



Tri-University
Research
Administration
Conference



What's the Going Rate?

Deciphering F&A

Introduction



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Agenda

- What is F&A?
- Why is there F&A?
- What is the difference between a Stipulation and a Waiver?
- Goal: To have an understanding and maybe even an appreciation for F&A

What is F&A?

- A: A tax for doing research
 - B: Incurred costs for common or joint objectives
 - C: An obstacle to navigate
- 

Uniform Guidance

- **§200.56 Indirect (facilities & administrative (F&A)) costs.**

Indirect (F&A) costs means those costs incurred for a **common or joint purpose benefitting more than one cost objective**, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefit cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75880, Dec. 19, 2014]

F&A Costs are Real Costs, Examples Include:



Technologically advanced research laboratories



Financial, administrative, technical and maintenance staff



Regulatory compliance programs



Libraries



Buildings - including utilities, ventilation, HVAC, water resources, and security



Safety programs for radiation, chemicals, and biohazard wastes



Computing infrastructure for communication and computing

Costs of Federally Sponsored Research

The total cost of federally sponsored research includes a combination of both direct and facilities and administrative (F&A) costs. Both types of expenditures are key to an institution's ability to conduct cutting-edge research. F&A consists of the construction and maintenance costs of laboratories and high-tech facilities; energy and utility expenses; and safety, security, and other government-mandated expenses. These costs are real and research cannot be conducted without them.



Direct costs - These expenses solely cover research and include lab supplies and equipment; salaries and stipends for researchers and graduate students; and travel costs for conducting and sharing research

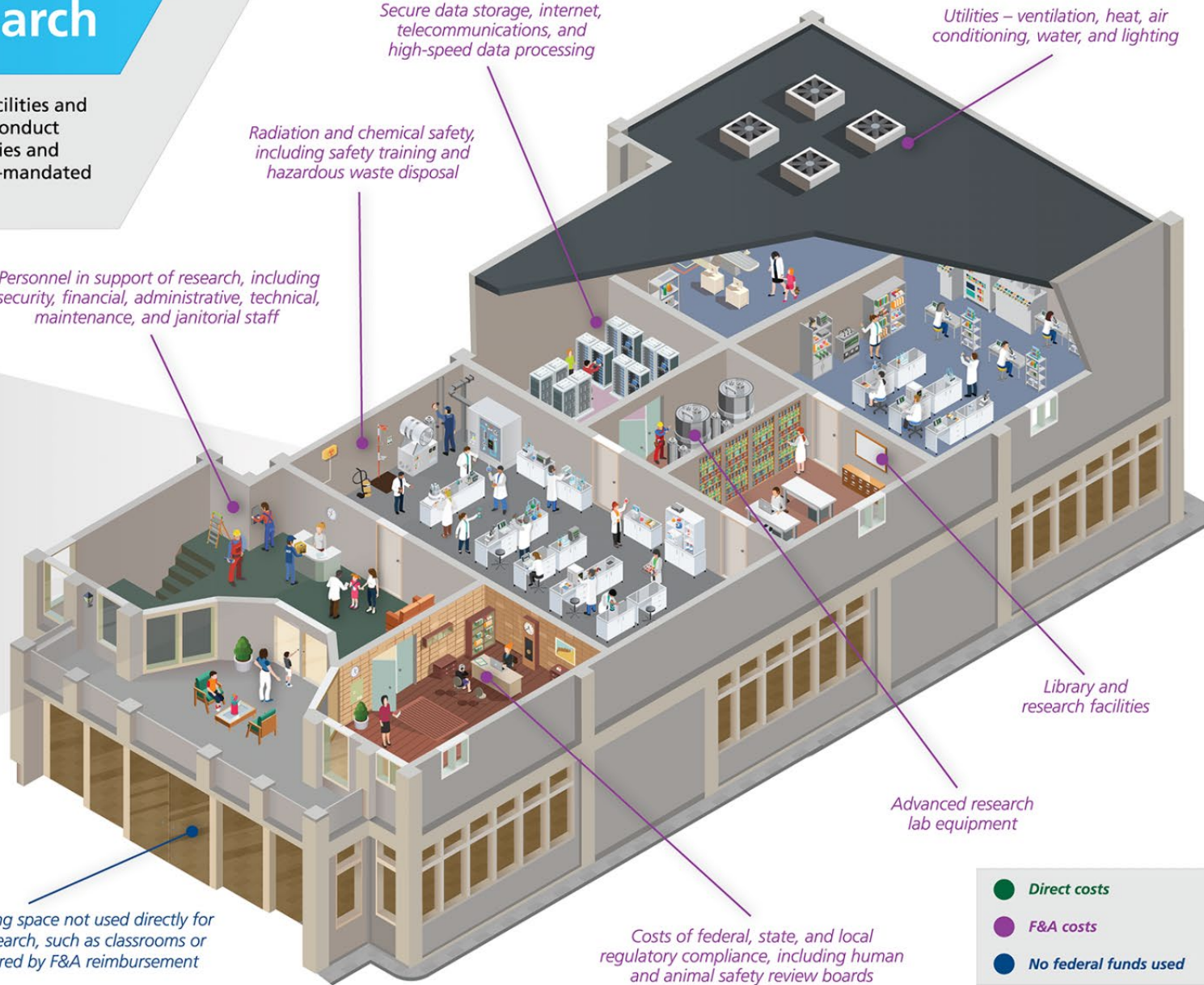
Personnel in support of research, including security, financial, administrative, technical, maintenance, and janitorial staff

