

USGS Overhead Primer

(Figures will be rounded to illustrate the principles, rather than worrying about specific mathematical accuracy)

Background

In 2002 the USGS decided to adopt a full cost accounting/full cost recovery business model and to implement a set of common business practices across the entire bureau starting in FY 03.

1. An overhead workbook was developed that required certain expenses to be paid for out of assessment income. Each cost center had to use this workbook to calculate its overhead rate. The rate could vary depending upon actual costs at the center, but every center had to include the same set of items in its overhead calculations. (See Attachment No. 1 for an example of the costs that should be paid for by assessments.)
2. DOI agencies would be given a preferred customer rate of 15% by all USGS cost centers. This meant that BRD would have to start charging overhead to DOI agencies, something it had never done before. It also meant that the other three disciplines would have to lower their overhead charges to DOI agencies to 15%.
3. By giving DOI agencies this preferred rate rather than the full rate, the USGS must cost share the difference using appropriated dollars at the cost center.

Applicable Overhead Rates

Southwest Biological Science Center (SBSC) Rate on Reimbursable Funds = 35%. You will recall that GCMRC is the largest of the four field stations that comprise SBSC.

DOI Preferred Customer rate = 15%. Of this collection, 10% currently goes to USGS Headquarters and 5% stays with SBSC. This proportion will change each year until 2008 when it reaches 7.5% for each party, where it will remain.

For funds that are passed through to outside research partners rather than being spent within the USGS, a special pass-through overhead rate of 6% is authorized, and no cost share is required. Of this amount, 3% goes to USGS headquarters and 3% stays with SBSC.

SBSC rate on USGS funds = 19%. This amount is charged against USGS appropriated funds by the cost center in order to pay required overhead costs that would otherwise have to be paid by direct charge against these funds (this is a product of the overhead policy [and workbook] that identifies certain costs as “overhead” expenses).

Why Does USGS Charge Overhead on AMP Funds?

Assistant Secretary for Water and Science Mark Schaefer issued a memo on March 31, 2000 entitled “Institutional Home for the Grand Canyon Monitoring and Research Center” in which he listed 12 policies and protocols that he wanted the USGS to follow in managing GCMRC. Policy No. 8 reads “The USGS will not charge bureau-level assessments against the funding provided by the Bureau of

Reclamation to support GCMRC and its scientific activities.” This policy was followed as specified through 2002. However, with the implementation of the new USGS common business practices, including the new bureau overhead policy, the decision was made to require SBSC to assess the AMP funds at the DOI preferred rate (15%).

1. SBSC appealed the USGS overhead decision, arguing that policy No. 8 in Mark Schaefer’s March 31 2000 memo represented a good faith commitment to the AMP that the USGS should honor.
2. In response to SBSC’s appeal, Director Groat vetted his decision to require SBSC to levy overhead charges on the AMP funds with the Commissioner of BOR, the Assistant Secretary for Water and Science, and the Assistant Secretary for Policy, Management and Budget. All three senior leaders agreed to support his decision.
3. Director Groat then turned down the SBSC appeal, which effectively repealed the Mark Schaefer prohibition against USGS overhead charges against AMP funds. The Director’s argument was that overhead costs are a legitimate and unavoidable cost of doing business and that these costs must be covered. The Director was also hesitant to set a precedent that excluded any part of USGS from this common business practice and policy.
4. USGS agreed to grant SBSC the authority to levy the special 6% pass-through rate for all cooperative agreements (which today amounts to slightly less than half of the AMP funds available to GCMRC). This request must be renewed each year. How long the USGS will grant this authority to use the pass-through rate is unknown.

What Impact Does USGS Overhead Have on GCMRC’s Budget?

Let’s assume for simplicity of math that GCMRC receives \$6,000,000 in AMP funds from BOR. Further, assume that \$3,000,000 goes to agreements and faces the pass-through rate of 6%, while \$3,000,000 is kept with the USGS and faces the 15% assessment rate and a 20% cost share (the difference between the 15% DOI assessment rate and the 35% SBSC regular assessment rate).

$\$3,000,000 \times .06 = \$180,000$ in assessment charges against AMP funds at the pass-through rate, with \$90,000 going to Reston \$90,000 going to SBSC.

$\$3,000,000 \times .15 = \$450,000$ in assessment charges against AMP funds at the DOI preferred customer rate, with \$300,000 going to Reston and \$150,000 going to SBSC.

$\$3,000,000 \times .20 = \$600,000$ in cost share assessment charges paid by USGS appropriated funds, all of it staying at SBSC.

$\$1,000,000 \times .19 = \$190,000$ in assessment charges levied by SBSC against the funds provided by the Director for the AMP.

Summing these charges shows that AMP funds are assessed a total of $\$180,000 + \$450,000 = \$630,000$ in USGS overhead, with \$390,000 of this amount going to Reston and \$240,000 going to SBSC. This \$630,000 is a cost to the AMP program and reduces the amount of science dollars available to the program.

SBSC must “cost share” a total of \$600,000 to the overhead assessment out of USGS appropriated funds. The only source of funds the center has to pay such a large amount is the \$1,000,000 in USGS funds that Director Groat has provided to GCMRC in FY 04 and FY 05. Therefore, instead of there being \$1M for science from USGS, there is actually only \$400,000 remaining at this point. In the next item you will see that this number goes down even further before any science can be covered.

