



April 5, 2017

## **Federally Funded Academic Research Costs**

Federal funding for research includes:

- Direct costs – personnel, supplies, equipment and travel; and,
- Facilities and administrative costs (F&A; also referred to as research operating or indirect costs) – the cost of research facilities, compliance, and the administration of a grant throughout its lifecycle.

These costs cannot be viewed separately; together they represent the total cost of performing research.

F&A costs are those research operating costs incurred by all awards. Research institutions provide the physical space where research is conducted. This includes construction and maintenance of advanced research facilities and the resources necessary to conduct research. F&A costs also cover utilities, internet, data storage, libraries, housing for research animals, hazardous waste disposal, insurance, security, human resources, accounting, and other compliance and oversight activities. The Federal government funds only that portion of F&A costs, including the costs of research space, incurred in conducting federal research. The mechanism for reimbursement is a negotiated F&A rate between the federal government and each individual research institution to ensure appropriate costs.

F&A costs on Federal awards have remained relatively constant for the past two decades at less than 28% of the total cost of Federal awards. That stability has occurred despite [ever-increasing](#) federal regulations and reporting requirements that require additional compliance activities. According to federal data, research institutions contribute more than 24% of their institutional funds to research & development (R&D) activities – \$16.7 billion in FY15 – including \$4.8 billion in the form of unreimbursed F&A and over \$1.3 billion in cost sharing. Federal spending on higher education R&D was just under \$37.9 billion in FY 2015, or 55% of R&D.

F&A rates negotiated with the federal government follow rules established by OMB, defined in 2 CFR Part 200. F&A rates charged to non-federal sponsors are not expected to comply with federal accounting rules. For example, rates charged to industry and other non-federal sponsors are charged to the entire contract amount (versus the lesser “modified” amount used for federal awards, which excludes costs such as graduate tuition and equipment). These awards may also reimburse for costs not allowed under federal rules. Private foundations and charitable organizations often place limitations on F&A reimbursement. Research institutions accept these awards when such sponsors support mutual research and service aims for which funding opportunities are limited. A number of federal programs, such as NIH career and training awards also place limitations on F&A reimbursement (restricted to 8%) with the rationale that these programs are less F&A intensive than others. When considering how different sponsors structure their F&A reimbursement method, it is important to note that research institutions are never fully reimbursed for their F&A outlays; this is in sharp contrast to private industry that is not subject to the same limitations. Still, research institutions enthusiastically participate in supporting the research enterprise.

The Nation’s research institutions are active partners in research, providing the facilities, equipment and research personnel necessary to conduct federally funded research and self-funding approximately one quarter of higher education research. This partnership has yielded tremendous results. The United States leads the world in scientific innovation, which has led to significant economic benefits, job growth and advances in healthcare that benefit all Americans.