

The image features a dark purple background on the left side, which transitions into a large, stylized white 'X' shape that spans across the entire width of the image. The 'X' is formed by two intersecting diagonal lines. The text is positioned on the purple background.

**maximus**

Higher Education  
Consulting Services

## **F&A Short Form and Long Form Considerations Webinar**

Mira L. Levine, Sr. Manager  
Allison Toal, Sr. Consultant

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## X Housekeeping Items

- Polling Questions
- Questions / Chat
- PowerPoint Handout / Recording
- Evaluation / CPE Credits



# X Polling Questions

- Q#1 - What kind of rate does your institution have?
  - A. Short Form – Salaries & Wage Base
  - B. Short Form - Salaries & Fringe Base
  - C. Short Form - MTDC Base
  - D. Long Form
  - E. N/A or De Minimis rate
- Q#2 - Is your institution considering moving to the Long Form in the future?
  - A. Yes
  - B. No
  - C. I don't know
- Q#3 – Does your institution use a negotiated pooled Fringe Benefit Rate?
  - A. Yes
  - B. No
  - C. I don't know

# Agenda

About Maximus  
Higher Ed

Overview of F&A

Short Form (SF)  
Methodology &  
Calculations

Current F&A  
Issues for Short  
Form

Differences  
between Short  
Form & Long  
Form (LF)

Case Studies

# X Maximus Higher Education Practice

## Organization and structure

- Established in 1985
- Headquartered in Northbrook, IL, with multiple satellite offices across the country

## Consulting services

- F&A proposal assistance, Space Survey, Negotiations
- Fringe benefit rate proposals
- Reviews of service/recharge centers

- Uniform Guidance Compliance Diagnostic
- Pre- and Post-Award Assistance

## Software Solutions

- Comprehensive Rate Information System (CRIS®)
- WebSpace® — Space Inventory and Survey System
- Effort Reporting System®

**30+**

Years of Experience

**250+**

Colleges and universities served

## X Overview of F&A

What are  
Indirect (F&A)  
Costs?

Indirect (F&A) costs are those that are incurred for **common or joint objectives** and therefore **cannot be identified readily** and specifically with a particular sponsored activity, or any other institutional activity.

(2CFR 200 Appendix III, A.)



## What is an Indirect (F&A) Cost Rate?

- A rate applied to eligible direct costs (Direct costs x F&A rate) that yields an amount that is intended to cover the indirect costs incurred by a University on a federal award.
- **One Indirect Pool / One Direct Base = Short Form Rate**
- Eligible Short Form direct cost bases are:
  1. Salaries & Wage
  2. Salaries/Wage & Fringe
  3. Modified Total Direct Cost

## X Indirect Cost (F&A) Components - Pool

Facilities	Administrative
Operations and Maintenance (O&M)	General Administration and General Expenses
Library	Departmental Administration
Building and Equipment Depreciation	Sponsored Projects Administration
Building Interest	Student Administration and Services/Acad Support (long form only)*

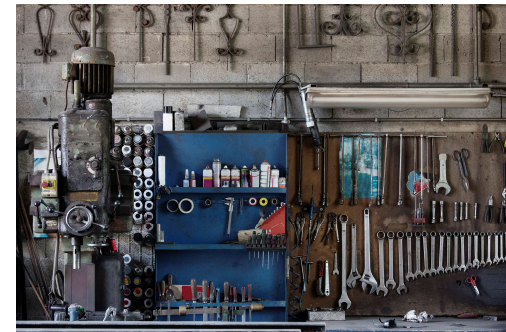
***\*Student Services and Academic Support Program Expenses are reclassified as direct costs when using the short form.***



# X Facilities – Operations & Maintenance (O&M)

Administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant. (2CFR200 B.4.a.):

- Janitorial and utility services
- Repairs and ordinary alterations of buildings, furniture, and equipment
- Grounds maintenance
- Maintenance and operation of buildings and plant facilities
- Security and safety (readiness for disasters)
- Environmental safety, hazardous waste disposal
- Insurance on property, including liability
- Space and capital leasing
- Facility planning and management
- Central receiving



\*O&M Support for Auxiliary activities (Residence Halls, Bookstore, Dining Services, etc.) should not be included in the pool.