SBSC, in addition, must assess a cost center overhead charge of \$190,000 against these USGS funds, thus leaving only \$210,000 for science support of the AMP.

These three assessments are examples of how the USGS overhead policy found itself somewhat at war with the Director’s attempt to add science dollars to the AMP program.

Between these three amounts (\$630,000 AMP + \$600,000 USGS and \$190,000 USGS), a total of \$1,420,000 is taken for overhead costs that would otherwise be available for science at the same funding level under the 0% overhead scenario of earlier years.

SBSC does its best to mitigate these charges by using the assessment funds to pay costs that in earlier years would have been direct charged to the AMP. In this way, we can reduce the impact on GCMRC. In FY 04 we contributed an estimated \$680,000 from the SBSC burden account to GCMRC expenses, or in other words, \$50,000 more than USGS/Reston collected from the AMP assessment, and \$250,000 more than SBSC received from all of its assessment collections. However, SBSC cannot budget upfront for a large portion of this center contribution to GCMRC (and the AMP) because we don’t know in advance what our total assessment income will be. In FY 04 we had a good year at SBSC and could be generous. It might not always work out that way however, so presently the FY 05 and FY 06 budgets are very conservative in this regard, with somewhat less than \$300,000 in SBSC burden dollars earmarked to support GCMRC costs.

Attachment No. 1

Center Costs that USGS Requires be Paid by Overhead Account

Category
Office Management:
Cost Center Chief
Associate Cost Center Chief
Section Chief
Sub-Cost Center Chief
Field Office Chief
Other Supervisors
Secretary
Administration:
Administrative Officer
Accounting Technicians

Budget Analyst
Administrative Technicians
Procurement Staff (Inc FSC all Admin Pay)
Contract Support/Technical Representatives (COTR)
Temporary Staff hired for project record/bookkeeping
Operations:
Travel
Postage and Shipping
Office of Personnel Management Fees
EEO Investigations
EEO Settlements
Relocation Expenses
Health (Unit) Care
Employee Assistance
Labor Union Activities
Awards
Security Clearances
Safety Activities
Storage Fees
Hazardous Waste
Cost Center-wide Meetings (retreats)
Tort Claims (first \$2500 per claim)
ESIC Charges
Workers Compensation
Transit Subsidy
Moving Costs
Above Standard Facilities Costs/Renovations
Computer Support:
System Administrators
Computer Specialists
Data Base Management Staff
Computer Usage
Software Acquisition and Development
Local Laboratories:
Laboratory Operations (common)
Laboratory Management Staff
Library Operations: (other than that funded by bureau)
Local Library Operations
Books and Periodicals
Publications:
Non-technical Review and Approval Services
Technical Editing
Report Preparation
Publication Costs

Printing
Outreach:
Open House(s):
Recruitment at Career Fairs
Public Affairs/Information Officer
Visual Identity Clothing
Web Page Development and Maintenance
Training (Salary and Tuition):
Mandatory Training
General Training
Technical Training
Communications Systems:
Telecommunications (FTS 2001)
Local Telephones
Field Cellular Telephones
Program Development and Planning:
Program Development and Planning
Office and Production Supplies:
Office Supplies
Production Supplies
Equipment
Aircraft and Vehicles (purchase)
Aircraft and Vehicles (operations and maintenance)
ADP Equipment (office)
ADP Equipment (field)
General Office Equipment
Handheld Equipment
Laboratory Equipment
Field Equipment
Garage/Warehouse Equipment
Contributions to Working Capital Funds for Future Equipment Purchases
Specialists - Technical Support:
Discipline/Technical Specialists
Safety
Training Officer
Cost Center Contingency Fund:
Contingency Fund

Salaries and Expenses:

Staff for Facilities Operations and Maintenance

Rent:
Rent Paid to General Services Administration
Rent Paid to Others
Rent Paid through Cooperative Agreements
Rent Paid through 'In kind' Services
Operations:
Utilities (includes all utility costs not included in rent.)
Fuel (gasoline, propane for both vehicles and heating, natural gas, diesel, heating oil)
Janitorial Services (includes window and carpet cleaning.)
Rodent and Pest Control
Upkeep and Grounds (includes grass mowing, snow plowing, and ground irrigation.)
Waste Management and Disposal (includes refuse collection and sewage effluent pumping.)
Facility-Related Vehicles (operation and acquisition)
Security and Safety (related to the facility)
Annual Certification for Facility Systems
Vessels (purchase)
Vessels (operations and maintenance)
Other Miscellaneous Expenses
Maintenance:
Preventive Maintenance
Cyclic Maintenance
Repairs and Rehabilitation
Replacement of Parts, Components, or Equipment (related to the facility)
Adjustment, Lubrication, Cleaning of Equipment (related to the facility)
Periodic Condition Assessments, Periodic Inspections, and Special Safety Inspections
Painting
Re-roofing, Resurfacing
Scheduled Servicing
Engineering Support
Maintenance of Owned Facility-Related Vehicles
Contributions to Working Capital Fund for Future Facilities Above Standard Costs/Renovations and Moving Expenses
Other Miscellaneous Expenses
SUBTOTAL:
Facilities Costs Not Distributed to Accounts
Deferred Maintenance:
Projects funded by the Bureau
TOTAL FACILITIES COSTS: