**Facilities and Administrative Cost Rate Agreement**

**Frequently Asked Questions**

Research at UWGB benefits the local society, economy, and the educational experience. We are very proud of how UWGB’s research positively impacts our state, our community, our students and our campus. UWGB has so many great faculty, staff and students who work on a variety of projects in and across disciplines throughout the University. The depth and breadth of our faculty and staff’s great work, and the benefits to our community, are immeasurable! UWGB’s Facilities and Administrative (F&A) Cost Rate Agreement is an important element of the infrastructure that supports this great work.

When working on research and other programmatic externally sponsored activities, Facilities and Administrative Costs, also commonly referred to as Indirect Costs or Overhead, are a true cost to the institution and the federal government has recognized that institutions should be reimbursed for a portion of them when submitting grant applications. F&A costs are those cost that support research but cannot be directly allocated to a specific grant cost or activity – items such as lights and electricity; office and lab space; research equipment; network costs; general office supplies; assistance from departmental associates, business services, the office of grants and research; and much, much more.

The University of Wisconsin-Green Bay works with its cognizant federal agency, the U.S. Department of Health and Human Services (DHHS), to periodically negotiate its Facilities and Administrative Costs Rate Agreement. Below is information regarding UWGB’s rate and the rate negotiation process.

# What is the difference between Direct and Indirect (Facilities and Administrative) Costs?

Every sponsored project has both Direct and Indirect Costs. The direct costs are those that can be specifically and easily identified with a particular project or activity and are allowable under the sponsoring organization’s guidelines. According to the federal *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance),* which is issued by the U.S. Office of Management and Budget, indirect costs are those costs that are incurred for common or joint objectives, and cannot be easily and specifically identified with a particular sponsored project, an instructional activity, or any institutional activity.

F&A costs are those that cannot be uniquely associated with a particular project but are nonetheless incurred by the university due to the project. They include items such as 1) the cost of maintenance, heating, lighting, and cleaning in buildings where sponsored research is conducted; 2) the administrative costs of such components as procurement, accounting, and other units that provide services to grant and contract recipients; and 3) depreciation of buildings, equipment, and services. These costs are real and the collection of F&A costs helps support the University infrastructure necessary for carrying out sponsored activity. These costs are budgeted and charged as a percentage of some of the direct cost elements.

# What is UWGB’s current F&A rate and for what period is it effective?

On campus – 50.74% of Salary, Wages and Fringe Benefits

Off campus – 21.45% of Salary, Wages and Fringe Benefits

Current effective dates are 07/01/2020 - 06/30/2024.

While the current rate is for the period starting 07/01/2020, the rate agreement was finalized by DHHS on 11/12/2020 and fully executed on 11/19/2020. All sponsored program proposals submitted after 11/19/2020 will use this current rate.

# What is the definition of off campus project?

According to UWGB’s federally negotiated agreement, off campus projects are *all activities* *performed in* *facilities**not owned by the institution and to which rent is directly allocated to the project(s)*. Grants or contracts will not be subject to more than one F&A cost rate. If more than 50% of a project is performed off-campus, the off-campus rate will apply to the entire project.

# For proposals submitted using UWGB’s previous rate, if awarded, will that rate be honored even though the new agreement specifies higher rates effective 07/01/2020?

In keeping with the practice from the UW-Madison campus, proposals submitted prior to 11/19/2020 using UWGB’s previously approved rates will be honored for the initial period of the award.

# How and when are new F&A rates determined?

Every four years UWGB is required to renegotiate its Facilities and Administrative (F&A) Costs rates (otherwise known as indirect costs). UWGB’s F&A agreement is negotiated primarily by the University of Wisconsin System with assistance from UWGB. The most recent process started in Fall 2019; in mid-November 2020 UWGB received its new rates, which are effective immediately. The process usually takes about six months but it was slowed down on the federal level, presumably due partially to the pandemic. The new rates are now 50.74% for on campus projects and 21.45% for off campus projects, both based on Salaries and Fringe Benefits included in grant proposal requests.

