

Maximizing Your Direct Charging

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X Housekeeping Items

- Questions: use Q&A , not Chat
- PowerPoint Handout / Recording
- Evaluation / CPE Credits



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Organization and structure

- Established in 1985
- Headquartered in Northbrook, IL, with multiple satellite offices across the country

Consulting services

- F&A proposal assistance, Space Survey, Negotiations
- Fringe benefit rate proposals
- Reviews of service/recharge centers

- Uniform Guidance Compliance Diagnostic
- Pre- and Post-Award Assistance

Software Solutions

- Comprehensive Rate Information System (CRIS®) (used by 90 of top 100 universities)
- WebSpace® — Space Inventory and Survey System
- Effort Reporting System®

40+

Years of Experience

30

Full-time consulting and IT staff

250+

Colleges and universities served

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AGENDA

Defining Direct Charging

Identifying Direct Charging

Questions & Answers

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Defining Direct Charging

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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:

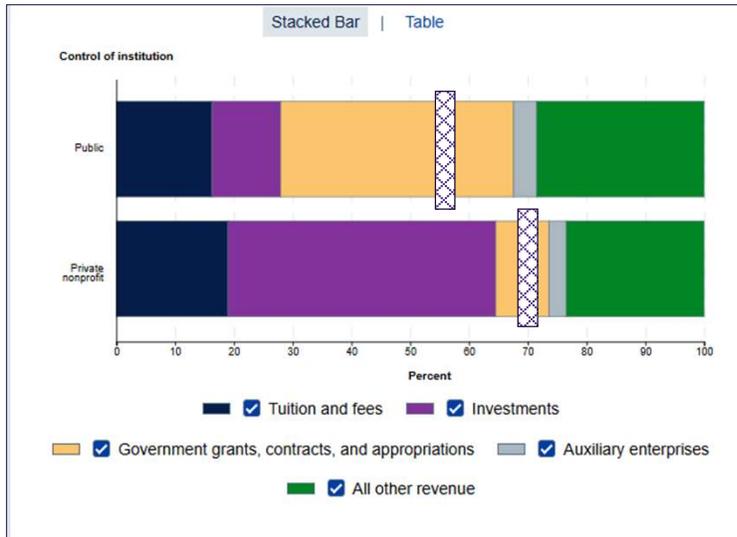
- A Sponsored Project
- An Activity
- A Fund
- A Cost Center

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Figure 1. Percentage distribution of total revenues for degree-granting postsecondary institutions, by control of institution and source of funds: Fiscal year 2020–21



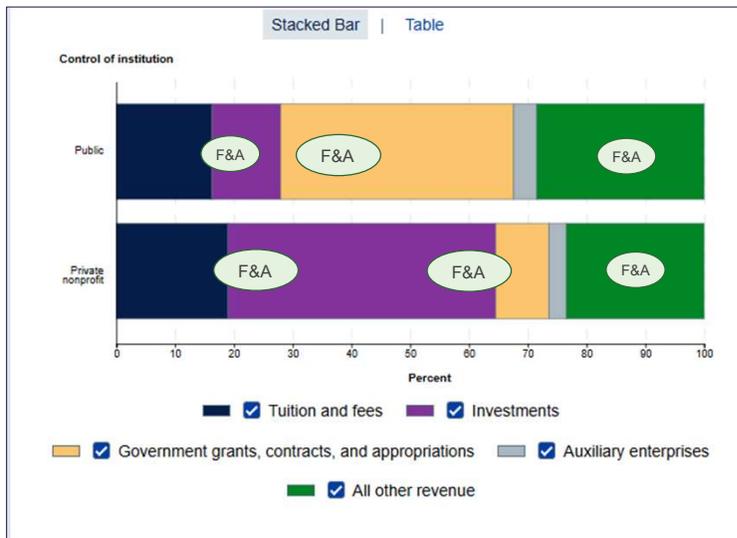
SOURCE: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Spring 2022, Finance component. See *Digest of Education Statistics 2022*, tables 333.10, 333.40, and 333.55.

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Figure 1. Percentage distribution of total revenues for degree-granting postsecondary institutions, by control of institution and source of funds: Fiscal year 2020–21



SOURCE: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Spring 2022, Finance component. See *Digest of Education Statistics 2022*, tables 333.10, 333.40, and 333.55.

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How is Direct Charging Accomplished?

