Facilities and Administrative Costs at OSU

BUDGET CONVERSATION

MAY 9, 2024
Plan for today

• What are Facilities & Administrative costs (F&A)/Indirect costs?
  (Note: F&A, Indirect Costs, Returned Overhead, ICR, IDC all get used to describe what we’re talking about today!)

• How does OSU get indirect costs recovered?

• How does OSU distribute indirect cost/F&A revenue?

• Waivers/subsidies

• Future
What are F&A/indirect costs?

• Indirect costs are associated with externally-sponsored research (grants)
• Indirect costs represent expenses incurred by OSU for common objectives, not specifically tied to any given research project
• These costs are essential for supporting the infrastructure that enables research to take place
• Indirect costs are real costs that have already occurred
• The sponsors (granting agencies) are using our space and people, so they pay part of the bill
The total cost of federally sponsored research includes a combination of both direct and facilities and administrative (F&A) costs. Both types of expenditures are key to an institution’s ability to conduct cutting-edge research. F&A consists of the construction and maintenance costs of laboratories and high-tech facilities; energy and utility expenses; and safety, security, and other government-mandated expenses. These costs are real and research cannot be conducted without them.

Direct costs - These expenses solely cover research and include lab supplies and equipment, salaries and stipends for researchers and graduate students, and travel costs for conducting and sharing research.

Uphold of any building space not used directly for federally-funded research, such as classrooms or lobbies, is not covered by F&A reimbursement.

Costs of federal, state, and local regulatory compliance, including human and animal safety review boards.

Utilities - ventilation, heat, air conditioning, water, and lighting.

Radiation and chemical safety, including safety training and hazardous waste disposal.

Personnel in support of research, including security, financial, administrative, technical, maintenance, and janitorial staff.

Secure data storage, internet, telecommunications, and high-speed data processing.

Advanced research lab equipment.

Library and research facilities.

COGR
Council on Governmental Relations

AAMC
Association of American Universities
AIRI
Association of Independent Research Institutes

Agricultural Association of Land Grant Universities
How does OSU get indirect cost recovered?

• Indirect costs are a reimbursement to the University
• OSU’s conducts its negotiations with the U.S. Department of Health and Human Services (DHHS) Cost Allocation Services (CAS)
• The grants OSU receives typically include both:
  • Direct costs: costs directly attributable to the project (salaries, travel, materials, etc.)
  • Indirect costs: the F&A rate applied to the total of the direct costs
• F&A recovery budgeted at $55M for FY 2024
# Modified Total Direct Costs

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>FY23 Total Modified Direct Costs (MTDC)</th>
<th>FY23 % of Total MTDC</th>
<th>Effective F&amp;A Rate FY23</th>
<th>Effective F&amp;A Rate FY22</th>
<th>Effective F&amp;A Rate FY21</th>
<th>Effective F&amp;A Rate FY20</th>
<th>Effective F&amp;A Rate FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>183,772,421</td>
<td>84.1%</td>
<td>27.1%</td>
<td>27.1%</td>
<td>23.7%</td>
<td>24.6%</td>
<td>27.5%</td>
</tr>
<tr>
<td>Foreign Government</td>
<td>230,036</td>
<td>0.1%</td>
<td>30.8%</td>
<td>25.4%</td>
<td>21.5%</td>
<td>29.1%</td>
<td>43.6%</td>
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<tr>
<td>Industry</td>
<td>6,427,511</td>
<td>2.9%</td>
<td>40.0%</td>
<td>38.3%</td>
<td>33.4%</td>
<td>34.3%</td>
<td>32.4%</td>
</tr>
<tr>
<td>Local Government</td>
<td>405,994</td>
<td>0.2%</td>
<td>26.2%</td>
<td>23.3%</td>
<td>16.4%</td>
<td>24.6%</td>
<td>25.1%</td>
</tr>
<tr>
<td>Nonprofit</td>
<td>2,880,271</td>
<td>1.3%</td>
<td>13.2%</td>
<td>15.8%</td>
<td>19.6%</td>
<td>16.5%</td>
<td>18.4%</td>
</tr>
<tr>
<td>OSU Affiliated Foundations</td>
<td>6,292,073</td>
<td>2.9%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other States</td>
<td>1,393,565</td>
<td>0.6%</td>
<td>25.8%</td>
<td>21.6%</td>
<td>18.0%</td>
<td>9.7%</td>
<td>21.6%</td>
</tr>
<tr>
<td>Private Foundation</td>
<td>3,714,969</td>
<td>1.7%</td>
<td>9.4%</td>
<td>10.2%</td>
<td>10.2%</td>
<td>10.2%</td>
<td>10.2%</td>
</tr>
<tr>
<td>State of Oregon</td>
<td>13,384,461</td>
<td>6.1%</td>
<td>13.3%</td>
<td>14.5%</td>
<td>14.8%</td>
<td>14.7%</td>
<td>13.2%</td>
</tr>
<tr>
<td><strong>Total All Fund Types</strong></td>
<td><strong>218,501,302</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>25.4%</strong></td>
<td><strong>25.3%</strong></td>
<td><strong>22.3%</strong></td>
<td><strong>22.9%</strong></td>
<td><strong>25.4%</strong></td>
</tr>
</tbody>
</table>

