



2026 ANNUAL CONFERENCE OAKLAND, JANUARY 11 - 13

AUXILIARY ORGANIZATIONS ASSOCIATION

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THE NEXT ERA OF AUXILIARIES  
**SHAPING TOMORROW**

# Navigating Changes in Indirect & Direct Costing



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# AGENDA

## Background

- Threats to IDC (Agency Policy/Regulation Change)
- Advocacy Efforts (JAG FAIR: OMB/Legislation)
- Current IDC Process in place

## Defining Direct Charging

## Opportunities for Direct Charging

## Questions and Answers



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# BACKGROUND



# BACKGROUND

## **THREATS TO IDC (15% Cap):**

- National Institutes of Health
- Department of Energy
- National Science Foundation
- Department of Defense

These policy changes to cap IHE's IDC have not been successful (to date) due to court order or policy retraction.

## **ADVOCACY EFFORTS:**

Joint Associations Group (JAG)

- FAIR Model (proposed)
  - Simplified Method
  - Expanded Method

Legislative Advocacy

- JAG Advocacy Efforts with OMB and Legislators

# BACKGROUND

## JAG FAIR MODELS (proposed)

### Simplified Model

- 15% General Research Operations (GRO)
- 10% Research Information & Data Services (RIDS) & Essential Research Performance Facilities (ERPF)
- Direct Charge (potential)
  - Regulatory Compliance (RC)
  - Award Monitoring Oversight and Reporting (AMOR)

### Detailed Model:

- 15% General Research Operations (GRO)
- Direct Charge
  - Regulatory Compliance (RC)
  - Award Monitoring Oversight and Reporting (AMOR)
  - Research Information & Data Services (RIDS)
  - Essential Research Performance Facilities (ERPF)

# BACKGROUND

## **Current Indirect Process:**

- IDC submission and review process is still in place
- Universities are submitting their FY25 and working on FY26 proposals
- Cost Allocation Services reduced down from 4 to 2 offices
- ICAS portal is now in place – clunky, time consuming (2 – 3 hours)
- More streamlined negotiations process – Good!



# DEFINING DIRECT CHARGING





# WHAT IS DIRECT CHARGING?

**The practice of assigning a cost specifically when the relative benefit received can be clearly and easily determined.**

These costs can be assigned to:

- A Sponsored Project
- An Activity
- A Fund
- A Cost Center



# GUIDELINES FOR DIRECT CHARGING

**When Direct Charging, ensure costs are:**

- Allowable
- Appropriately Allocated
- Consistent across all funding sources
- Not double charged
- Documented
- Rational
- Well Justified
- Budgeted for

# OPPORTUNITIES FOR DIRECT CHARGING





# HOW IS DIRECT CHARGING ACCOMPLISHED?

**There are multiple ways to direct charge:**

- Payroll Action to charge the objective
- Apply the Charge during Procurement
- Allocate to the Objective via Rates (e.g. administrative charge, not included in IDC rate)
- Include in the Fringe Benefit Rate
- Charge Fees via a Recharge or Service Center



