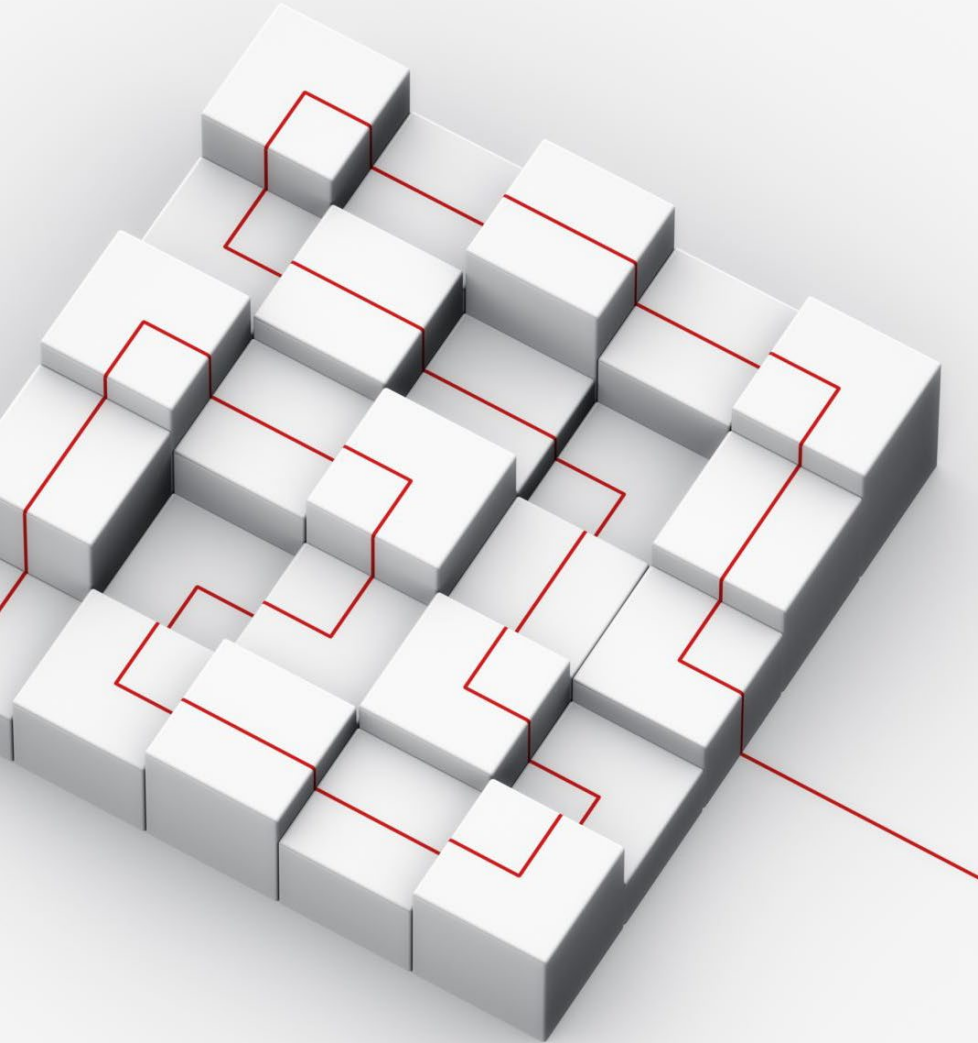
- Short form-less than \$10 million
- Long form-greater than \$10 million
 - Can be calculated via macros and excel
 - Or Use Maximus CRIS software
 - Lab space surveys can be used

True Cost Accounting pools are defined in OMB

- Numerator=Direct Costs
- Denominator=Indirect
 - Include O&M, utilities, depreciation plus interest expense on debt costs, Admin capped at 26%, Facilities costs add the most to the calculation

TAMUS Rates range from 30-54%

Use Maximus and Jim Nolan with Federal Costing Concepts to negotiate with HHS



Arriving at the FAIR Model with 2 Options

JAG developed FAIR Model 1 and FAIR Model 2

*Both were tested by institutions across the U.S. who provided feedback

*Based on the feedback and continued discussion & evaluation, JAG created the FAIR Model with **two** accounting options

Base Option

Expanded Option

The FAIR Model is designed to be applied by ALL Federal agencies, as was the current F&A model

3 Main Cost Categories

Component 1: Research
Performance Costs (RPC)

Component 2: Essential Research
Performance Support (ERPS)

Component 3: General Research
Operations (GRO)

Component 1: Research Performance Costs (RPC)

“**Direct costs**” ...similar to today

Project-specific costs to actually perform the research

| Research Performance Costs (RPC) |
|--------------------------------------|
| Senior Key Personnel (e.g. PIs) |
| Other Personnel (e.g. grad students) |
| Supplies |
| Publication costs |
| Etc... |

Component 2:

Essential Research Performance Support (ERPS)

Currently within the “**indirect costs**” category - project specific costs needed to support the research. They consist of four elements:

- **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, e.g. Sponsored Research Services and Maestro
- **Research Information Services (RIS)**, which are project-specific costs related to journal subscriptions, database access, institutional repositories/libraries, and related resources
- **Essential Research Performance Facilities (ERPF)**, *facilities portion of the current F&A rate*, Project-specific costs associated with the type of space used, e.g., maintenance, utilities, operations, building depreciation, and leases for the research spaces used; calculated as a % of total budget

