

University of Alaska
Statewide Systems Office
Office of Cost Analysis
Facilities and Administrative Cost Guidelines
FY05 – FY07

A. General

The purpose and intent of this document is to establish the basis and methodology for developing the university's facilities and administrative costs. These guidelines are consistent with the Office of Management and Budget (OMB) Circular A-21, and with previous Memorandum of Understanding agreements between the university and the Office of Naval Research (ONR). These guidelines may be amended or augmented from time to time, if more equitable allocation methodologies are developed or as changes in regulations or current circumstances warrant.

B. Definitions

1. Instruction represents all teaching and training activities, except for research training included in organized research identified below, whether offered on a credit or non-credit basis or whether offered through regular academic departments or separate divisions such as a summer school or extension division.
2. Departmental Research represents all research and development activities that are not Organized Research. This primarily means the activities are not separately budgeted and accounted for. Departmental Research is considered part of the instruction function for purposes of this cost allocation.
3. Organized Research is all research and development activities that are separately budgeted and accounted for. It includes research and development activities that are sponsored by federal and nonfederal agencies and organizations, as well as those that are formally budgeted through internal allocation of university funds. Internally allocated funds must be clearly identifiable. It also includes activities of training individuals in research techniques where such activities are not included in the instruction function.
4. Other Sponsored Activities are programs and projects financed by federal and nonfederal agencies and organizations that involve the performance of work other than instruction and organized research. Examples of such programs and projects are health service projects and community service programs. When any of these activities are undertaken without outside support, they may be classified as Other Institutional Activities.
5. Other Institutional Activities are all activities of an institution except: (1) Instruction, Departmental Research, Organized Research, and Other Sponsored Activities, as defined above; (2) facilities and administrative cost activities identified in Circular A-21, Section F.; and (3) specialized service facilities described in Circular A-21, Section J. 47. Other Institutional Activities include operation of residence halls, dining halls, hospitals and clinics, student unions, intercollegiate athletics, bookstores, faculty housing, student apartments, guest houses, chapels, theaters, public museums, public radio stations, cooperative extension, recharge operations, and other similar auxiliary or public service enterprises. This definition also includes "unallowable" activities as defined in Circular A-21, Section J.
6. Direct Costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity or costs that can be directly assigned to such activities relatively easily with a high degree of accuracy.

7. Facilities and Administrative (F&A) Costs are 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. F&A costs are synonymous with "indirect" costs, as previously used in Circular A-21 and these guidelines. Such costs are classified under the following broad categories of cost. "Facilities" is defined as use allowances and depreciation, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses. "Administration" is defined as general administration and expenses, sponsored projects administration, departmental administration, and student administration and services, and all other types of expenditures not listed specifically within one of the subcategories of Facilities (including cross allocations from other pools).

C. Facilities and Administrative Cost Activities

The following F&A costs and attendant allocation bases will govern the university's cost allocation process under the long form method of calculating facilities and administrative cost rates.

1. Depreciation

- a. Buildings

- (1) Buildings consist of permanent structures used for shelter of persons, animals, plants, materials, or equipment. The structure must be attached to a foundation, roof, serviced by a utility other than electricity, and on a regular maintenance schedule. Building improvements must extend the useful life of the building, increase the value of the building, or both. New buildings are capitalized if their cost is \$100,000 or more and they have a useful life greater than fifteen years. Major building upgrades are capitalized when total planned expenditures, regardless of year paid, are \$100,000 and the life of the structure is extended fifteen or more years. If the cost of a building/upgrade is less than \$100,000 or if the building/upgrade has a useful life of less than fifteen years, the cost will be treated as a current year operations and maintenance expenditure for purposes of depreciation and pool cost computations. See Statewide Accounting Manual procedure P-114 for the university's capitalization and depreciation policy.
 - (2) Architect and engineer fees are capitalized as part of the cost of the building. Construction interest is capitalized consistent with generally accepted accounting principles. Construction projects are charged for a portion of the Statewide Facilities Planning and Construction project administration costs as outlined in the Statewide Accounting Manual procedure P-54.
 - (3) The capitalized value, less federal funding, is used as the basis for building depreciation. In accordance with Circular A-21, J.14.d.(4), the cost of a building may be treated as a single asset or may be divided into more detailed components. The building cost components may include: construction exterior, construction interior, elevators, fire protection, floor covering, foundation, heating ventilation, AC, lighting, electrical, piping plumbing, roof cover, roof structure, site preparation, steel frame, and walls exterior. Useful lives are assigned for each component ranging from 12 to 50 years. Noncomponentized building and building additions are depreciated using a useful life of 40 years. Noncomponentized

building renovations are depreciated using a useful life of 25 years. Building and component valuation and federal funding amounts are determined from the formal accounting system and are reconciled to the capital asset ledgers.

