

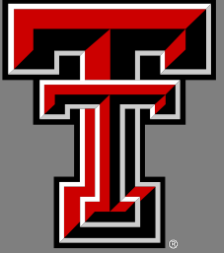
# F&A Agreement Implementation



TEXAS TECH UNIVERSITY  
Office of Research  
& Innovation™



# What are Facilities and Administration Costs? (F&A)



- Facilities and Administration (F&A) costs, also called overhead or indirect costs, are the real costs universities incur in supporting research funded by external sponsors
  - Utilities in laboratories and other research spaces
  - Space construction, renovation, and maintenance
  - Safety
  - Administration (capped at \$0.26 per \$1.00 of research expenditure)
- F&A charges are based on expenditures on the project
  - Capital equipment purchases, graduate student tuition and fees, and participant stipends are exempted from F&A charges
- In Texas, F&A recovery must be used to support research activity



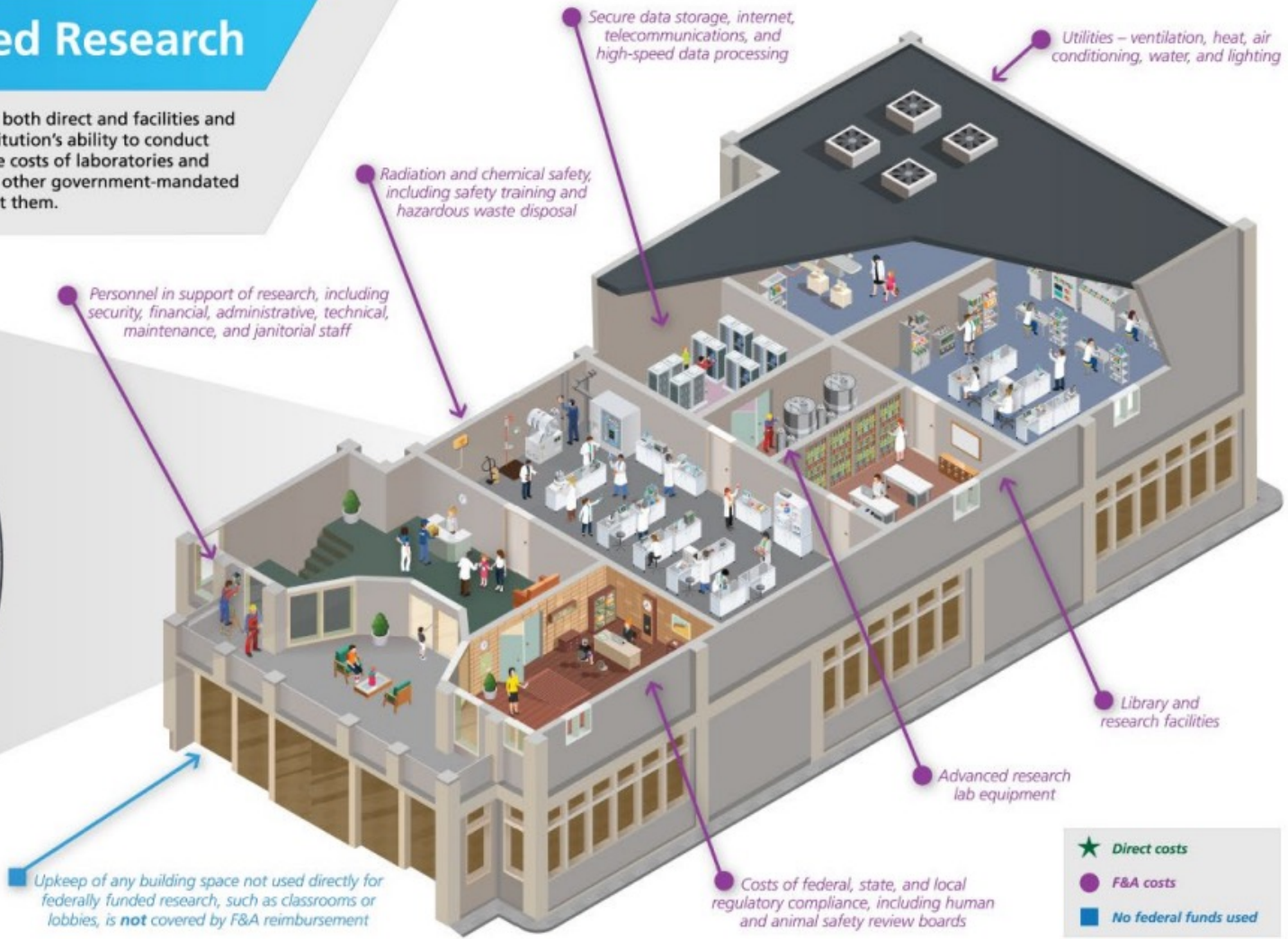


# Costs of Federally Sponsored Research

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.

