TIGER TIPS

RESOURCES FOR AUBURN RESEARCHERS

CALCULATING INDIRECT COSTS ON AFRI PROPOSALS

Many questions are asked about the indirect cost rate to be utilized in proposals submitted to the Agriculture and Food Research Initiative (AFRI) Competitive Grants Program of the USDA National Institute of Food and Agriculture (NIFA).

There is a statutory limitation that is placed on the rate that may be used:

Section 7132 of the Food, Conservation, and Energy Act of 2008 (Pub. L. 110-246) amended section 1462(a) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3310(a)) on recovery of indirect costs. The recovery of indirect costs on awards made by NIFA under the AFRI program may not exceed the lesser of the institution's official negotiated indirect cost rate **or** the equivalent of 30 percent of total Federal funds (TFF) awarded.

How does this affect the proposal you are working on? If you are working on an off-campus project **OR** on-campus "other-sponsored activity, there is no effect as AU's rates for these activities are lower than the statutory requirement and should be used. However, if you are proposing an on-campus research project, the following information will be important!

The first thing that will need to be decided is which rate will be lower pursuant to the regulations. Thirty percent of total Federal funds is the equivalent of **42.857** percent of total direct costs (TDC). As AU's rate for on-campus research is **48** percent of modified total direct costs, a standard research project with no equipment or subawards (or lower amounts proposed for these line items) would generally utilize AFRI's statutory rate.

However, AU's rate is a modified total direct cost (MTDC) base. What does this mean for your proposal and calculating indirect costs? An MTDC base is one in which certain cost items are excluded from the calculation of indirect costs. MTDC shall exclude 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 subaward in excess of $25,000. This has a direct effect on the base that is used in the calculation of indirect costs and can sometimes require that AU's federally-approved indirect cost rate be applied.

With this in mind, let's look at an example:

Salaries	$60,000
Fringe benefits	$16,740
Materials and supplies	$5,000
Equipment	$8,000
Subaward (1)	$23,000
Total Direct Costs	$112,740

In this example, the total direct costs are $112,740. If we were to apply the AFRI "statutory" rate to this (42.857% TDC – the equivalent of 30% TFF), indirect costs would total **$48,317**. If we applied AU's federally-approved rate (48% MTDC), indirect costs would total **$50,275**. Even with an item of equipment and a subaward the AFRI rate is lower and should be used. Why? In accordance with AU's DHHS rate agreement, the University collects indirect costs on the first $25,000 of each subaward. As such, in this example, the full amount of the subaward is included in the base, hence the higher amount of indirect costs.

Let's look at another example:

Salaries	$60,000
Fringe benefits	$16,740
Materials and supplies	$5,000
Equipment	$8,000
Subaward (1)	$75,000
Total Direct Costs	$164,740

In this example, the total direct costs are $164,740. If we were to apply the AFRI "statutory" rate to this (42.857% TDC – the equivalent of 30% TFF), indirect costs would total **$70,603**. If we applied AU's federally-approved rate (48% MTDC), indirect costs would total **$51,235**. In this case, AU's rate of 48% MTDC should be used. Why? In accordance with AU's DHHS rate agreement, the equipment ($8,000) and subaward in excess of $25,000 ($50,000) are excluded from the base (reducing the base for the indirect cost calculation to $106,740).

Let's look at one final example that may be a little trickier:

Salaries	$60,000
Fringe benefits	$16,740
Materials and supplies	$5,000
Equipment	$8,000
Subaward (4 @ 25k each)	$100,000
Total Direct Costs	$189,740

In this example, the total direct costs are $189,740. If we were to apply the AFRI "statutory" rate to this (42.857% TDC – the equivalent of 30% TFF), indirect costs would total **$81,317**. If we applied AU's federally-approved rate (48% MTDC), indirect costs would total **$87,235**. Even with an item of equipment and $100,000 budgeted for subawards the AFRI rate is lower and should be used. Why? In accordance with AU's DHHS rate agreement, the University collects indirect costs on the first $25,000 of each subaward. As such, in this example, the full amount of **each** of the four subawards is included in the base because they do not exceed

$25,000, hence the higher amount of indirect costs. Keep in mind, however, that were these subawards proposed for higher amounts, the outcomes and applicable rate used may be different.

Still have questions? Do not hesitate to contact your Contract Administrator for clarification! Interested in more information on the AFRI program? Be sure to check out the program web site for more details!