

Indirect Costs at WVU

Dan Durbin
Sr. Associate VP for Finance

Today's Agenda

A large, stylized yellow zigzag graphic that starts from the top right and extends downwards towards the bottom right of the slide.

- What are Indirect Costs?
- How much do we recover?
- What do we do with them?

Indirect Costs are also known as:

- Overheads
- Facilities/Administrative (F&A) Costs
- Those (*purposely left blank*) dollars that we never get enough of !



"The short-term solution is money and the long-term solution more money."

What are Indirect Costs ?

Officially Defined as:

- *“Those costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity.”*

Simplified:

- *Our general costs of doing business for grants.*

Characteristics of Indirect Costs

- Reflected as a percentage (rate)
- Formula driven by federal government:
 - ✓ Components
 - ✓ Methodology
- Multiple rates
- Federally audited and negotiated
- REIMBURSEMENT NOT REVENUE

WVU's Indirect Costs Allocated to Sponsored Awards

	Indirect Cost Category	Sponsored Activity Supported			
		Research	Instruction	Other	Total
Admin.	General (Campus Level) Administration	\$5.8	\$1.0	\$3.4	\$10.2
	Departmental Level Administration	\$10.6	\$2.1	\$5.7	\$18.4
	Sponsored Projects Administration	\$5.2	\$0.9	\$1.7	\$7.8
Facilities	Facilities Costs	\$13.8	\$2.0	\$1.3	\$17.1
	Library Costs	\$0.6	\$0.9	\$0.2	\$1.7
	Total	\$36.0	\$6.9	\$12.3	\$55.2

(numbers in millions)

* Figures reflect costs from 2012 F&A rate Proposal

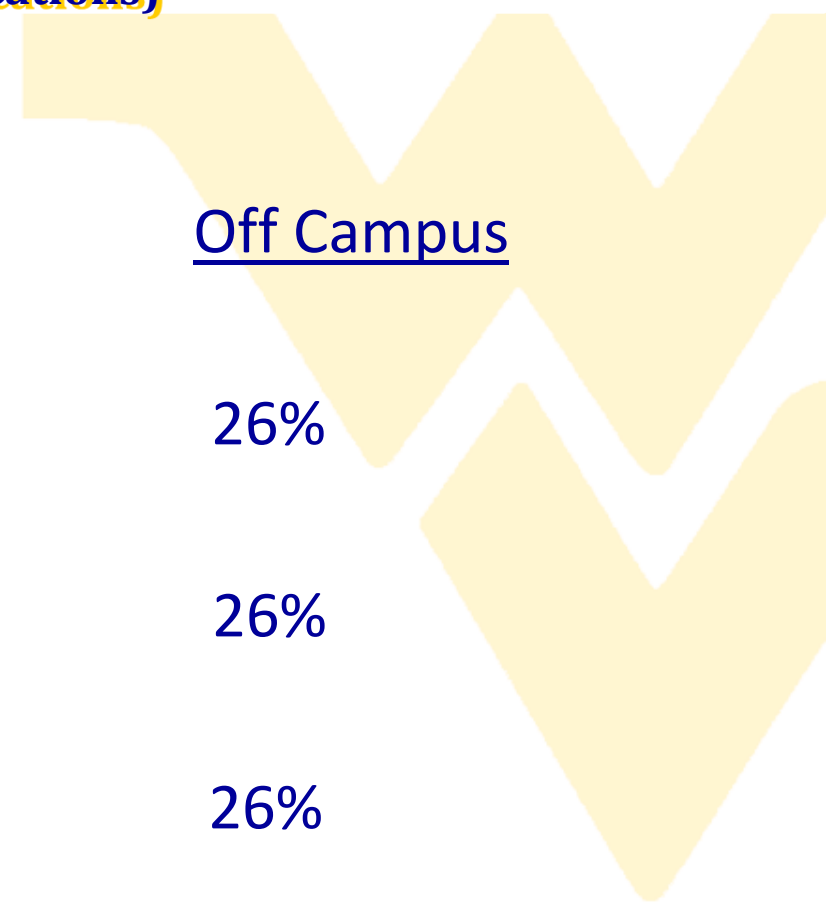
The Rate Calculation

On Campus Rate = $\frac{\text{Administrative and Facilities Indirect Costs}}{\text{Modified Total Direct Costs}}$