*Upkeep of any building space not used directly for federally funded research, such as classrooms or lobbies, is **not** covered by F&A reimbursement*

Radiation and chemical safety, including safety training and hazardous waste disposal

Secure data storage, internet, telecommunications, and high-speed data processing

Utilities – ventilation, heat, air conditioning, water, and lighting



Library and research facilities

Advanced research lab equipment

Costs of federal, state, and local regulatory compliance, including human and animal safety review boards

- Direct costs
- F&A costs
- No federal funds used

**In the
beginning...**



Research in the 1930s

- Most research in academia was funded by foundations
- NIH funded research was done by NIH until 1937 when NCI was started
- In the wake of WWII, the National Advisory Committee for Aeronautics (NACA) funded grants to researchers in universities in the US



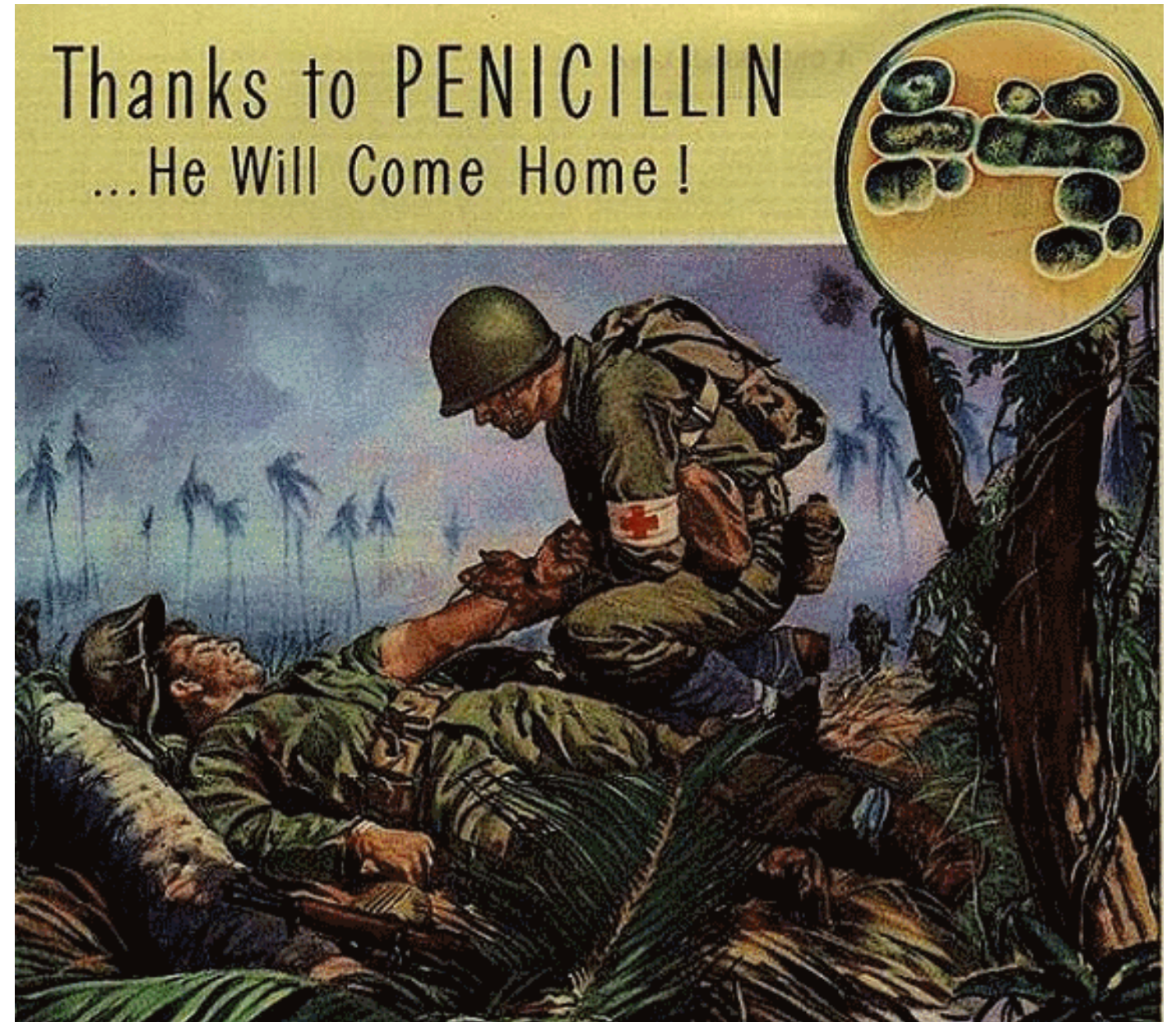
The Federal and University Alliance

- President Franklin Roosevelt created the Federal/University alliance
- Vannevar Bush, former MIT VP, an American engineer, inventor and science administrator who led the following:
 - National Defense Research Committee (NDRC) “to coordinate, supervise, and conduct scientific research on the problems underlying the development, production and use of mechanisms and devices of warfare.” Worked closely with MIT.
 - headed the US Office of Scientific Research and Development (OSRD) 1941-1947
 - NDRC and OSRD funded research on campuses and administered wartime labs
 - An advocate for fair and full reimbursement of IDC inclusive of admin support