## X Facilities – Library

### Costs incurred for the operation of the library (2CFR200 B.8a.):

- Cost of books and library materials
- Does not include costs incurred in purchasing rare books with no value to federal awards, e.g. museum-type books



# X Facilities – Building & Equipment Depreciation

Portion of costs of buildings, capital improvements to land and buildings, and equipment computed in accordance with 2 CFR 200.436:

- Compensation for use of buildings, capital improvements, equipment, and software projects used in federal awards.
- Depreciation is calculated with useful lives based on asset class or type
- Useful lives must be same as those in financial statements
- Componentization is also an option to accelerate useful lives and depreciation



\*Depreciation of assets related to Auxiliary activities (Residence Halls, Bookstore, Dining Services, etc.) should not be included in the pool.

# X Facilities – Building & Equipment Interest


Interest on debt associated with certain buildings, equipment and capital improvements, as defined in 2 CFR 200.449:

- Allowable Interest on debt associated with certain buildings, equipment, and capital improvements must be used in support of federal awards
- SWCAP (Statewide Cost Allocation Plan) or State paid interest is also eligible



# X Administrative – General Administration

**Expenses for general executive and administrative offices and other general expenses which do not relate solely to any major function of the institution: Instruction, Organized Research, Other Sponsored Activities, or Other Institutional Activities:**

- President's/Chancellor's office, other University-wide VPs and Non-Academic Deans offices
  - Financial management, budget office, business services, procurement
  - Human Resources and Payroll
  - Legal
  - Safety and risk management
  - Central management information systems
  - Administrative Information Technology (IT) expenses
- 
- Unallowable Activity expenses that should not appear in General Administration include: Alumni Relations, Advancement, Marketing, Enrollment Services, Bursar and other departments that do not benefit federal awards

## X Administrative – Departmental Administration

Expenses incurred for administrative and supporting services that benefit common or joint departmental activities or objectives in academic deans' offices, academic departments and divisions, and Organized Research units (institutes, study centers, and research centers):

- Academic deans' offices expenses limited to administrative functions
- Flat 20% of expenses when using the short form
- Eligible expenses are payroll, fringe and other expenses



# X Student Administration and Services/Academic Support

Expenses incurred for the administration of student affairs and for services to students:

- Dean of Students
- Admissions, Registrar
- Counseling and placement services
- Student advisers
- Student health and infirmary services

Expenses incurred in support of the academic function:

- Educational media costs
- Library costs that will be reclassified to the Library
- Student academic resources
- Academic Information Technology (IT) expenses

# X What kind of F&A Rates are there?

1

## Short Form Salaries and Wages:

the IDCR (indirect cost rate) multiplied by the total of direct cost salaries and wages

2

## Short Form Salaries/Wages & Fringe:

the IDCR multiplied by the total of the direct costs salaries, wages and fringe

3

## Short Form MTDC:

IDCR multiplied by the modified total direct costs. Total costs net of MTDC exclusions (next slide)

4

## Long Form MTDC:

IDCR multiplied by the modified total direct cost for each rate calculated. Total costs net of MTDC exclusions