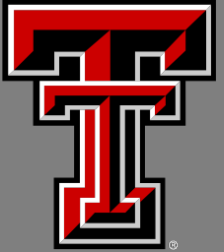


★ **Direct costs** - These expenses solely cover research and include lab supplies and equipment; salaries and stipends for researchers and graduate students; and travel costs for conducting and sharing research





# How does F&A work...how is it calculated?

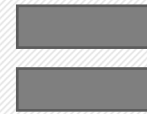


## Direct Costs

Actual Costs of  
Conducting  
Research  
\$110,000

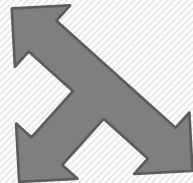


Capital Equipment  
&  
Participant Costs  
\$10,000



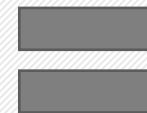
## Total Modified Direct Costs

Allowable Cost  
Categories  
\$100,000



Total Budget from  
the Sponsor  
\$163,000

Total F&A  
\$53,000



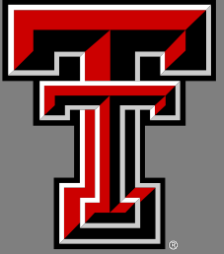
0.53

Total Budget is Direct Costs  
Plus allowable F&A

F&A TTU is allowed to Charge  
the Federal government

F&A  
Rate

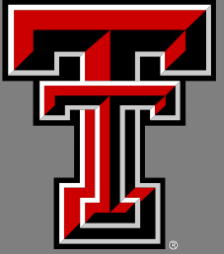
# Timeline



1. March 2020 - Changed cognizant agencies.
  - TTU has always been with HHS, change to ONR.
2. August 2020 - Began negotiations with ONR for new rate.
  - Worked with Huron, submitted F&A rate proposal, DCAA Audit
3. August 2022- Went into provisional rate.
  - HHS rate ended, ONR utilized HHS provisional rate.
4. April 2023 - ONR provided rate options
5. May 2023 - TTU/ONR agreed upon rates

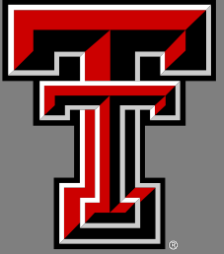


# F&A Rate Change



- Every 3 years, universities go through an audit to determine the most appropriate rate to be charged on sponsored projects.
- Current TTU F&A Rate- 53% of modified direct costs
- Actual TTU Recovery of F&A-
  - FY21 - \$10,637,448
  - FY22 - \$13,360,234
- Uses of F&A
  - Startup packages
  - Equipment repair and replacement
  - Scholarly travel
  - Administration costs
- TTU new rate negotiation—proposed 71% of modified direct costs

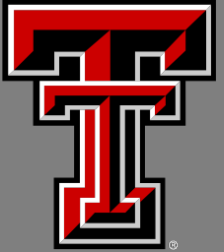
# Why is proposed 71% F&A rate a concern?



- The total award amount for some grant programs is capped.
- In practice, the average size of many awards is capped even though sponsors do not identify an actual maximum limit (most NSF awards total about \$150,000 per year).
- However, some agencies, like NIH, are capped based on the Direct Costs rather than total costs including F&A. For these awards, the magnitude of the F&A rate is less of a concern.



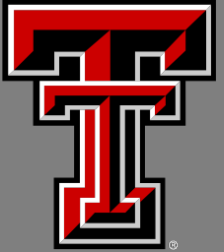
# How do we navigate this situation?



- First, we do not have escalate F&A costs all the way to 71%, even though we are allowed to.
- Second, we can return some of the F&A dollars we collect directly to investigators to moderate the magnitude of the rate increase.