Component 3: General Research Operations (GRO)

Currently within the “**indirect costs**” category

GRO represents

- portions of institutional offices serving 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)

GRO is defined by JAG as **15%** of the total award budget to support the costs that cannot easily be assigned to a particular project

- The percentage was determined by JAG by examining the amount of these costs in existing F&A proposals from institutions of various types and sizes and validated by feedback from the community

Expanded 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)* | \$\$ |
| Research Information Services (RIS)* | \$\$ |
| Essential Research Performance Facilities (ERPF) (% of budget) | % |
| General Research Operations (GRO)(% of budget) | 15% |

Institutions may directly charge all four elements of ERPS costs to individual research project budgets

*Service Centers will likely be needed to charge these items directly to projects

Expanded Option

Essential Research Perf Facilities (ERPF)

Assign Costs Based on Type of Research-more details needed

- Perform a single space assessment (not the detailed space study we do now for F&A...use the annual space assessment)
- Identify research facility costs to generate no more than 6 research space types (not sure how this will be done). Examples of space types are as follows:
 - **Office-based Research:** Research primarily conducted in traditional office environments
 - **Standard Laboratory and Instrumentation-Based Science Labs:** Research requiring typical infrastructure, including wet or dry labs, equipment for sample handling, etc
 - **Patient-Centered Clinical and Interventional Trials:** Research involving complex clinical activities, trials, or studies including observations, and testing of pharmaceuticals, medical devices, biologics, etc
 - **Specialized:** Research conducted in laboratory or field setting that requires specialized equipment and facilities, e.g., BSL3, primate centers, significant telescopes, specialized tools
- Scale the percentages by the size of each project budget
- Based on the type of research performed in a given project

Base Option

Available for all institutions and especially attractive for those with fewer administrative resources or lacking the type of research appropriate for the Expanded Option

Expanded 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)* | \$\$ |
| Research Information Services (RIS)* | \$\$ |
| Essential Research Performance Facilities (ERPF) (% of budget) | % |
| General Research Operations (GRO)(% of budget) | 15% |

Base 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)* | \$\$ |
| Research Information Services (RIS) | 10% |
| Essential Research Performance Facilities (ERPF) (% of budget) | |
| General Research Operations (GRO)(% of budget) | 15% |

These two items become 10% of total budget in the base option versus charging directly to the projects.

*Service Centers will likely be needed to charge these items directly to projects.

Recap

- Eliminates F&A and the associated rate proposal preparation
 - Will it save time and money?
 - Uncertain at this time because of the service centers that will need to be created and maintained
- Accommodates all types and sizes of institutions vs. short/long form schools
- Increases accountability and transparency via explicit costing of key elements
- Addresses confusion about institutional use of reimbursed funds by tracking costs in specific and allowable categories
- Aligns project costs with the type of work being performed
- Funding structure is similar to structure allowed by private foundations
- Will require changes to Uniform Guidance and policies (e.g., salary and budget caps)



Briefed congressional leaders and OMB

Received conceptual agreement on the model

Continuing to seek input from the community via COGR Townhalls

Continue working with Congress and OMB

Work with OMB and the community on changing 2CFR200 (Uniform Guidance)

Recent
Actions and
Next Steps
by JAG



TAMUS FAIR Rates

- TAMUS and SRS-Participated in the calculations and provided feedback to JAG in June 2025
 - Data was gathered at a high-level for all institutions in the Nation
 - True calculations would be at the service center/account level
 - Moving quickly to help JAG have data and submit to Congress and OMB
- JAG did gather the institutions data and increased a portion of Admin from 10% to 15%...there is value in helping JAG
- For both options, TAMUS institutions reflected a **significant** increase over **IDC revenue currently received**
- Is this reasonable?
 - Government wants to cut costs
 - How will OMB modify?

OMB-Office of Management and Budget Possibilities



- Working to update the Uniform Guidance by the end of August
- Want to have new rules in place by **October**
- MTDC will go away...moving towards TDC
- A flat rate is appealing
- If there are additional costs, then they will be pushed down to the specific grant/project
- Library costs have been reduced and simplified
- No more negotiations with the cognizant agency
- Annual certification on **how the IDC funds were used**



Good News?

- We can select either option, as of right now
- The true costs are included thus the geographic differences are captured
- We can receive more IDC funds if we select the Expanded Option...but will add complexity in accounting setup and monitoring
 - Facility costs are more involved
 - How can we calculate this cost?
- Congress wants to invest in Research
- The Executive Branch wants to cut Research...there will be negotiations

Where do we go from here?



- This is a proposed model and could change before a final model is agreed on
- **Nothing has been officially changed at this time**
- Proposing a 2-year transition timeline to address concerns about work involved
- We will continue to use the current F&A rates
- Fiscal Year 2025
 - We will continue to move forward with the College Station long form base year calculation using FY 2025 data
 - Texarkana and San Antonio are short forms – we will use FY 2025 data for their calculations
- Fiscal Year 2026
 - Keep using the negotiated rates on new grants per OGC, VPR's Office, NACUBO...etc.



Questions or Comments