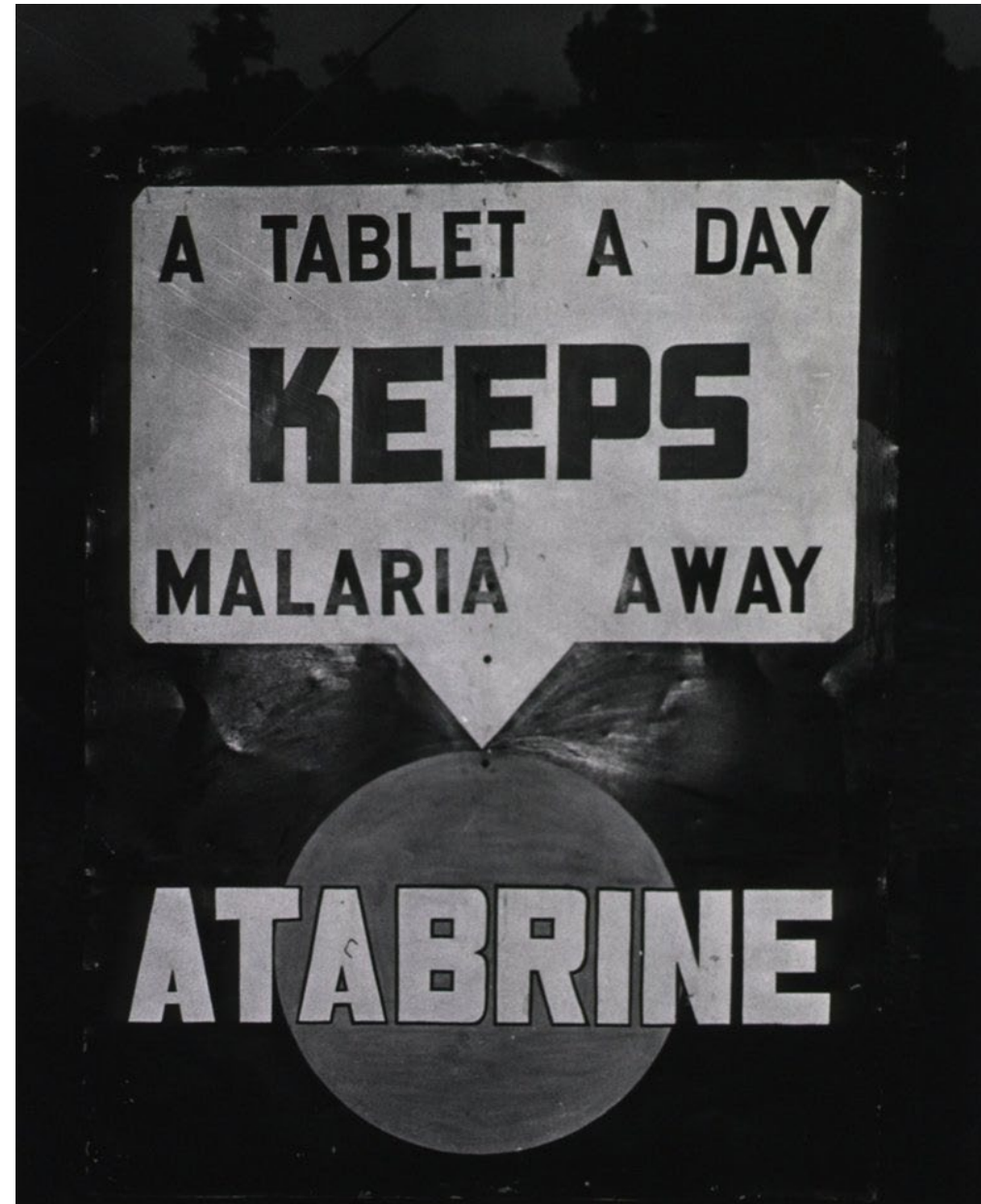
WWII Research Accomplishments

- Radar
- Proximity fuse
- Penicillin
- DDT
(Dichlorodiphenyltrichloroethane) to combat malaria
- The Computer
- Jet Propulsion
- Antitank bazooka rocket