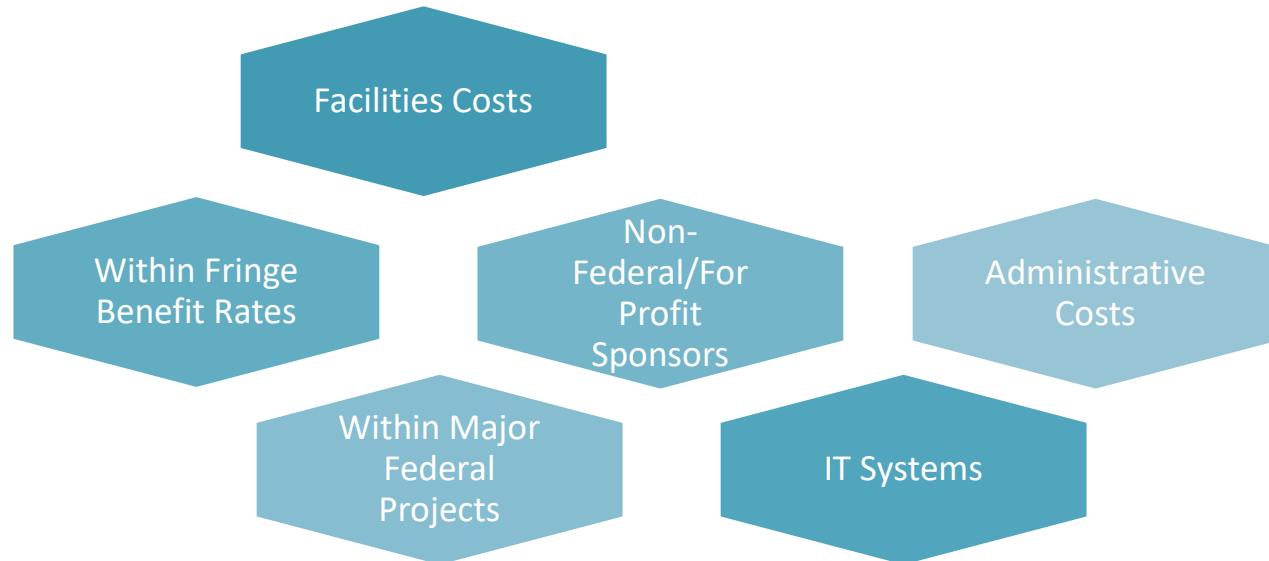
# CONSIDERATIONS - *What you can do now!*

## Some opportunities to increase direct charging:

- Increase PI and Faculty direct charging effort to grants
- Increase Graduate Researcher and student direct charging to grants
- Purchase equipment on grants and contracts
- Eliminate/reduce subsidies from all recharge/service centers
- Eliminate/Reduce voluntary cost sharing
- Stop waiving F&A unnecessarily

# DIRECT CHARGING EXPENSES

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# Expenses

## Within Fringe Benefit Rates

Terminal/Sabbatical Leave

Wellness

- EAP
- Fitness Center
- Nutrition Programs

Medical Insurance Coverage Waivers

Commuting Costs

Child Care

Tuition Remission



# Expenses

Within  
Major  
Federal  
Projects

Administrative Salaries  
and Wages

O&M/Custodial/Facilities  
Management



# Expenses

Non-  
Federal/For  
Profit  
Sponsors

Uncapped Calculated Rates

Federally Unallowable Costs

Subawards Over the Threshold

Over the Cap Salaries

Administrative Fees or Percentages

O&M/Custodial/Facilities Management



# Expenses

IT Systems

High Performance Computing

Research Administrative Software

Storage Space on Server

Network Charges

# Expenses

## Administrative Costs

*\*Must provide basis for allocation*

Institutional Review Board (IRB)/Compliance

Animal Care (IACUC)

Export Controls

Pre-Award

Post Award

Project Management

# Expenses

## Facilities Costs

### Capital Equipment Depreciation

- New equipment (not in F&A rate),
- Or to non-federal users/agreements

### PIs Rent on Certain Facilities

- Specialized Service Facility
- Or, if FAIR type model implemented

# CSU INITIATIVES



# INITIATIVES & OPPORTUNITIES

## Recent Collaborations and Communications

- CSU Steering Committee formed
  - Two Workgroups
    - FAIR Model Assessment Tool (with 2 information sessions offered)
    - Impact to CSU Research Whitepaper (shared at CCRO and RAC)
- CSU Campus Chief Research Officers Hosted a meeting with JAG (August 2025)

## Ongoing Opportunities:

- Offer public comments to any OMB regulatory changes
- Work with consultants to offer guidance on Service Centers
- Maximize cost recovery under existing and new models
- Education, and training related to systems changes to business processes

# QUESTIONS & ANSWERS



# Contact Information



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**THANK  
YOU!**