# X MTDC Exclusions

Tuition

Cost of Goods Sold / Goods for Resale

Charges for patient care / Patient care equipment

Capital expenditures

Rental costs

Tuition remission

Scholarships and Fellowships / Financial Aid

Participant support costs

The portion of each subaward in excess of \$25,000

# X Obtaining an F&A Rate

- Prepare an **F&A rate proposal** and submit to institution's cognizant rate agency six months before rate expiration:
  - Dept of Health & Human Services (CAS-HHS) or Dept of Defense's Office of Naval Research (ONR)
    - Depends on which agency has provided more funds to the institution for the most recent three years per National Science Foundation data
    - If neither HHS or DoD has provided funding, cognizant agency defaults to HHS. Decided by cognizant, rarely changes.
  - Rate good for 2-4 years; may request a one-time extension of their negotiated rate per rate cycle for up to four years
  - **If institution does not have a current negotiated rate, a de minimis rate of 10% may be used indefinitely (no rate proposal submission required)**
- Agency may accept proposed rate or negotiate with institution

# X Calculation of the Salaries & Wages (S&W) Rate

Establish Indirect (F&A) cost pool (exclusive of capital items and other unallowable expenses):

- General administration expenses (exclusive of student administration and services and academic support)
- Operation and maintenance, depreciation, interest
- Library
- Department administration (20% of salaries and wages of deans and heads of departments)

Total Direct amount of Salaries and Wages (net of MTDC exclusions) = (S&W) distribution base

Divide indirect cost pool by S&W distribution base to get indirect rate

# X Short Form S&W Rate Example

Salary and Wage Direct Cost Base

**COMPLIANT UNIVERSITY**  
**2014**  
**Facilities and Administrative Cost Rate Proposal**  
**Rate Schedule**

<u>Indirect Functions:</u>	<u>Salaries &amp; Wages</u>	<u>Other</u>	<u>Total</u>
<b>ADMINISTRATIVE:</b>			
General Administration	\$5,276,540	\$2,121,109	\$7,397,649
Department Admin	\$646,801	\$226,380	\$873,181
Sub-Totals	<u>\$5,923,341</u>	<u>\$2,347,489</u>	<u>\$8,270,830</u>
<b>FACILITIES:</b>			
Operations & Maintenance	\$569,666	\$5,955,546	\$6,525,212
Building Depreciation		\$1,672,622	\$1,672,622
Equipment Depreciation		\$272,904	\$272,904
Interest		\$423,235	\$423,235
Library	\$520,830	\$633,191	\$1,154,021
Sub-Totals	<u>\$1,090,496</u>	<u>\$8,957,498</u>	<u>\$10,047,994</u>
Totals	<u><u>\$7,013,837</u></u>	<u><u>\$11,304,987</u></u>	<u><u>\$18,318,824</u></u>

← Total Indirect Costs

Total Indirect Cost: \$18,318,824  
Direct Cost Base: \$24,925,621

← S&W Direct Cost Base

On Campus Rate: 73.49 %  
Off Campus Rate: 33.18 %

# X Calculation of the Modified Total Direct Cost (MTDC) Rate

Establish indirect (F&A) cost pool of expenditures (exclusive of capital items and other unallowable expenses) for:

- General administration and general expenses (exclusive of student administration and services, student activities, student aid, and scholarships)
- Operations and maintenance, Depreciation
- Library, Interest
- Department administration (20% of expenses, including salaries, of deans and heads of departments)

Total Direct costs net of MTDC exclusions = MTDC base

Divide indirect cost pool expenditures by MTDC base to get indirect rate

# X Short Form MTDC Rate Example

MTDC Direct Cost Base Rate

**COMPLIANT UNIVERSITY**  
**2014**  
**Facilities and Administrative Cost Rate Proposal**  
**Rate Schedule**

<u>Indirect Functions:</u>	<u>Salaries &amp; Wages</u>	<u>Other</u>	<u>Total</u>
<b>ADMINISTRATIVE:</b>			
General Administration	\$7,145,373	\$252,276	\$7,397,649
Department Admin	\$873,181		\$873,181
Sub-Totals	\$8,018,554	\$252,276	\$8,270,830
<b>FACILITIES:</b>			
Operations & Maintenance	\$790,153	\$5,735,059	\$6,525,212
Building Depreciation		\$1,672,622	\$1,672,622
Equipment Depreciation		\$272,904	\$272,904
Interest		\$423,235	\$423,235
Library	\$682,752	\$471,269	\$1,154,021
Sub-Totals	\$1,472,905	\$8,575,089	\$10,047,994
Totals	\$9,491,459	\$8,827,365	\$18,318,824