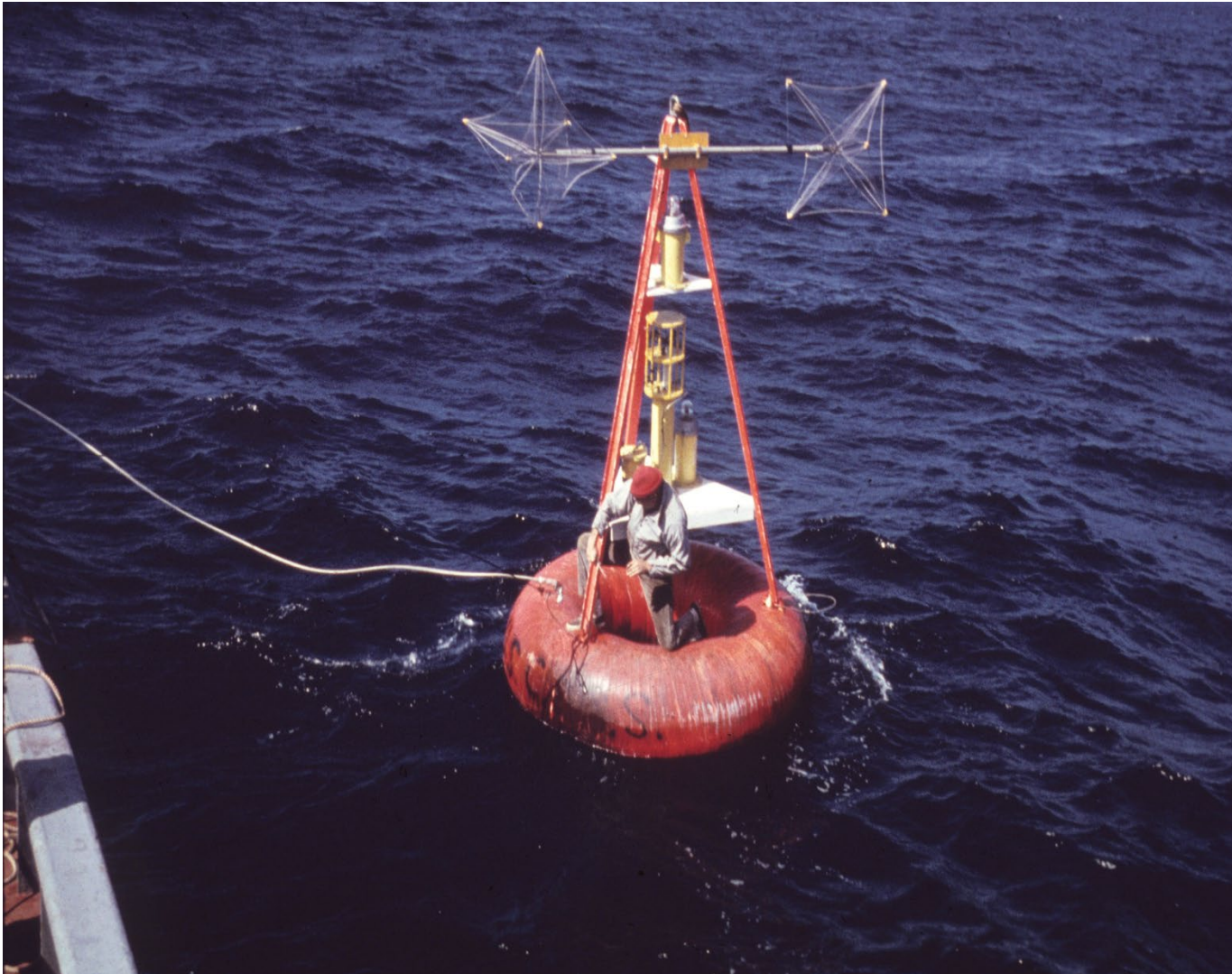
Indirect Costs Reimbursement

- OSRD was in opposition of reimbursement to cover admin costs
- 1947 the Office of Naval Research negotiated to determine indirect cost rates
- Every federal agency had their own method until 1958, Circular A-21 was issued to ensure consistency amongst the federal agencies



Circular A-21

- Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions
- Rules governing the eligibility and calculation of costs in support of sponsored research
- Per A-21: all costs must be allowable, reasonable and allocable
- Whistle-Blowers in the 1990s reporting IDC recovery fraud causing the following updates:
 - Unallowable costs: Alcoholic beverages; entertainment; alumni activities; housing and personal expenses of officers; defense and prosecution of criminal and civil proceedings, claims, appeals, and patent infringements; and trustees' travel
 - Required institutions to explain the accounting procedures and controls governing their IDC practices