Off Campus Rate = $\frac{\text{Administrative Indirect Costs}}{\text{Modified Total Direct Costs}}$

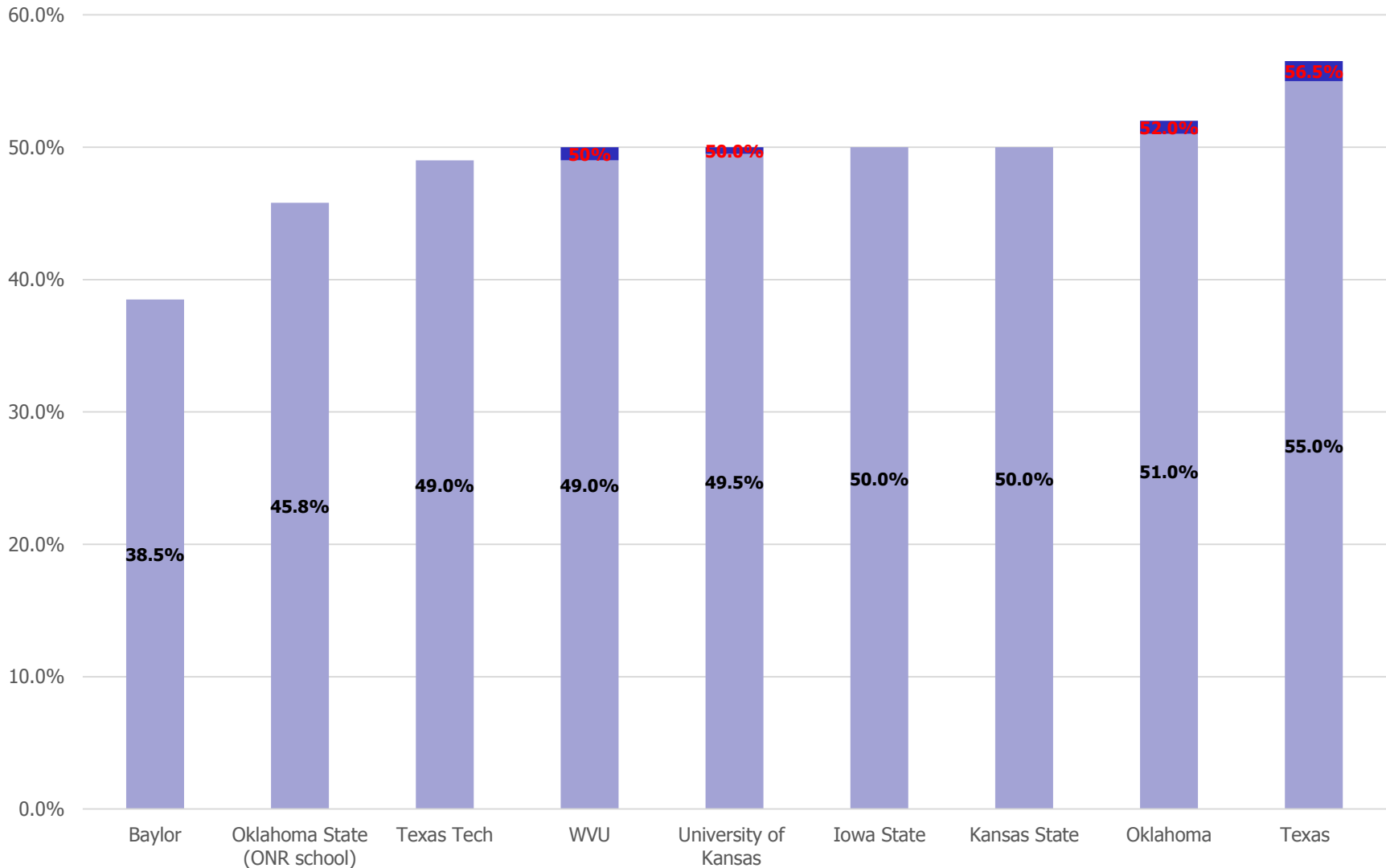
WVU's Indirect Cost Rates

(all activities/all locations)