Multiple pathways to direct-charge:

- Payroll Action to Charge the Objective
- Split the Charge during Procurement
- Allocate to the Objective via Rates
- Include in Fringe Benefit Rates
- Charge Fees via Recharge or Service Center

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What IS allowable NOW:

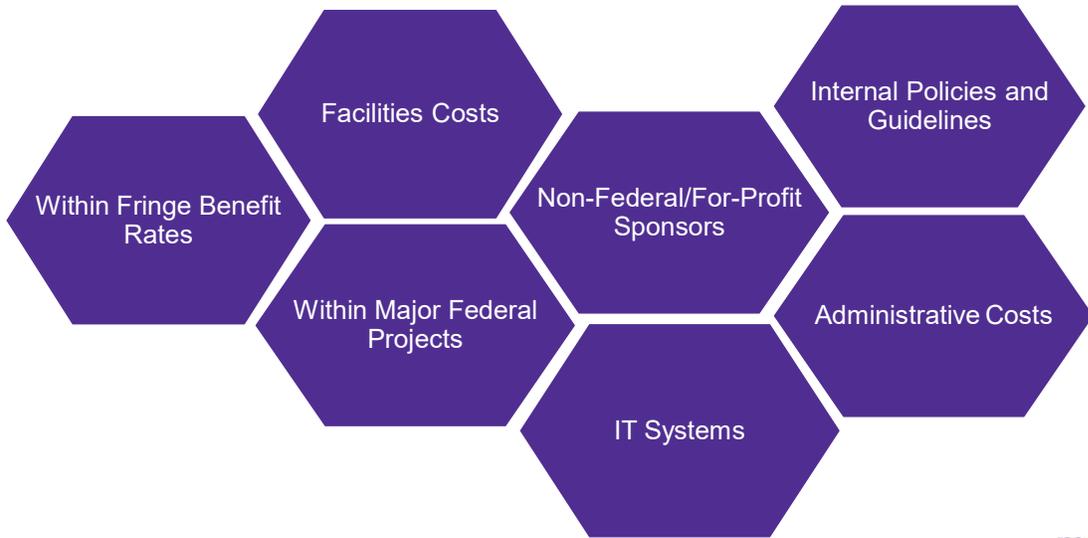
- Make course release contingent on academic year salary savings
 - Otherwise charge all allocable faculty salary
- Reduce/eliminate service center subsidies
- Reduce/eliminate voluntary cost share
- Direct charge more equipment
- Direct charge new (since 1991) compliance (and other) costs

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Direct-Charge Expenses



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Within Fringe Benefit Rates

Employee Wellness Costs

- EAP
- Fitness Center
- Nutrition Programs

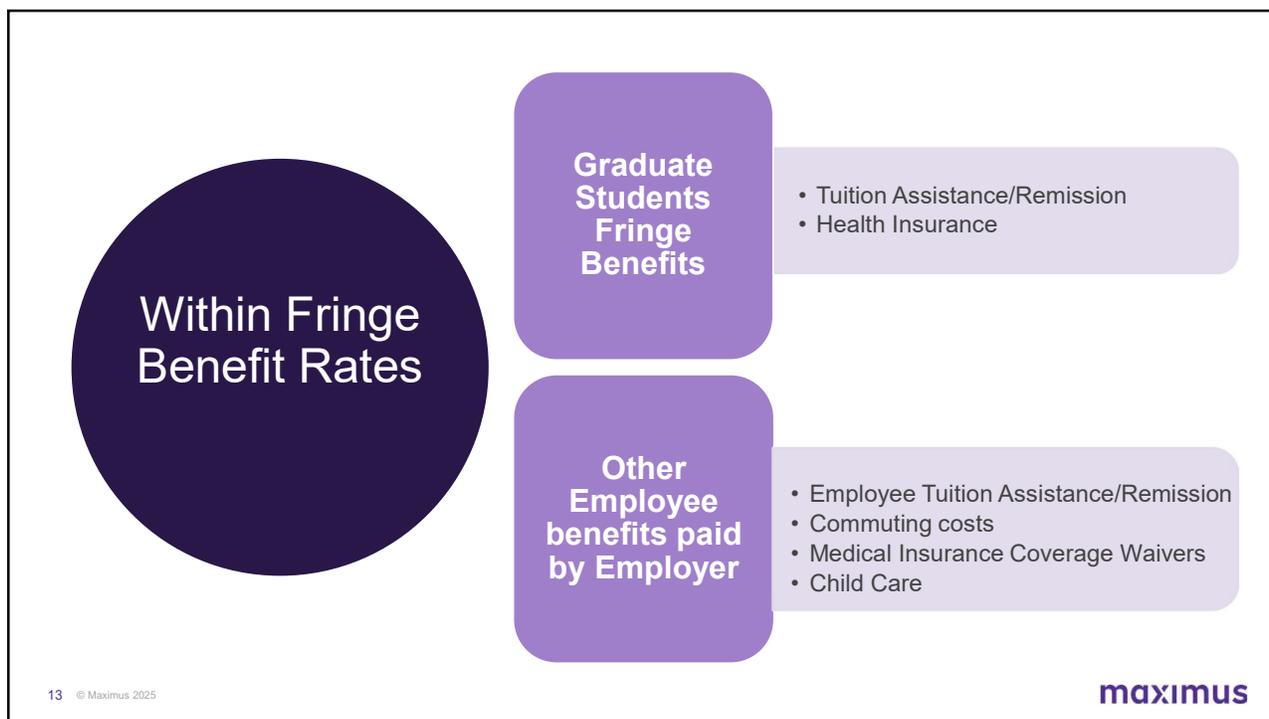
Employee Paid Leaves

- Terminal Leave Payouts
- Sabbatical Paid Leave

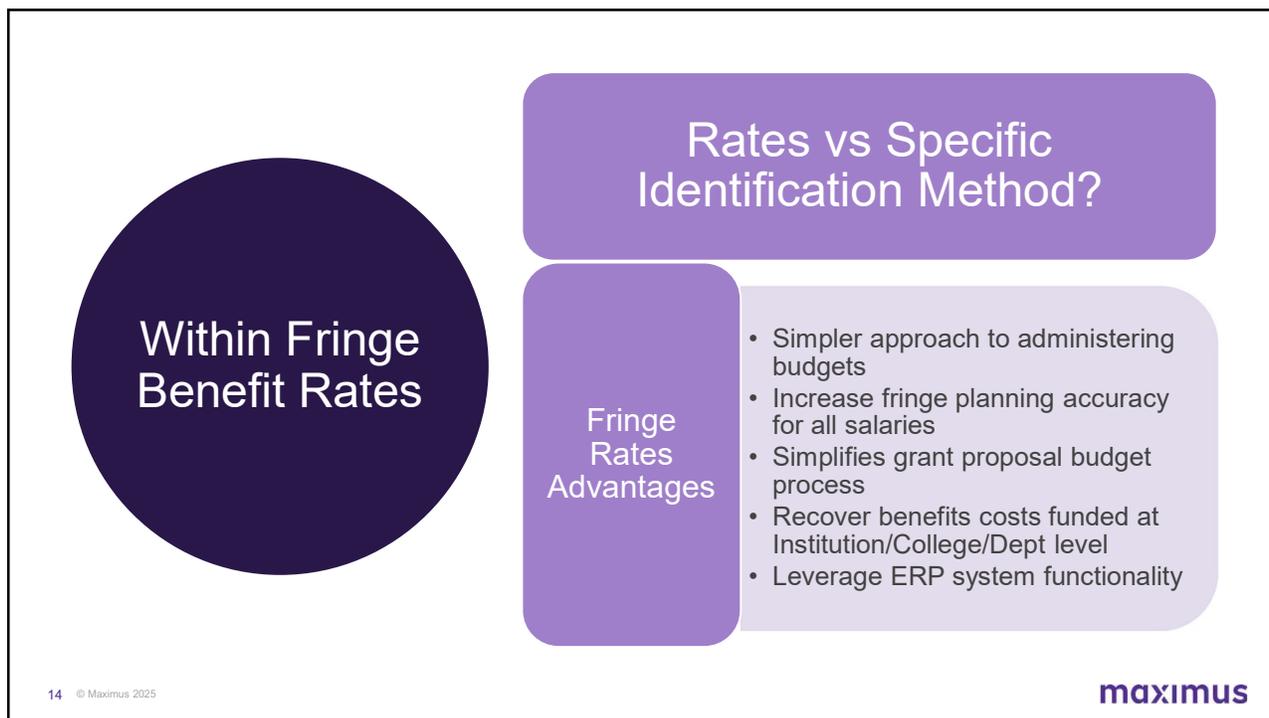
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Within Fringe Benefit Rates

Optimizing Fringe Benefit Rates

Current Rates vs Different set of Rates

- Are sponsors paying their fair share of fringe benefit costs?
- Would additional fringe rates address discrepancies?
- Assess financial impact on Depts/Cost Centers w/ additional fringe rates?
- Weigh Admin burden vs Financial Gain

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Facilities Costs

Capital Equipment Depreciation

- New equipment not in F&A proposal, or
- To non-federal users/agreements.
- Via service/recharge center.

PIs Rent on Certain Facilities

- Specialized Space
- May already be excluded from F&A cost recovery.

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Within Major Federal Projects

Administrative Salaries and Wages

O&M/Custodial/Facilities Management

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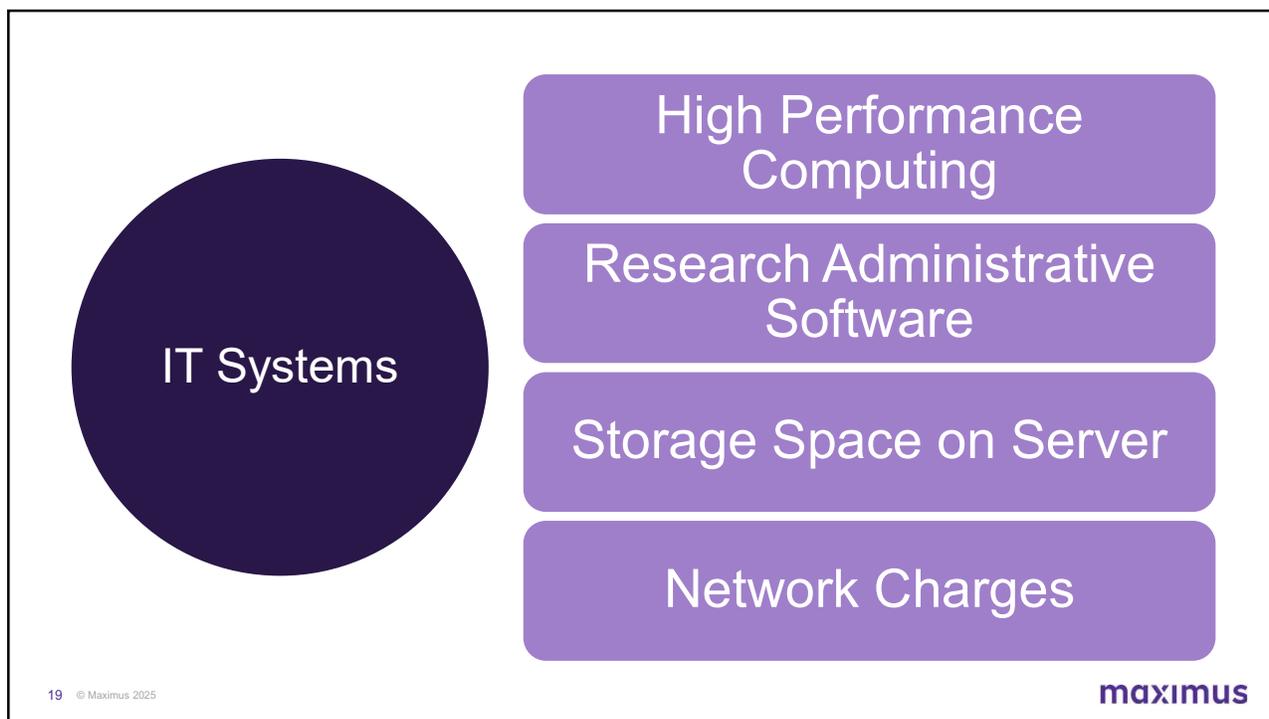
Non-Federal/For-Profit Sponsors

- Uncapped Calculated Rates – automated via financial system
- Federally Unallowable Costs – automated via financial system
- Subawards Over the Threshold – automated or manual
- Over the Cap Salaries – remember these are agency-specific
- Administrative Fees or Percentage – whatever the award allows
- O&M/Custodial/Facilities Management – whatever the award allows