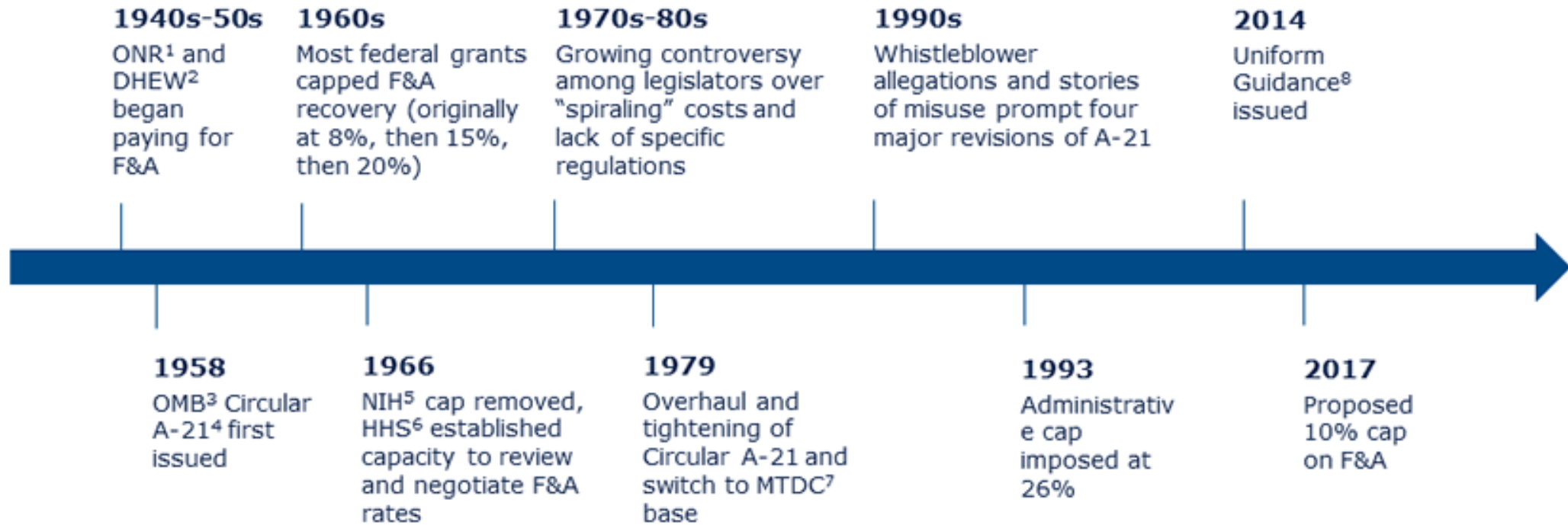


Buoy outfitted for measuring geomagnetic parameters

1980's and Beyond

- 1986: 3.6% was imposed for faculty admin costs
- 1993: the Admin part of F&A is capped at 26% for universities and colleges
 - Restriction placed on the charge of admin and clerical salaries as direct costs on federal awards

F&A Timeline:



The Math behind the F&A



F&A Rate Calculation

The rate is based on a periodic calculation and submission of a rate proposal negotiated by the corresponding university agency (UA's is FS) with DHHS