- (4) Section F.2. of Circular A-21 prescribes allocation methods for depreciation of a building. The university's allocation methodology is consistent with Circular A-21. Building depreciation for buildings used exclusively for a single function is allocated fully to that function. Building depreciation for buildings used for more than one function is allocated based on the ratio of square footage used for each function of the building.
- (5) The university prepares a computerized space listing that identifies each room in each building and indicates room type (i.e., office, classroom, laboratory, etc.). All assignable square footage of each building is included but non-assignable areas such as stairwells, rest rooms, and mechanical rooms are excluded. In accordance with Circular A-21, common areas are also excluded from the space allocation.
- (6) Building and room usage is determined by the occupants or users of the space through a space survey that is conducted at least once every two years. Space survey data is input into a database containing the space listing on a room-by-room basis under the oversight of Statewide Office of Budget & Institutional Research (SWOBIR). A data file is prepared by SWOBIR and provided to Statewide Office of Cost Analysis (SWOCA) for use in rate development model in the Comprehensive Rate Information System (CRIS) database software program.

b. Infrastructure

- (1) Infrastructure includes costs for long lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples include streets, roads, sidewalks, curbs, street signage and lighting, bridges, sewer collection piping and drainage systems, electric, water, gas, fiber optic and telephone distribution systems, and fire hydrants. Infrastructure costs are capitalized if the costs are \$100,000 or more and the asset has a useful life greater than fifteen years. If the cost of an infrastructure expense is less than \$100,000 or has a useful life of less than fifteen years, the cost of the infrastructure will be treated as a current year operations and maintenance expenditure for purposes of depreciation and pool cost computations. See Statewide Accounting Manual procedure P-114 for the university's capitalization and depreciation policy.
- (2) The university will include in the F&A cost pool, depreciation for infrastructure consistent with paragraph F.2.b.(4) of Circular A-21. The capitalized value, less federal funding, is used as the basis for depreciation on infrastructure. Consistent with Circular A-21 treatment of buildings, the university may treat infrastructure as a single asset or the asset may be divided into more detailed components. The infrastructure cost components may include: system networks, roads and road systems, and utilities. Useful lives are assigned for each component ranging from 10 to 35 years. Infrastructure and component valuation

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and federal funding amounts are determined from the formal accounting system and are reconciled to the capital asset ledgers.

- (3) The depreciation will be allocated to the benefiting function, if identifiable; otherwise the depreciation will be allocated to user categories of students and employees on a full-time equivalent basis. The amount allocated to the student category shall be assigned to the instruction function. The amount allocated to the employee category will be further allocated to the major functions in proportion to the salaries and wages of all employees applicable to those functions. Certain students, such as graduate assistants, will be included in the employee category as well as in the student category in order to recognize the dual activity of such individuals. Salaries and wages include direct labor costs plus leave accruals.