← Total Indirect Costs

Total Indirect Cost: \$18,318,824  
 Direct Cost Base: \$38,589,873

← Modified Total Direct Cost Base

On Campus Rate: 47.47 %  
 Off Campus Rate: 21.43 %

# X Fringe Benefit Options for Short Form Institutions

- ✓ **Specific Identification\* - charge actual fringe benefit costs to accounts.**

\*If you do not have a negotiated Fringe Benefit rate, you must charge actual fringe benefit costs to the Federal award. This is a common UG compliance issue if your institution uses a budgeted Fringe Benefit rate on non-Federal award expenses.

- ✓ **Pooled Rate (Negotiated) - Predetermined-average fringe benefit rate charged to accounts- same rate for entire rate period like F&A**

- ✓ **Pooled Rate (Negotiated) - Fixed with Carryforward- average fringe benefit rate charged to accounts- submit annually and “true up”**

- ✓ **Predetermined vs. Fixed with Carryforward Fringe for Short Form schools**

# X Common Short Form Negotiation Issues



**Academic vs. Administrative Computing (IT expenses)** - in the Indirect Pool vs the Direct Cost Base



**General Admin Breakout** - Dept, Account, Description and Position



**Operations & Maintenance Breakout** - Dept, Account, Description and Position



**Advertising Costs, Lobbying Costs**

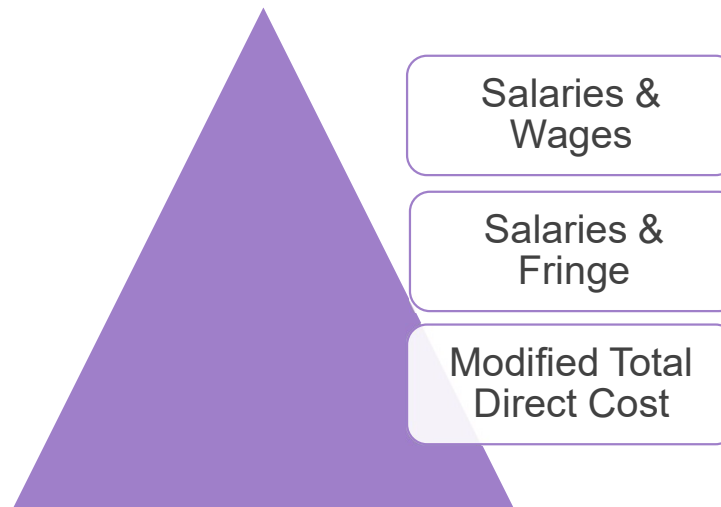


## **X Long Form – what does it mean and when should a Short Form school consider it?**

- **Funding >\$10 million (\$10-\$15 million)**
- **Methodology- requires allocation statistics for each F&A cost grouping (cost pool)**
- **F&A rates - Instruction, Organized Research, Other Sponsored Activities and Other Institutional Activities**
- **Space Survey (and Inventory) - to allocate facilities (F) costs**
- **Standard Format - lengthy with many requirements**
- **Cognizant Agency - review and negotiation**

# X Case Study #1

- **What is the difference between the different Short Form methodologies?**
- **Which one is right for your institution?**



## **X Case Study #2**

- **What are the advantages & disadvantages of the Short Form rates?**
- **Why might a Short Form institution want to move from a S&W rate to an MTDC rate?**



## X Contact Information

**Mira L. Levine**

Sr. Manager

[MiraLLevine@maximus.com](mailto:MiraLLevine@maximus.com)

703.582.5097

**Allison Toal**

Sr. Consultant

[AllisonToal@maximus.com](mailto:AllisonToal@maximus.com)

847.513.5542



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