$$\frac{\text{Indirect Costs for Organized Research}}{\text{Direct Costs for Organized Research}} = \text{F\&A Rate \%}$$

The Pools of F&A

Facilities Related Pools:

- Building Depreciation
- Equipment Depreciation
- Interest Expense
- Plant Operations & Maintenance
- Library

Administrative Related Pools:

- General Administration
- Department Administration
- Sponsored Projects Administration
- Student Services

Federally Negotiated Rates

Applicable to the
following Activity types:

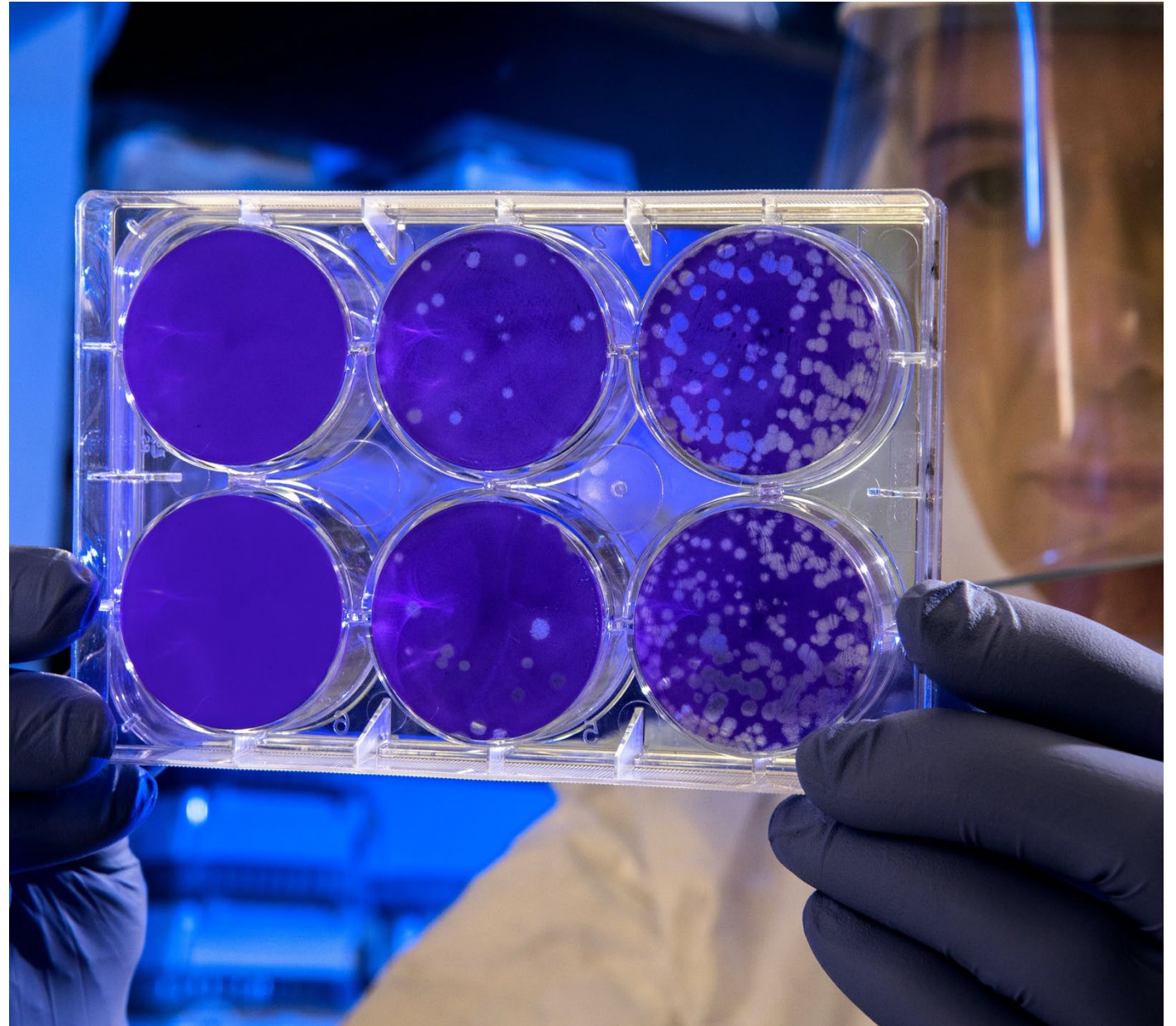
- Organized Research
- Instruction
- Other Sponsored Activities
- Off-Campus