c. Other Capitalizable Assets

- (1) Other capitalizable assets (OCA) include costs for assets built, installed, or established to enhance the quality or facilitate the use of land for a particular purpose. Examples include fencing, gates, landscaping, paths, trails, parking lots, driveways, outside sprinkler systems, recreation and athletic fields, headbolt heaters, fountains, and retaining walls. OCA costs are capitalized if the costs are \$50,000 or more and the asset has a useful life greater than fifteen years. If the cost of an OCA expense is less than \$50,000 or has a useful life of less than fifteen years, the cost of the OCA will be treated as a current year operations and maintenance expenditure for purposes of depreciation and pool cost computations. See Statewide Accounting Manual procedure P-114 for the university's capitalization and depreciation policy.
- (2) The university will include in the F&A cost pool, depreciation for OCA consistent with paragraph F.2.b.(4) of Circular A-21. The capitalized value, less federal funding, is used as the basis for depreciation on OCA. Consistent with Circular A-21 treatment of buildings, the university may treat the cost of an OCA as a single asset or the asset may be divided into more detailed components. The other capitalizable assets cost components may include: landscaping, other improvements, specific improvements at the Musk Ox Research Station, Poker Flat and Ship facility, power plant, and parking, walkways, stairs, disability modifications. Useful lives are assigned for each component ranging from 15 to 30 years. Other capitalizable assets and component valuation and federal funding amounts are determined from the formal accounting system and are reconciled to the capital asset ledgers.
- (3) The depreciation will be allocated to the benefiting function, if identifiable; otherwise the depreciation will be allocated to user categories of students and employees on a full-time equivalent basis. The amount allocated to the student category shall be assigned to the instruction function. The amount allocated to the employee category will be further allocated to the major functions in proportion to the salaries and wages of all employees applicable to those functions. Certain students, such as graduate assistants, will be included in the employee category as well as in the student category in order to recognize the dual activity of such individuals. Salaries and wages include direct labor costs plus leave accruals.

d. Leasehold Improvements

- (1) Leasehold improvements include costs for construction of new buildings or remodeling/improving an existing structure by the lessee, who has the right to use these leasehold improvements over the term of the lease. These improvements will revert to the lessor at the expiration of the lease. Moveable equipment or office furniture that is not attached to the leased property is not considered a leasehold improvement. Leasehold improvements are capitalized if the costs are \$100,000 or more and the asset has a useful life greater than fifteen years. If the cost of a leasehold improvement expense is less than \$100,000 then the cost of the leasehold improvement will be treated as a current year operations and maintenance expenditure for purposes of depreciation and pool cost computations.
- (2) The university will include in the leasehold improvements F&A cost pool, amortization of the leasehold improvement consistent with paragraph F.2.b.(4) of Circular A-21. The capitalized value of the leasehold improvement, less federal funding, is used as the basis for amortization of the leasehold improvement. The cost of a leasehold improvement will be treated as a single asset and will be amortized over the life of the lease. Leasehold improvement valuation and federal funding amounts are determined from the formal accounting system and are reconciled to the capital asset ledgers.
- (4) (3) Section F.2. of Circular A-21 prescribes allocation methods for depreciation of a building. The university's allocation methodology for amortized leasehold improvement expenses is consistent with the methodology described for building depreciation. Amortized leasehold improvement expenses for leased buildings used exclusively for a single function are allocated fully to that function. Amortized leasehold improvement expenses for buildings used for more than one function are allocated based on the ratio of square footage used for each function of the building. Usage is determined through a functional use space survey completed at least every two years by the users of the space. See C.1.a.(5) and C.1.a.(6) above for a more detailed description.

e. Equipment

- (1) Equipment is defined as an item of tangible personal property with an acquisition cost of at least \$5,000 and a two-year useful life. Items with a purchase price of less than \$5,000 are usually considered non-accountable property and are usually recorded under the commodities object code. The property manual outlines specific policies and procedures for recording and accounting for equipment.
- (2) The university will include in the F&A cost pool depreciation for equipment consistent with paragraph F.2. of Circular A-21. The university will depreciate equipment on the straight-line method with the half-year convention based upon useful lives by equipment asset class. Asset classes include broadcasting equipment for television and radio, computer equipment, educational equipment, farm equipment, furniture and furnishings, mainframe computer equipment, medical, safety and fire equipment, office equipment, physical plant machines and tools, research equipment, security weapons, telecommunication equipment, and transportation equipment. No depreciation is claimed for federally

funded equipment or equipment purchased with monies used to match federal projects. Depreciation is not claimed for privately funded equipment or equipment purchased with monies used to match non-federal projects during the life of the privately funded sponsored agreement. Useful lives range from 5 to 11 years for the various equipment asset classes.