	<u>On Campus</u>	<u>Off Campus</u>
• Research	49%/50%	26%
• Instruction	55%	26%
• Other	32.5%	26%

Comparison of Big 12 On-Campus Research F&A Rates



How Much Did We Recover?

- Indirect Costs Recovered from Grants in FY14 = \$21.6 m

	<u>Amt.</u>	<u>Yield</u>
– Total Grant Direct Expenses	\$114.8 m	18.8%
– Modified Total Direct Costs	\$ 87.8 m	24.6%

- Recovery of Allocated Indirect Costs:

Allocated Indirect Costs (all functions)	\$55.2 m
Indirect Costs Recovered	\$21.6 m or 39%

FY 2014 Distribution of Sponsored Awards by Rate

F&A Rate Range	Project Count*	F&A
WVU Foundation	33	\$0
Zero	285	\$0
10% and under	223	\$1,788,593
Between 11% and 19%	40	\$304,512
Between 20 and 25%	21	\$157,586
26% (Includes Clinical Trials/Drug Studies)	258	\$5,070,716
Between 27% and 29%	11	\$327,104
Between 30% and 35%	50	\$717,720
Between 40% and 48%	390	\$13,148,299
Between 50% and 55%	2	\$120,919
Grand Total	1,313	\$21,635,449

Factors that Limit our Cost Recovery

- Sponsor Limits (ex: most state grants pay only 10%)
- Waivers/concessions on the indirect rate
- Equipment and other exclusions funded from grants
- Limit on recovery of Administrative Costs (26%)
- Long recovery period on buildings (50 years)

Q: What do the Indirect Cost Recoveries Support?

A: WVU's research related mission costs

Allocated Indirect Costs-Grants	=	\$55.20
Institutionally Funded Research	=	\$41.20
Institutional Cost Share	=	\$4.30
Graduate Tuition Waivers	=	\$12.20
Infrastructure Support-non grants	=	\$20.60
Total		\$133.50

Indirect Cost Recoveries	=	\$21.6
Balance (not recovered)	=	(\$111.9)

(numbers in millions)

Examples of Specific Uses of Indirect Cost Recoveries in FY 2015

- **Returned directly to Colleges /Centers: \$ 6.3 m**
- **Used for Research Infrastructure : \$ 12.5 m**
 - Operations & Facilities
 - IT/KUALI System
 - Research Admin.
 - Shared Research Facility
 - Research Compliance/Export Control
 - Sponsored Programs
 - Library
- **Research Development & Program Support : \$ 3.8 m**
 - Tech Transfer /Business Incubator
 - Univ. Energy Partnership
 - Launch Lab
 - HSON Internet
 - NETL-RUA
 - BRNI
 - PSCoR
 - Governmental Relations
 - Defense Cntr. of Excellence
 - Faculty Senate Res. Grants
 - Cost Share/Matching
 - Grant Writing Assistance
 - Scholarly/ Creative Activity Support
 - Strategic Energy Research

How Can We Help Increase/Maintain Our F&A Rate?

- Assigning funded investigators to research labs- especially in NEW lab space
- Strategic project budgeting
- An accurate space survey (ensure proper coding and use)
- Accuracy in paying personnel from the correct account(s) in a timely manner
- Minimize/eliminate Cost Sharing
- Ensure departmental equipment is properly inventoried and assigned to the correct location
- Focus on our total investments in the research enterprise

Questions?