A photograph of three people in a laboratory or office setting. On the left, a man with grey hair and a beard, wearing a dark sweater, is leaning over a desk. In the center, a woman with blonde hair tied back, wearing a white lab coat and a blue lanyard, is looking down at a transparent, rectangular device on the desk. On the right, a man with glasses and a blue shirt is also looking at the device. The device appears to be a small, complex electronic or mechanical assembly housed in a clear plastic casing. In the background, there is a computer monitor displaying data, a desk lamp, and various office equipment. The overall lighting is dim and blue-toned, suggesting a late evening or night setting.

ACTIVITY TYPES DEFINED

Research

- Activity intended to result in the creation, organization, and/or application of knowledge
- Data collection and evaluation and/or analysis
- Primarily involves the development of ideas, processes, theories
- Includes inquiry, experiments, or investigation to increase the scholarly understanding of the involved discipline





Instruction

- Intended to elicit education change in a learner or group of learners
- Projects involving students in community service activities for which they will receive academic credit

Other Sponsored Activity

- Activity that responds to a community need or solves a public problem
- Public service projects, such as sponsored health and/or community service projects, legal clinics and public information services





Off-Campus: Research, Instruction and OSA

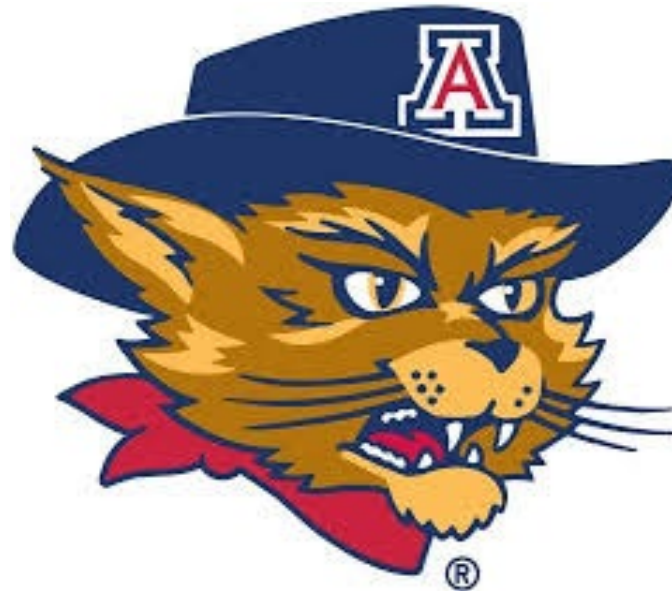
Applicable to those projects that are conducted in facilities not owned, leased or operated by the University. If the project is conducted in leased space and lease costs are directly charged to the project, then the off-campus rate must be used. A project is considered off-campus if more than 50% of its salaries and wages are incurred at an off-campus facility.

