

Demystifying IDC



What are indirect costs?

- “... costs not readily identified with a specific project or organizational activity but incurred for the joint benefit of both projects and other activities” – NIH, Office of Management, 2013
- Necessary for the general operation of the organization and the conduct of activities it performs
- Frequently referred to as overhead expenses and facilities and administrative expenses

Why an IDC rate?

- In theory, costs like heat, light, accounting and personnel might be charged directly if little meters could record minutes in a cross-cutting manner - impractical
- Instead, cost allocation plans or indirect cost rates are used to distribute those costs to benefiting revenue sources

Why an IDC rate?

- Represents a mechanism for determining fairly and conveniently, within the boundaries of sound administrative principle, what proportions of organization administration costs each program should bear
- Rates have increased over time
 - Administrative burden
 - Acknowledgement of true costs
 - Reduction of other sources to subsidize true costs

Examples of F&A costs

- Library costs,
- Utility costs,
- Facilities operations and maintenance costs,
- Sponsored programs administration costs, and
- Departmental and university administration costs

On-campus and off-campus rates

- On-campus rates –what we are discussing today
- Off-campus rates – often lower, reflecting different/reduced infrastructure and administrative structure (no library, for example)
 - 26%
 - UC ANR

Exclusions

- Costs of equipment,
- Capital expenditures,
- Patient care,
- Tuition and program fees,
- Rental costs of off-site facilities,
- Scholarships, stipends and fellowships, and
- Subcontracts in excess of \$25,000

Subject to no or reduced IDC

- Some research programs prohibit IDC
 - Federal and non-federal grantors
- Gifts (2% to 5% IDC)
 - No contracted deliverables
- ‘Testing’ agreements (15%)
 - May not exist as a UC category
- Contracts and partnership agreements
 - UCCE county agreements, position agreements

IDC math

- RFA limits IDC to 30% of total funds awarded (TFA). This equals 42.857% of total direct costs (TDC).
- $0.30 \text{ TFA} / 0.70 \text{ DC} = 42.857\% \text{ of TDC}$
- Terminology matters