- (3) Equipment is allocated to benefiting direct and indirect activities based on a combination of usage and square footage. The department responsible for individual equipment items is identified through the property system record that includes a responsible departmental org code for each item of equipment. Equipment depreciation costs are summarized by department and then allocated to the benefiting direct and indirect activities of the department on the basis of their assignable square footage and usage as determined through a functional use space survey completed at least every two years by the users of the space. See C.1.a.(5) and C.1.a.(6) above for a more detailed description.
- (4) In accordance with A-110, the university completes a physical inventory of equipment not less than once every two years in order to verify continued existence of equipment items and identify which department has possession of them. As a part of the physical inventory, the university also records the current use status and condition of the equipment. Equipment inventory amounts are reconciled to the university financial accounting records.
- (5) Equipment inventory amounts will be reconciled to the university financial accounting records.

2. Interest

- a. Construction interest is capitalized consistent with generally accepted accounting principles and included in capital asset valuations. Other interest on capitalized assets which is determined to be allowable in accordance with Circular A-21, Section J.26., is included in the interest pools. Allowable interest consists of interest paid to an external party which is allocable and associated with the following assets: buildings acquired or completed on or after July 1, 1982; major reconstruction and remodeling of existing buildings completed on or after July 1, 1982; and acquisition or fabrication of capital equipment completed on or after July 1, 1982 costing \$10,000 or more, if agreed to by the federal cognizant agency.

- (1) Section F.3. of Circular A-21 prescribes allocation methods for interest. The university's allocation methodology is consistent with Circular A-21. Interest related to a building used exclusively for a single function is allocated fully to that function. Interest related to buildings used for more than one function is allocated based on the ratio of square footage used for each function of the building. Usage is determined from the space survey conducted at least every two years as described in C.1.a.(5) and C.1.a.(6) above. Interest related to infrastructure or other capitalizable assets is allocated on a full-time equivalent basis consistent with C1.b. above.

3. Operations and Maintenance

- a. Operations and maintenance (O&M) expenses are those expenses which are incurred by the university's physical plant for the administration, supervision, operation, maintenance, preservation and protection of the institution's physical plant. They include expenses normally incurred for such items as janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; environmental safety; hazardous waste disposal; property, liability and all other insurance relating to property; space leasing; and central receiving. The operation and maintenance expense category also includes the leave and staff benefit costs applicable to the salaries and wages included therein and an appropriate allocation of depreciation.
- b. Revenue generated from sales of steam and electricity to external parties will be offset against operations and maintenance expenditures.
- c. Utility costs charged at agreed upon amounts need to be reversed and allocated via the O&M pool. Using a detailed utility billing list from the Physical Plants, the source for the billing amount i.e. meter, PP calculation using square footage, or other must be determined. Utility costs charged to non-university entities do not need to be reversed since revenue generated from those sales is offset against expenses. Utility costs charged based on square footage and those charged to auxiliaries (excludes head bolt heater utility costs charged to the parking auxiliary) need to be reversed and allocated in accordance with e.(4) below.
- d. Department paid O&M costs are transferred to the specific function O&M pools and then allocated to the benefiting activities as O&M costs to eliminate any inconsistencies in treatment of O&M type costs.
- e. Section F.4. of Circular A-21 prescribes allocation methods for O&M. The university's allocation methodology is consistent with Circular A-21.
 - (1) Charges readily identified with a specific function such as cost incurred by academic and organized research units that directly support specific functions will be allocated to the benefiting function.
 - (2) Charges identifiable by building will be allocated using the functional use space survey data for the building. See C.1.a.(5) and C.1.a.(6) above for a more detailed description.
 - (3) Charges related to infrastructure or other capitalizable assets such as grounds maintenance and snow removal will be allocated on a full-time equivalent basis consistent with section C.1.b. above.
 - (4) Charges related to utilities will be allocated to benefiting buildings and then further allocated for each respective building using the space allocation data described in section C.1.a.(5) and C.1.a.(6) above.
 - (5) Expenses that cannot be identified with a specific building or with the improvements category, such as the physical plant directors' office, utilities, and the security and fire departments, will be allocated to the individual functions consistent with the ratio of total square feet used as determined from the space allocation data identified in section C.1.a.(5) and C.1.a.(6) for the entire campus.

