F&A Agreement Implementation
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 include labor, supplies, and equipment; salaries and fringe benefits for researchers and graduate students; and travel costs for conducting and sharing research.

F&A costs - These include personnel in support of research, including security, financial, administrative, technical, maintenance, and janitorial staff; 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; and costs of federal, state, and local regulatory compliance, including human and animal safety review boards.

Advanced research lab equipment

Library and research facilities

No federal funds used
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 Budget is Direct Costs Plus allowable F&A**

**F&A TTU is allowed to Charge the Federal government**
- Total F&A: $53,000

**F&A Rate**
- 0.53
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
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

Unaffected Proposals

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<th>College</th>
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F&A

Affected Proposals

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Pls (for specific project)

| 8%       |

65% F&A

57%
Example: Budgets **Unaffected by Rate Change**
(Such as NIH R Series or Uncapped)

- **$200,000** Direct Costs
- **$130,000** - Indirect Costs
- **$330,000** - Total Costs

65% F&A

F&A Distribution

$52,000 → College

$78,000 → OR&I
Example: Budgets **Affected by Rate Change** (NSF, DOE, DOD, etc.)

- **$100,000 Direct Costs**
- **$200,000 Cap on Total Costs**
- **65% F&A**
- **$65,000 - Indirect Costs**
- **$165,000 - Total Costs**
- **$8,000 Project**
- **$57,000**
- **8% Return to Project**
- **$22,800 College**
- **$34,200 OR&I**
• ORS, Accounting Services and OR&I Finance working together on an implementation plan
• Planned townhalls for faculty
• Updated website with information and FAQs