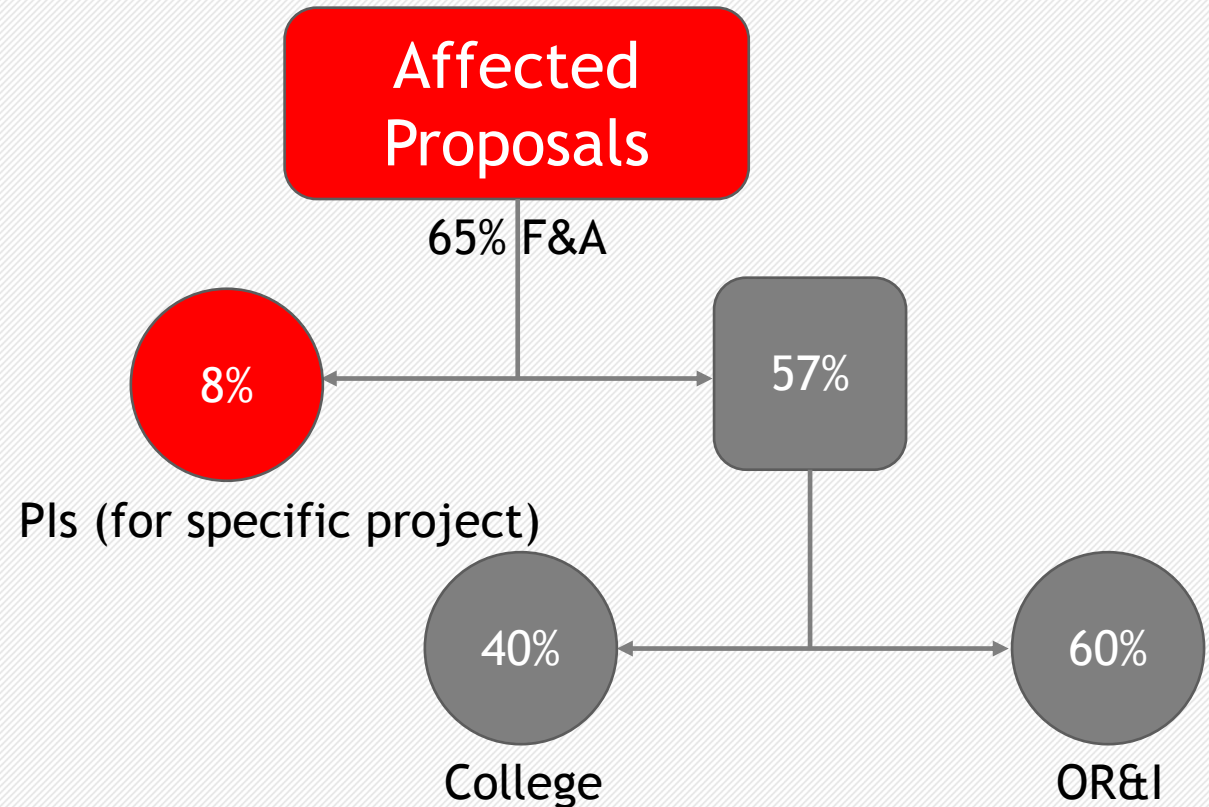
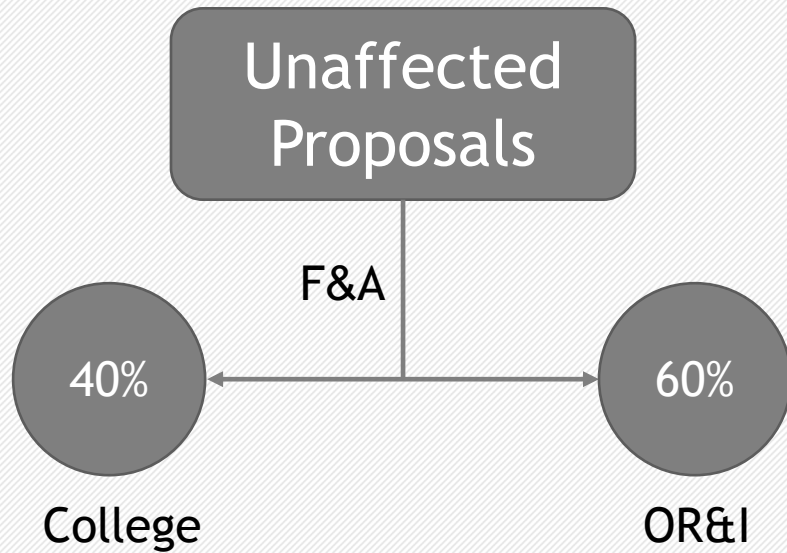
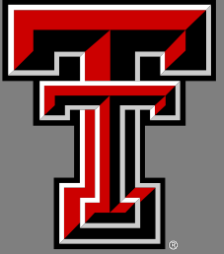