4. General and Administrative (G&A) Expenses

a. Statewide Services

- (1) General and administrative expenses are those expenses which are incurred for the general executive and administrative offices of the statewide system administration. These expenses do not relate solely to any major function of the university (i.e., instruction, organized research, other sponsored activities or other institutional activities). This expense category includes the leave and staff benefit costs applicable to the salaries and wages included therein and an appropriate allocation of depreciation and operations and maintenance expense.
- (2) Section F.5. of Circular A-21 prescribes allocation methods for G&A cost pools. The university's allocation methodology is consistent with Circular A-21. For purposes of long-form facilities and administrative cost rate computations, the statewide administration's general and administrative costs are allocated on a modified total cost (MTC) basis to the respective campuses with subsequent allocation to the functions within each campus on an MTC basis. Consistent application of this procedure provides equitable allocation to costing components and eliminates the potential for distribution of more or less than actual costs for any specified period. Use of alternative methods for portions of the computations may result in over or under recovery of central administrative costs. The total statewide G&A costs allocated to each campus pool shall be fully included in their F&A facilities and administrative cost pools.

b. Campus G&A Expenses

- (1) General and administrative expenses are those which are incurred for the general executive and administrative offices of a specified campus. These expenses do not relate solely to any major function of the university (i.e., solely to instruction, organized research, other sponsored activities or other institutional activities). Costs include the expenses for the offices of the Chancellor, Vice Chancellor, and Provost, as well as Purchasing, Budget, Finance, Central Business Office, Property, Personnel, Post Office, and Risk Management. This expense category includes the leave and staff benefit costs applicable to the salaries and wages included therein and an appropriate allocation of operations and maintenance expenses and depreciation.
- (2) Section F.5. of Circular A-21 prescribes allocation methods for G&A cost pools. The university's allocation methodology is consistent with Circular A-21. Expenses included in this category are allocated on the MTC basis to the functions serviced or benefited by the expenditures.

c. Campus Academic and Specific Support

- (1) Central support expenses are those which are incurred for support of a specific function or functions of a campus. There are two groups of central support expenses. Academic support costs include central-level academic computing, audio visual and other media services. Specific support costs include the central-level research compliance office. This expense category includes the leave and staff benefit costs applicable to

the salaries and wages included therein and an appropriate allocation of operations and maintenance expenses and depreciation.

- (2) Section F.5. of Circular A-21 prescribes allocation methods for G&A cost pools. The university's allocation methodology is consistent with Circular A-21. Central academic support costs are allocated to the instruction function. Central specific support costs identified with a particular function or functions are allocated to those functions on the basis of benefiting direct salaries and wages.

5. Departmental Administration

- a. Departmental administration expenses are those administrative and support expenses that benefit common or joint departmental activities or objectives in academic deans' offices, academic departments and divisions, and organized research units.
- b. Includes salaries and fringe benefits attributable to the administrative work (including new bid or proposal preparation but not including costs attributable to preparation of renewal proposals that are submitted as a requirement of the sponsored award that are normally part of direct activities) of faculty and other professional personnel conducting research and/or instruction at the rate of 3.6% of MTDC.
- c. Other administrative and supporting expenses include salaries secretarial and clerical staff, accounting staff, and administrative officers, office supplies, phone rental charges, and memberships. This expense category also includes an appropriate allocation of depreciation, operations and maintenance expenses, and general and administrative expenses.
- d. This category includes salary and fringe benefits of institute directors who are professional administrative officers and who do not conduct research or instruction. Charges for individuals holding joint appointments to professional administrative officer positions will be reported in accordance with section J.10. of Circular A-21 based on activity reporting described in section E below.
- e. Section F.6. of Circular A-21 prescribes allocation methods for department administration cost pools. The university's allocation methodology is consistent with Circular A-21. Dean and institute director department administration expenses are allocated to the benefiting activities of the college or institute based on MTC. For academic and research department administrative support, all department administration costs are allocated to the benefiting activities of the department based on MTDC, or in limited cases, specific identification.

6. Sponsored Projects Administration

- a. Sponsored projects administration includes expenses of the Vice Provost for Research, Proposal Office, the Grants and Contracts Office, the leave and staff benefit costs applicable to the salaries and wages included therein and an appropriate share of the depreciation, operations and maintenance expenses, and general and administrative expenses.
- b. Section F.7. of Circular A-21 prescribes allocation methods for sponsored program administration cost pools. The university's allocation methodology is consistent with Circular A-21. Expenses in this category are allocated on the basis of sponsored project MTC.

