

# Sponsored Programs Monthly

## Indirect Costs (IDC) / Facilities & Administrative (F&A)



FYI . . . IDC, F&A and “overhead” are all interchangeable terms meaning the same thing. So . . . .

### *What is an Indirect Cost?*

Indirect costs are costs incurred for common or joint objectives, benefit multiple projects and activities and are more general in nature than direct costs. Utilities costs, building and equipment depreciation and office supplies are examples of indirect costs.

By contrast, the definition of a direct cost is a cost that can be specifically identified with a particular project or activity. If a cost benefits multiple projects, it must be allocated among the benefiting projects. If this cannot be done with relative ease and a high degree of accuracy, **then they must be treated as indirect costs.**

## Practical Applications

See the next two pages for examples of the different types of rates and rate calculations.

[K-State’s Current F&A Agreement](#): These rates are as negotiated by K-State’s Division of Financial Services and the US Dept of Health and Human Services (KSU's cognizant federal agency).

*Let’s Get Technical!*

[http://www.whitehouse.gov/omb/circulars\\_a021\\_2004](http://www.whitehouse.gov/omb/circulars_a021_2004)

Reference B.4. is a definition of F&A costs.

Reference F.1. is the identification and assignment of F&A costs.

Questions? Call 532-6207

**MODIFIED TOTAL DIRECT COSTS (MTDC)**

**BUDGET EXAMPLE**

**IDC CALCULATION**

Salaries & Fringes	50,000	Total Direct Costs	184,000
Supplies	10,000	Less: Equipment	(65,000)
Travel	5,000	Less: Tuition	(12,000)
Equipment	65,000	Less: Sub amt > \$25,000	(2,000)
Tuition	12,000	Total MTDC Base	105,000
Subaward 1	27,000 *	Multiply times IDC Rate	50%
Subaward 2	15,000	Totals Indirect Costs	52,500
Total Direct Costs	184,000		
IDC / F&A Costs ( <b>50% MTDC</b> )	52,500		
Total Award Expenditures	236,500		

Highlighted amounts are removed from the IDC base calculation. \*Only the portion greater than \$25,000 is removed from the base for each individual subaward.

In order to calculate F & A costs, one must first determine the base. The base, known as Modified Total Direct Costs (MTDC), consists of all salaries and wages, fringe benefits, materials and supplies, services, travel, and up to \$25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Equipment, capital expenditures, charges for patient care, tuition remission, rental costs of off-site facilities, scholarships and fellowships, as well as the portion of each subgrant and subcontract in excess of \$25,000, are excluded from the base.

Source: OMB Circular A-21 G.2.

**TOTAL DIRECT COSTS (TDC)**

**BUDGET EXAMPLE**

**IDC CALCULATION**

Salaries & Fringes	50,000	Total Direct Costs	184,000
Supplies	10,000	Multiply times IDC Rate	10%
Travel	5,000	Totals Indirect Costs	18,400
Equipment	65,000		
Tuition	12,000		
Subaward 1	27,000		
Subaward 2	15,000		
Total Direct Costs	184,000		
IDC / F&A Costs ( <b>10% TDC</b> )	18,400		
Total Award Expenditures	202,400		

See next page for Total Federal Funds Awarded (TFFA)

**TOTAL FEDERAL FUNDS AWARDED (TFFA)**

**BUDGET EXAMPLE**

**IDC CALCULATION**

Salaries & Fringes	50,000	Total Award Expenditures	235,897
Supplies	10,000	Multiply times IDC Rate	22%
Travel	5,000	Totals Indirect Costs	<u>51,897</u>
Equipment	65,000		
Tuition	12,000		
Subaward 1	27,000		
Subaward 2	15,000		
Total Direct Costs	<u>184,000</u>		
IDC / F&A Costs (22% TFFA)	<u>51,897</u>		
Total Award Expenditures	<u><u>235,897</u></u>		

USDA NIFA is the federal agency that uses TFFA rates the most (As of FY14, 22% TFFA and 30% TFFA are the rates approved for most awards . . . see USDA NIFA rates chart at [http://www.csrees.usda.gov/business/awards/indirect\\_cost.html](http://www.csrees.usda.gov/business/awards/indirect_cost.html)).

As a practical matter, you will need to calculate actual IDC on Total Direct Costs (because you will not know the Total Award Expenditures until you can calculate the IDC . . . . TFFA rates force you to back into the calculation in a different way). The 22% TFFA rate always converts to a **28.2051%** TDC rate (Budgeted IDC divided by Budgeted Total Direct Costs).

	<b>IDC CALCULATION</b>	
	Total Direct Costs	184,000
	Multiply times IDC Rate	<u>28.2051%</u>
	Totals Indirect Costs	51,897

For a PI who is putting together a proposal budget, if you have estimated the Total Direct Costs for the budget and want to calculate the TFFA based on a certain TFFA IDC rate, the calculation would be  $TFFA = TDC \text{ divided by } (1 \text{ minus the TFFA IDC rate})$  . . . . or in this example  $TFFA = \$184,000 / (1 - .22) = \$184,000 / .78 = \$235,897$ .