Which Arizona university has the highest Federally Negotiated Research rate?

A.



B.



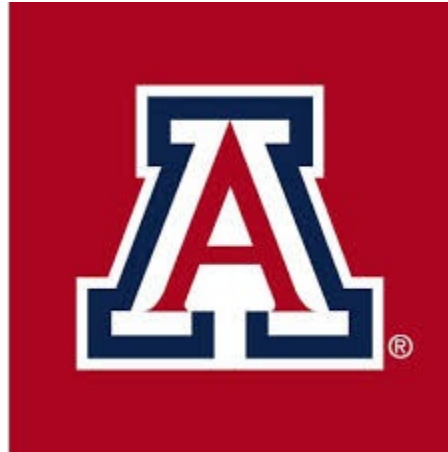
C.



Arizona Universities F&A Rates



Research: 57.0%
Instruction: 48.0%
Other Sponsored Activity: 44.40%



Research: 53.50%
Instruction: 50.0%
Other Sponsored Activity: 47.0%



Research: 52.0%
Instruction: 51.20%
Other Sponsored Activity: 30.90%

**Which is it?
Is there a
difference?**



What is a stipulation?

- A reduced reimbursement of F&A costs is allowable when stipulated (required) by a federal/state/local government, industry, or domestic non-profit organization.
- Spawned from the sponsor's bylaws, published agency guidelines, administrative regulation, formal solicitation, program announcement or application kit
- Allowable to all applicants

- An F&A rate exception requested for an individual award that will apply only to the proposed period and the proposed amount of the award, as stated in the reduction request
- The approval or denial is dependent on the organization and typically granted rarely

What is a Waiver?

Stipulation vs Waiver

Stipulation:

- Sponsor specification on F&A
- Specific to the sponsor for most or all submission to their program
- Does not require institutional approval to apply the rate
- Allowable to all who apply

Waiver:

- Request from the Principal Investigator or Dept/Unit
- Specific to a single project/proposal
- Requires institutional approval for application
- Runs the risk of not being approved, depending on the institution



**All about
that base:
TC, TDC,
MTDC**

Total Cost (TC)

This base is determined using total project cost. Used when the sponsor states that only a certain percentage of Total Project Costs can be charged for indirect (F&A) costs. When F&A cost reimbursement is limited to less than the University's full, applicable F&A rate, the sponsor required F&A rate should be applied to the total direct cost base rather than the modified total direct cost base (no exclusions) unless the program announcement states that a different method must be used for calculating F&A.

Total Direct Costs (TDC)

All costs charged to a sponsored project, excluding F&A costs. To determine the total project cost base, the TDC is multiplied by the F&A rate to determine the F&A costs. The TDC and the F&A costs are then added to obtain the total project costs. The F&A rate is applied to all of the direct costs without exclusions. Total Direct Costs must be used for all sponsors who publish an F&A rate less than the federally negotiated rate and who do not stipulate any direct cost category exclusions.

Conversion from TC to TDC

$$\frac{\textit{Rate in decimal form}}{(1 - \textit{Rate in decimal form})}$$


- For example: the sponsor has a stipulated rate of 10% Total Costs, the following is the conversion to TDC:

$$= \frac{.10}{1 - .10} = 11.11\% \textit{TDC}$$

Modified Total Direct Costs (MTDC)

Modified total direct costs, consisting of all salaries and wages, fringe benefits, materials, supplies, services, travel and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Modified total direct costs shall exclude equipment, capital expenditures, charges for patient care, participant support costs, student tuition remission, rental costs of off-site facilities, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000.

Exclusions

- Capital Equipment
 - Capital Expenditures
 - Charges for Patient Care
 - Participant Support Costs
 - Student Tuition Remission
 - Rental costs of off-site facilities
 - Scholarships
 - Fellowships
 - The portion of each subgrant and subcontract in excess of \$25,000
- 

Questions?

Resources

- **ASU:**
<https://researchadmin.asu.edu/fa>
- **UA:**
<https://rgw.arizona.edu/administration/build-budget/F-A-Costs>
- **NAU:**
<https://in.nau.edu/osp/frequently-requested-information/>

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