# New Agreement



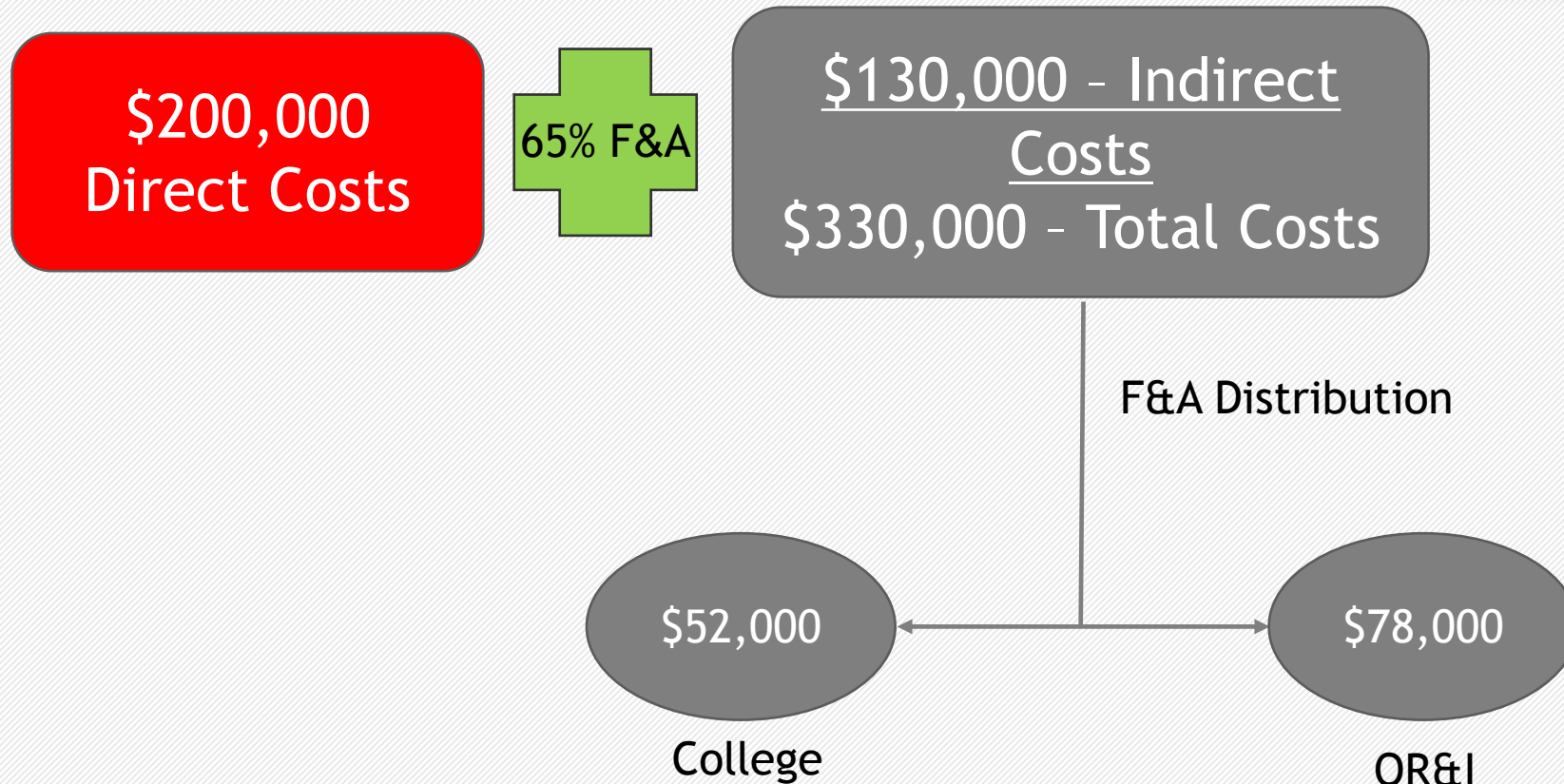
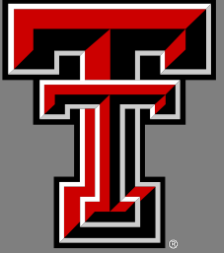
- Research: 65%
- Instruction: 53%
- Other Sponsored Activities: 42%
- Off-Campus: 26%

# Proposed Resolution to Overhead Return Challenge

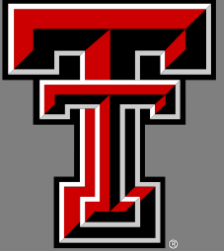




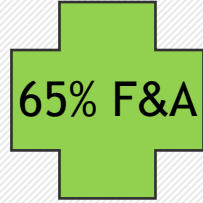
# Example: Budgets Unaffected by Rate Change (Such as NIH R Series or Uncapped)



# Example: Budgets Affected by Rate Change (NSF, DOE, DOD, etc.)



\$100,000  
Direct Costs



\$65,000 - Indirect Costs  
\$165,000 - Total Costs

8% Return to Project

\$8,000

Project

\$57,000

F&A

\$22,800

College

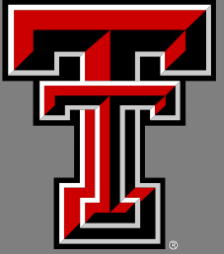
\$34,200

OR&I

\$200,000 Cap  
on Total Costs



# Communication



- ORS, Accounting Services and OR&I Finance working together on an implementation plan
- Planned townhalls for faculty
- Updated website with information and FAQs