7. Library Expenses

- a. Library expenses are those expenses that have been incurred for the operation of the library, including the cost of books and library materials (but excluding rare books and materials) purchased for the library. The library expense category includes the leave and staff benefits applicable to the salaries and wages included therein and an appropriate allocation of depreciation, operations and maintenance expenses, and general and administrative expenses.
- b. Section F.8. of Circular A-21 prescribes allocation methods for the library cost pools. The university's allocation methodology is consistent with Circular A-21. The allocation of library expenses is made to three identifiable user groups on the basis of a circulation count statistics. These user groups are employees, students and other. The amount allocated to the employee category shall be further allocated to each of the four major functions in proportion to professional salaries and wages. The amount allocated to the student category shall be fully assigned to the instruction function. The amount allocated to the other user category will be fully assigned to other institutional activities.

8. Student Services Expenses

- a. Student services expenses are those expenses that have been incurred for the administration of student affairs and for services to students, including expenses of such activities as deans of students, admissions, registrar, counseling and placement services, student advisers, student recruitment, student health and infirmary services, catalogs, commencements, and convocations. This expense category also includes the leave and staff benefit costs applicable to the salaries and wages included therein and an appropriate allocation of depreciation, operations and maintenance, and general and administrative expenses.
- b. Student services expenses shall be assigned to the instruction function consistent with paragraph F.9.b. of Circular A-21.

D. Specific Bases

1. Ship Component

- a. Depreciation charges for the Seward research facility and infrastructure, other than the charges related to ship specific facilities or infrastructure, shall be allocated to the ship component based on space survey data as described in C.1.a.(5) and C.1.a.(6). Depreciation for infrastructure related to ship specific facilities or infrastructure shall be allocated entirely to the ship component. Depreciation charges for equipment will be determined in accordance with section C.1.e. above.
- b. Operations and maintenance costs will be determined in accordance with section C.3. above. There shall be no allocation of costs for on-campus facilities use charges or operations and maintenance except for those which flow-down through general and administrative, department administration, and sponsored projects administration.
- c. General and administrative expenses for statewide system administration and the Fairbanks campus administration shall be allocated to the ship cost component on an MTC basis. See C.4. above.

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- d. Department administration of the School of Fisheries and Ocean Science (SFOS) shall be allocated to the ship rate component on an MTDC basis (e.g. if twenty percent of the SFOS MTDC base is attributable to ship activity, twenty percent of the SFOS department administration costs shall be allocated to the ship rate component). See C.5. above.
- e. Sponsored projects administration shall be allocated based on sponsored MTC. See C.6. above.
- f. The ship component will not receive an allocation of library costs.

2. Poker Flat Component

- a. Depreciation for facilities and infrastructure related to non-federally funded Poker Flat specific facilities or infrastructure shall be allocated to the Poker Flat component based on space survey data as described in C.1.a.(5) and C.1.a.(6). Depreciation charges for equipment will be determined in accordance with section C.1.e. above.
- b. Operations and maintenance costs will be determined in accordance with section C.3. above. There shall be no allocation of costs for on-campus facilities use charges or operations and maintenance except for those which flow-down through general and administrative, department administration, and sponsored projects administration.
- c. General and administrative expenses for statewide system administration and the Fairbanks campus administration shall be allocated to the component on an MTC basis. See C.4. above.
- d. Department administration shall be allocated to the component on a MTDC basis (e.g. if twenty percent of the Geophysical Institute (GI) MTDC base is attributable to activity at Poker Flat, twenty percent of the GI department administration costs shall be allocated to the Poker Flat Research Component). See C.5. above.
- e. Sponsored projects administration shall be allocated based on sponsored MTC. See C.6. above.
- f. The Poker Flat Component will not receive an allocation of library costs.