*Sponsored Projects Only - Does not include Other Public Services
F&A recovery trend

Indirect Recovery FY18-FY23

FY18: $43,770,327
FY19: $43,161,575
FY20: $44,236,756
FY21: $45,062,602
FY22: $48,410,860
FY23: $55,809,746

Chart shows an upward trend in indirect recovery from FY18 to FY23.
How does OSU distribute F&A recovery?

• OSU receives F&A recovery as an unrestricted resource in the Education & General fund (E&G)

• OSU’s Shared Responsibility Budget Model (SRBM) allocates this recovery out in a category we call “Returned Overhead” (ROH)

• ROH is shared between colleges earning the recovery and central support functions (13 different discrete percentage allocations)
How does OSU distribute Indirect recovery?

<table>
<thead>
<tr>
<th>OSU Budget Unit or Category</th>
<th>%</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research Equipment Reserve</td>
<td>8%</td>
<td>$4,384,000</td>
</tr>
<tr>
<td>Building Use Credits</td>
<td>4%</td>
<td>$2,192,000</td>
</tr>
<tr>
<td>Colleges and Centers ROH</td>
<td>31%</td>
<td>$16,988,000</td>
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<tr>
<td>Libraries</td>
<td>6%</td>
<td>$3,288,000</td>
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<tr>
<td>Information Services</td>
<td>6%</td>
<td>$3,288,000</td>
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<tr>
<td>Graduate School</td>
<td>1%</td>
<td>$548,000</td>
</tr>
<tr>
<td>Research Administration</td>
<td>8%</td>
<td>$4,384,000</td>
</tr>
<tr>
<td>Finance and Administration</td>
<td>4%</td>
<td>$2,192,000</td>
</tr>
<tr>
<td>Controller’s Unit</td>
<td>4%</td>
<td>$2,192,000</td>
</tr>
<tr>
<td>University Infrastructure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facilities Services</td>
<td>11%</td>
<td>$6,028,000</td>
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<tr>
<td>Capital Planning</td>
<td>2%</td>
<td>$1,096,000</td>
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<tr>
<td>Energy Operations</td>
<td>10%</td>
<td>$5,480,000</td>
</tr>
<tr>
<td>Central Reserves</td>
<td>5%</td>
<td>$2,940,000</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>$55,000,000</td>
</tr>
</tbody>
</table>
Subsidies and Waivers

• Not all federal grants pay the full F&A rate
  • OSU’s full overhead rate is 48.5%, but the overall effective rate is 25.4%

• In rare circumstances, it is appropriate for the university to allow a reduction in the amount of F&A (aka indirect costs) charged to a grant. These take two forms:

  • **F&A Subsidy**: A unit/department/college will subsidize the difference between the amount of F&A allowed and the amount of F&A collected.
  • **F&A Waiver**: Decision by the OSU VPRI & VPFA to collect less F&A than OSU is entitled to under its approved F&A rates.
Future

• Research space
• Collection of indirect costs
• Continue to capture research related expenses
• Model with our peers
• Distribution model