# How does UWGB’s current rate differ from its previous rate?

The base of Salary, Wages and Fringe Benefits remains the same.

For Fiscal Years 2017-2020, the on campus rate was 42.75% and the off campus rate was 15%. For Fiscal Years 2013-2016, the on campus rate was 47.5% and the off campus rate was 15%. For Fiscal Years 2010-2012, the on campus rate was 46% and the off campus rate was 19%. For Fiscal Years 2007-2009, the on campus rate was 44.5% and the off campus rate was 18%.

# Why is the 2020 rate so much higher than the previous rate?

The UW-System Office leads the renegotiation process for all System campuses. UWGB's FY 2017-2020 on campus rate of 42.75% was the lowest it had been in many years. Each rate renegotiation since 2007 had increased 1.5% until the 2017-2020 rates, which decreased 4.75%.  It was discovered during the 2019 negotiations that there was a 2015 clerical error made by UW System that most likely precipitated the decrease that caused UWGB to have a much lower rate in FY 2017-2020. If the error had not been made, given the same pattern, it is likely UWGB’s rate for the past four years would have been 49% and then 50.5% now.

In addition to the System error, another factor that had an impact on UWGB’s rate increase is the FY17 change from two colleges to four colleges. This change significantly increased the “administrative” portion of UWGB’s facilities and administrative cost rates.

# How does UWGB’s rate compare to F&A rates at other UW Comprehensive Campuses?

Including UWGB, there are five comprehensive campuses that use an F&A base of Salary, Wages and Fringe Benefits. The other campuses are:

UW-Eau Claire 41% on campus and 18.4% off campus

UW-River Falls 49% on campus and 17% off campus

UW-Superior 57.5% on campus and 19% off campus

UW-Whitewater 42% on campus and 16% off campus

There are six comprehensive campuses that use an F&A base of Modified Total Direct Costs, which includes most costs except equipment, participant support costs, tuition and a portion of subawards. They are:

UW-La Crosse 34% on campus and 13% off campus

UW-Oshkosh 31% on campus and 12% off campus

UW-Parkside 49% on campus and 20% off campus

UW-Platteville 40% on campus and 19% off campus

UW-Stevens Point 34% on campus and 13% off campus

UW-Stout 37.56% on campus and 13% off campus

# Why is our new rate so high compared to the other comprehensives?

It is important to note that five comprehensive campuses utilize an indirect cost base of Salaries, Wages and Fringe Benefits (SWF) and six (including UW-Oshkosh) employ a base of Modified Total Direct Costs (MTDC). The two bases are very different and comparing directly them does not paint an accurate picture. Because most grant proposals include a variety of project costs, a rate of SWF, in almost all instances, garners a lower rate of return than the MTDC base, which includes most costs except equipment, participant support costs, tuition and a portion of subawards.

While it is interesting to see the indirect cost rates of other comprehensive campuses, the reality is that negotiated indirect cost rates are based on the actual expenditures for each campus. The rates are based on a number of campus-specific expenditures including building and equipment depreciation; student services, departmental, general, and sponsored projects administration; library; interest; and operations and maintenance. The term "negotiated" may be a bit misleading in this sense. Since each UW campus’s rate is based on its actual research expenditures we cannot control how our rate compares to the other comprehensive campuses during the rate "negotiation" process.

While UWGB’s new on-campus rate is 50.74%, it should be recognized that, for a number of reasons, grant proposals are submitted using a variety of rates. In FY19, of the 49 grants that garnered indirect costs, 14 used UWGB’s on campus rate, 21 used the off campus rate and the other 14 employed sponsor-mandated rates. Some sponsors do not allow indirect costs and, as long as there is a written policy stating such, UWGB will honor that as well.

# Why does our new rate seem more in line with rates for regional R1 and R2 universities?

UWGB's rate is actually much lower than regional research universities because UWGB’s rate is determined on a base of Salaries, Wages and Fringe benefits rather than a Modified Total Direct Cost base. Milwaukee’s rates are 52% on campus and 26% off campus and Madison’s are 55% on campus and 26% off campus, both based on Modified Total Direct Costs (MTDC), and the University of Minnesota System has one rate for all of its six campuses – currently 54% for on campus and 26% for off campus projects (MTDC).