3. Arctic Region Super Computing (ARSC)

- a. Depreciation for facilities shall be allocated to the ARSC component based on space survey data as described in C.1.a.(5) and C.1.a.(6). Depreciation related to infrastructure and other capitalizable assets shall be allocated to the ARSC component as described in C.1.b.(3) and C.1.c.(3), respectively. Depreciation charges for equipment will be determined in accordance with section C.1.e. above.
- b. Operations and maintenance costs will be determined in accordance with section C.3. above.
- c. General and administrative expenses for statewide system administration and the Fairbanks campus administration shall be allocated to the component on an MTC basis. See C.4. above.

- d. Department administration shall be allocated to the activities of the component on a MTDC basis (e.g. if ninety five percent of the ARSC MTDC base is attributable to the supercomputing base activity, then ninety five percent of the ARSC department administration costs shall be allocated to the ARSC Component). See C.5. above.
- e. Sponsored projects administration shall be allocated based on sponsored MTC. See C.6. above.
- f. The ARSC Component will receive an allocation of library costs in accordance with C.7. above.

E. Personnel Activity Reporting

1. Section J.10. of Circular A-21 defines the requirements for payroll distribution. These requirements indicate that all employees whose salaries are charged directly, in whole or in part, to sponsored agreements or whose salaries are used to meet cost sharing or matching requirements on the agreements are subject to personnel activity or effort reporting requirements. The requirements also apply to other employees who work on two or more activities, if a distribution of their salaries among those activities is needed to identify or allocate F&A costs. The requirements do not apply to employees who do not work on sponsored agreements and work exclusively in one F&A cost activity.
2. The university payroll system satisfies the Circular A-21 requirements as a personnel activity reporting system. The payroll system is based upon biweekly effort reporting. Employees are required to sign their time sheets and obtain supervisor approval before charging a specific contract or grant.

F. Leave and Staff Benefit Rates

1. The university utilizes the reserve method of accounting for sick, holiday and annual leave charges. Leave provisions or reserve charges shall be expensed as direct and F&A costs. The distribution of leave charges shall be prorata based on actual non-leave salaries and wages charged to all cost categories. Provisions or reserve charges for sick, holiday and annual leave are allowable direct expenses to sponsored research agreements and proposals. All over or under leave recoveries are calculated at the end of the fiscal year and are carried forward to and included in the next leave benefit rate calculation.
2. The university utilizes the reserve method of accounting for pension, health care, life and long term disability insurance, workers' compensation, unemployment, employee tuition waivers, labor relations and other staff benefit charges. Staff benefit provisions or reserve charges shall be expensed as direct and F&A costs. The distribution of staff benefit charges shall be prorata based on actual salaries and wages and leave accruals charged to all cost categories. Separate staff benefit rates are established for major employee groups where benefits for the employee group differ significantly in relationship to salaries and wages. All over and under staff benefit recoveries are calculated at the end of the fiscal year and are carried forward to and included in the next staff benefit rate calculation.
3. An incurred cost report of leave and staff benefit expenditures and recovery must be submitted to the federal cognizant agency annually by December 31st. A leave and staff benefit forward pricing proposal is submitted annually by March 31st to the federal cognizant agency for the purpose of negotiating staff benefit rates for the next fiscal year.

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G. Service Centers

1. There are three classes of service centers as defined in the SW Accounting Manual procedure P-112: Time and Materials Center (T&M Center), Recharge Center, and Specialized Service Facility. Recharge centers are defined as service centers with (1) more than \$100,000 per year in gross receipts, or (2) sales to external parties of more than 5 percent of gross receipts, or (3) an enterprise operating cycle which is other than a June 30 fiscal year, or (4) inventory in excess of \$50,000 or (5) permission/directive from the CFO to be classified as a recharge center rather than a T&M Center. A specialized service facility will normally have a separate negotiated F&A rate. Treatment as a specialized service facility requires approval of the vice president for finance and is generally reserved for highly complex facilities and large recharge operations (over \$500,000) or for operations which have significant external sales.
2. The university operates the following recharge centers that provide specialized services to the university community:
 - a. UAF
 - (1) Geophysical Institute: Proposal Office, Electronic Shop, Machine/Carpentry Shop, Photo/Graphics Shop, Computer Resource, Vehicle, Stockroom, Copy Pool, and Map Office.
 - (2) School of Fisheries and Ocean Sciences: Academic Services, Kasitsna Bay, Stockroom, and ASLC Analytic Services.
 - (3) Institute of Arctic Biology: General, Lab Analysis, Vet Services, Shops, and Toolik Field Station
 - (4) Physical Plant: General, Utilities, Warehouse, P&PS, and Real Estate Management.
 - (5) Library: General, Photo, Graphics, and Server.
 - (6) Agriculture Forestry Experiment Station: General, Lab Analysis
 - (7) Various Departments: Conferences & Special Events; INE Mass Spectrography Analysis; Network Services; CSEM Advanced Microprobe; Print Shop; Copy Pool; Polar Express; Communications; Vehicle and Equipment Pool.
 - c. UAA
 - (1) Various Departments: Telephone; Copy Services; Center Copy Services; FP & C; Printing Services; CTC Aviation; Metered Mail; IT Desktop.
 - c. UAS
 - (1) None
 - d. Statewide
 - (1) Statewide Information Technology Services: Audio; Video; Direct Connects.

