



Rate Extensions

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Agenda

Rate Extensions

- Federal Guidance for Extensions (UG)
- Documentation Needed for Requests (CAS / ONR)
- Critical Factors for Extension Analyses (EA)
- Summary / Conclusions

What is a rate extension?

Rate extensions have always existed for Institutes of Higher Education

What has changed?



Federal Guidance – Uniform Guidance

- §200.414 Indirect (F&A) costs, Section (g)
 - Any non-Federal entity that has a current federally negotiated indirect cost rate
 - may apply for a one-time extension of the rates in that agreement
 - for a period of up to four years.



Federal Guidance – Uniform Guidance

- §200.414 Indirect (F&A) costs, Section (g)
 - At the end of the 4-year extension, the non-Federal entity must re-apply to negotiate a rate
 - Subsequent one-time extensions (up to four years) are permitted if a renegotiation is completed between each extension request

Federal Guidance – Uniform Guidance/CAS BPM

- §200.414 Indirect (F&A) costs, Section (g)
 - This extension will be subject to the review and approval of the cognizant agency for indirect costs.

- If an extension is granted the non-Federal entity may not request a rate review until the extension period ends.
- CAS Best Practices Manual
 - Section XII, I page 146

Documentation Requirements

Financial Data	 Last Financial Statement Last A-133 or single audit
Base Data	 Last base year to most recent Forecast next 4 years
Space Data	 Changes from last base → now Forecast next 4 years





Rate Extension Analysis

- What information should I analyze?
- How long should the rate extension period be?
- How can I make the best decision?



- Time period to request extension?
 - Consider New Construction of buildings in next 4 years
 - Staffing
 - Software





What information should I analyze?

Facility Costs

- Building Depreciation and Interest
- Equipment Depreciation
- Operation and Maintenance Costs





Facility Cost - Building Depreciation

Review last 5 years of Building Deprecation and Interest

- Has depreciation and interest increased?
- New construction of buildings





Facility Cost - Equipment Depreciation

Review last 5 years of equipment depreciation

Has equipment depreciation increased?

Is the institution considering a capital threshold change? **Facility Cost - Operations and Maintenance**

Review last 5 years of operation and maintenance costs

Have O&M costs increased?

Does the University receive the Utility Cost Allowance?

Predict future O&M costs





Organized Research Space



When was the last space survey?

New research space?

Changes in research space since last F&A proposal





Organized Research Base

Has Research spending increased?

Review last five years of Organized Research Base Has the Organized Research base increased?

Consider future plans regarding Organized Research

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Based on Facility Cost Trends, Organized Research Base and Space –

- Estimate the impact on the Organized Research rate
 - Do the numbers indicate an increase or decrease?

Consider building projections

- How much added facility costs?
- How much added organized research space?

Extension Analysis

- How much is 1 point?
 - Federal on campus base
 - Example:
 - Research Spending 100,000,000
 - Federal On Campus base 50,000.000
 - 1 point is worth \$500,000



Other Considerations

- Budget Constraints
- Time
- Knowledgeable staff
- F&A Rate Trends (next page)



Extension Analysis

F&A Rate Trends	Difference between proposed and negotiated
	rates during

High variance: submit to recover "points left on the table" last time (e.g., Proposed 60% but accepted 50%)

Low variance: may suggest an Extension is more viable, assuming no other major changes (e.g., Proposed 56% and negotiated 54%)

Overall "Direction" of rates during prior cycles

last cycle

University has been receiving extensions over the past cycles with small decreases (e.g., normal .50 to 1.0 points)

Large increases in recent cycles may make Extension more viable Indication that institution may need to consider more aggressive approach to F&A Proposals



Case







- Metrics / Outstanding Features
 - RES MTDC base = \$40M in last F&A Proposal
 - Primarily Med Sch and Eng Sch grants (e.g., at full F&A rate)
 - RES grant volume = Decrease of 10% over past 4 years
 - Not previously eligible for UCA
 - Last Proposal had difference of 6 points between proposed/negotiated
 - "Sensitivity Analysis" = 1 point increase yields \$300K / year
 - But, no new RES Bldgs projections
 - Strong possibility of negotiating 2 points Increase with CAS
- Recommendation
 - University should strongly consider F&A Proposal submission to avoid loss of estimated \$1.2M F&A \$ Recoveries over 4 years





- Metrics / Outstanding Features
 - RES MTDC base = \$43M in last F&A Proposal
 - Not previously eligible for UCA
 - Last Proposal had difference of 1.3 points between proposed/negotiated
 - "Sensitivity Analysis" = 1 point increase yields \$300K / year
 - New leadership in Office of Research Administration and Controller
 - New space system
- Recommendation
 - University should strongly consider requesting one-year rate extension



- Metrics / Outstanding Features
 - RES MTDC base = \$155M in last F&A Proposal
 - Not previously eligible for UCA
 - ONR cognizant
 - "Sensitivity Analysis" = 1 point increase yields \$1M/ year
 - Leadership wants no rate increase but F&A should reflect actual cost
 - New \$98M 40% OR research building (impact = 0.4 to1 point increase)
 - Base decrease projected to be 6% (impact = 1 to 2 point increase)
 - Remove non-fed sponsor funded depreciation \$1M (0.4 to 0.6 point decrease)
- Recommendation
 - Base year submittal for a rate increase, rate extension best if want to maintain rate. Depends on leadership goals.







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Summary/Conclusions

UG offers criteria/structure for F&A Rate Extensions

This may be viable for some Universities

However, institutions should consider myriad factors, such as:

- Potential reduction of F&A Revenue
- Need to recover costs of new research buildings
- Various "tools" can assist Universities with these assessments
 - ROI studies
 - "Sensitivity analyses"
 - Projection modeling



Questions and Comments