# Will our new rate allow PIs from UWGB to remain competitive for funding amongst Madison, Milwaukee, and UW comprehensives?

Per federal guidelines, indirect costs are not allowed to be a consideration when reviewing the proposal and accompanying budget items.

One thing to remember is that, in most cases, when UWGB submits an external proposal it is already “competing against” many, many proposals submitted by institutions of all sizes including large doctoral universities and prestigious liberal arts institutions. Typically, what makes a difference in proposal funding decisions is that the proposal is well formulated, clearly thought through and addresses review criteria. The best way to be competitive is to work closely with the Office of Grants and Research early in the proposal development process to make sure the strongest proposal and accompanying budget gets submitted on behalf of UWGB.

There is no reason this new rate should discourage principal investigators from submitting proposals. In fact, because UWGB reinvests a portion of the indirect costs funds to the units that generate them, this should have no negative impact at all. As always, the Office of Grants and Research is here to work with all PIs to put together the most competitive budgets and proposals.

# How does UWGB distribute F&A Cost Recovery funds?

The UWGB campus has a generous F&A cost distribution formula that distributes a portion of the funds generated back to the unit that helped bring them in. UWGB’s current distribution model sets aside a yearly amount of funds to support institution-wide research expenses; the remaining funds are distributed using the following formula:

50% is reallocated to generating department

30% is split among generating “Deans”/unit head

10% is reallocated to the Office of Grants and Research

10% is retained by the Provost’s Office

Indirect cost recovery funds are traditionally used to support research and sponsored program activities across the institution, from the level of the individual researcher to new initiatives to expand research support for all faculty – and UWGB will certainly work to continue this practice. Funds allocated to the Provost’s Office and the Office of Grants and Research are reinvested to support the research and sponsored projects enterprise (through Research Council grants and other initiatives).

As has been the case with the previous rates, UWGB will examine and evaluate these new rates and the cost redistribution formulas over time with the goal of refining to best balance the true costs associated with conducting research at UWGB with support for research activities at all levels. It is our collective goal to have a robust and successful research and grants environment at UWGB, and we will continue to find ways to further strengthen UWGB’s notable efforts.

Issues surrounding facilities and administrative costs are complicated (and often misunderstood) and the Office of Grants and Research team is more than happy to provide more context and more information as necessary.

# What Data is required for F&A Rate Agreement negotiations?

Negotiating an F&A Agreement is a time consuming process that requires extensive data on nine different “cost pools”:

*Building Depreciation* – does not include building costs paid from federal funds; includes cost of land improvements and cost of off-campus rental not charged directly to a grant.

*Equipment* *Depreciation* – does not include equipment purchased with federal funds; includes equipment supporting the research enterprise.

*Interest* – interest on debt associated with certain building, equipment and capital improvements.

*Operations and Maintenance* – includes physical plan operations and maintenance expenses as well as the cost of utilities, maintenance, custodial services, environmental health and safety, transportation services, campus security, and facilities management associated with organized research.

*Library* – includes centralized library costs such as administration, book acquisitions, and the cost of periodicals.

*General* *Administration* – includes expenses for general executive and administrative offices, such as personnel, payroll, and purchasing services, financial management, and a variety of other central administrative functions.

*Departmental* *Administration* – includes expenses for program support and administration which occur at both the college/school and departmental levels, such as a calculation of the portion of personnel costs for non-faculty and non-professional technical and administrative staff, and for supplies, travel, telephone services, etc. which are typically paid from general operating budgets.

*Sponsored Projects Administration* – includes the cost of organizational units established primarily to support the research or training effort regardless of the funding source (such as the Office of Grants and Research).

*Student Services Administration* – includes costs for graduate student services, such as costs of graduate student counseling, health services, the Graduate Admissions office and similar activities.