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3. The School of Fisheries and Ocean Science Alpha Helix Ship operates as the only specialized service facility at the university.
4. The rates charged for these services are intended to recover all direct and departmental F&A costs pertaining to that specific service center. Charges are designed to recover not more than the aggregate cost of providing the services over a long-term period, generally the university's fiscal year. All excess revenue recoveries and shortfalls shall be carried forward to the subsequent rate calculations. Accordingly, the rates are to be reviewed periodically and adjusted for any discrepancies between income and the combined direct and F&A costs. The rates charged do not discriminate against federally sponsored users.
5. Any over or under recovery of service center costs for the fiscal year shall be classified as Other Institutional Activities for base year calculations. Recharge centers and specialized service facilities are assumed to break even during the projection years.

H. Facilities, Planning, & Construction (FP&C) Departmental Administrative Cost Charge

Construction projects are charged for a portion of the university's facilities, planning, and construction (FP&C) administrative costs consistent with the recharge methodology described in the Statewide Accounting Manual procedure P-54. For federally funded construction projects, the FP&C administrative cost recovery is capped at the lesser of a) project total costs times the regional administrative cost rate or b) project direct labor costs times the regional direct labor rate. For this purpose, the regional administrative cost rate is defined as total regional F&A costs less equipment purchases and rent expense, divided by the estimated regional construction activity. The regional direct labor rate is defined as the regional direct labor divided by the estimated regional construction activity.

I. Off-Campus Research

Off-campus research is defined in our federal negotiated F&A rate agreement as projects or specified project segments which (a) have estimated direct costs in excess of \$100,000 and (b) which require off-site research activities for a period of 180 consecutive days or the equivalent of 80 percent of the project term. Such research shall be charged at F&A cost rates agreed to by the contracting parties based on individual project requirements. Unless a benefit to the project can be identified, such rates shall not contain on-campus facilities use charges or operation and maintenance costs except for those costs that flow down through other cost components. They should also not include a provision for library or student services costs.

J. Industry or Foreign Government Subsidies

The university fund accounting system effectively prohibits subsidizing industry and/or foreign government programs. All monies received for restricted purposes, including federal awards, are recorded in separate restricted funds. Direct expenditures from these monies are restricted to the exclusive purpose of the grant, contract, or gift. Since all restricted funds are eventually classified as part of either the research, instruction, or other base (not pool), the appropriate share of facilities and administrative costs are allocated to industry and/or foreign government expenditures regardless of whether or not facilities and administrative costs are charged on the actual activity.

K. Carryover Calculation

The university negotiates predetermined F&A rates for a three-year period. These rates are considered final and not subject to adjustment in accordance with the provisions of section G.4. of Circular A-21 and the Federal Acquisition Regulations; subject to any statutory or administrative limitations applicable to a given grant, contract or other agreement only to the

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extent that funds are available and consistent with any and all limitations of cost clauses or provisions.

The university negotiates fixed rates with carry forward provisions for leave and staff benefit rates. For fixed rates negotiated in advance, the over or under recovery for that fiscal year will be carried forward and included as an adjustment to the leave and staff benefit costs for the next subsequent rate negotiation. After negotiation and finalization of the actual fiscal year costs, any difference between the proposed and the audited carry forward amounts will be included as an adjustment to a subsequent rate negotiation.