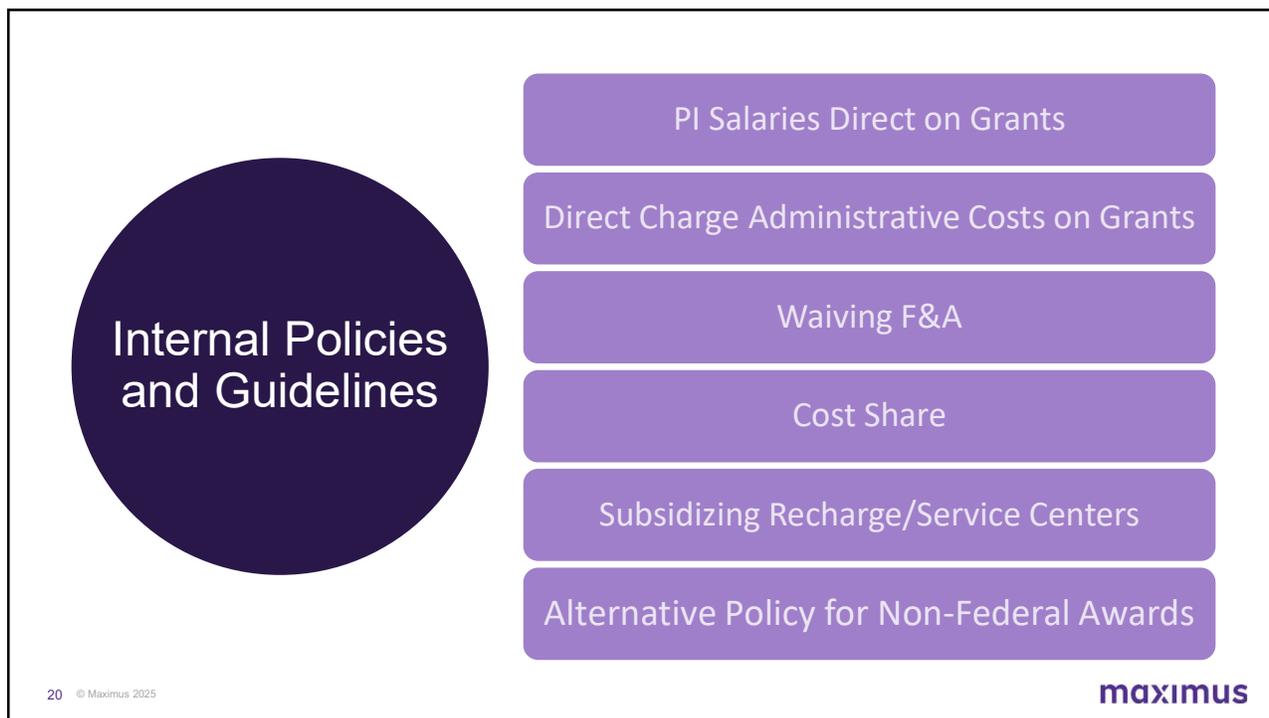
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Administrative Costs
Possible Bases for Allocation

- Institutional Review Board/Compliance – per review, per hour?
- Export Controls – per grant, per hour, other?
- Pre-Award – depends on the activity
- Post-Award – depends on the activity
- Project Management – per hour

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Possibilities for billable unit rates

<p>Pre-award (Costs not in F&A)</p> <ul style="list-style-type: none"> • Billing Unit: by Proposal • Charging Methodology: Monthly based on anticipated # of Proposals divided by 12 • Rate Development <ul style="list-style-type: none"> • FTE, Salary and Fringe Rate • Number of proposals prepared by the group over a year period • Federal rate consideration <ul style="list-style-type: none"> • Proposal development cannot (currently) be direct charged to a grant. 	<p>Post-award (Costs not in F&A)</p> <ul style="list-style-type: none"> • Billing Unit: by Hour • Charging Methodology: Monthly based on hours reported by award • Rate Development <ul style="list-style-type: none"> • FTE, Salary and Fringe Rate • Anticipated billable hours <ul style="list-style-type: none"> • Do not include paid holidays, vacation, sick time • Include center management <ul style="list-style-type: none"> • FTE devoted to customer relationships, contracts, billing, quality control
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Internal Business Decisions



Allowing your F&A pools to direct charge more to internal or non-federal projects.



Removing subsidies from all recharge/service centers and charge fully burdened rates.



Establish more recharge/service centers.

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Timing for Implementation

Can be done now

- Reduce/eliminate subsidies
- Subawards and equipment threshold changes – Anytime for non-federal
- Reducing Cost Share in new proposals
 - Eliminate voluntary uncommitted cost share
- Stop waiving F&A
- Add equipment to grant proposals when appropriate
- Develop higher F&A rates for non-federal
- New service centers for new operations, e.g. CMMC
 - Not in negotiated F&A rates

Must Wait for New Rate Agreement

- Subawards and equipment threshold changes – Only with new rate agreement for federal.
- Add new elements to Fringe Benefit Rates
- New service centers for existing activities
 - If the activity was in the old F&A rate Admin component

Must Wait for New OMB Guidance

- Anything previously charged as indirect

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Other Considerations

- Work with Change Management teams to gauge impact and plan communications
- Update Intake forms for project budgeting
- Work with Financial Systems constraints, IT teams
- Update financial reporting
- Update indirect cost distribution – consider making more transparent and where those funds are going
- **OMB Changes to UG – comment period**
 - More responses are better than fewer
 - "I concur with..., AND..."



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Major Takeaways

When Direct Charging, ensure costs are :

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

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Questions and Answers

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