



The University of Texas at Austin  
Vice President for Research,  
Scholarship and Creative Endeavors

# **DEMYSTIFYING FACILITIES AND ADMINISTRATIVE COSTS (aka F&A, IDC or Indirect Costs)**

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**October 31, 2022**

**Via Zoom**



# Today we will...

1

## Gain

- Gain understanding of F&A costs: what they are and why they're important to Principal Investigators

2

## Clarify

- Clarify misconceptions surrounding F&A costs

3

## Share

- Share resources you can reference later



# Meet our experts



John Ekerdt, Associate Dean for Research, Cockrell School of Engineering



Linda Haster, Associate Director of Sponsored Projects Award Administration (SPAA), Office of Sponsored Projects



Julie Campos, Director of Pre-Award Research Administration, Moody College of Communication



# What are F&A Costs?

## Commonly-Used Synonyms:

- Facilities and Administrative Costs (F&A Costs)
- Overhead
- Administrative Costs
- Indirect Costs (IDC)

F&A costs are **research operating costs** for which the federal government reimburses the University.

They include infrastructure costs that are not directly related to a project itself but are required to conduct research and are critical to the success of a project and organization as a whole.



# What are UT's Research Operating Costs?

- Facilities & Administrative or Indirect costs are essential costs of conducting research.
- Unlike Direct Costs, F&A costs cannot be directly allocated to a specific project.
- The federal government's longstanding recognition and payment of these costs has helped U.S colleges and universities build and support the required research infrastructure that has made the American research enterprise the best in the world.

## Direct Costs

- Salaries, wages and fringe benefits
- Equipment (5k+ and serviceable for 1 year)
- Materials & supplies
- Travel
- Computer costs
- Consultant services
- Publications
- Participant support costs
- Tuition & fees for graduate students
- Meetings & conferences
- Facility rental

## Indirect Costs

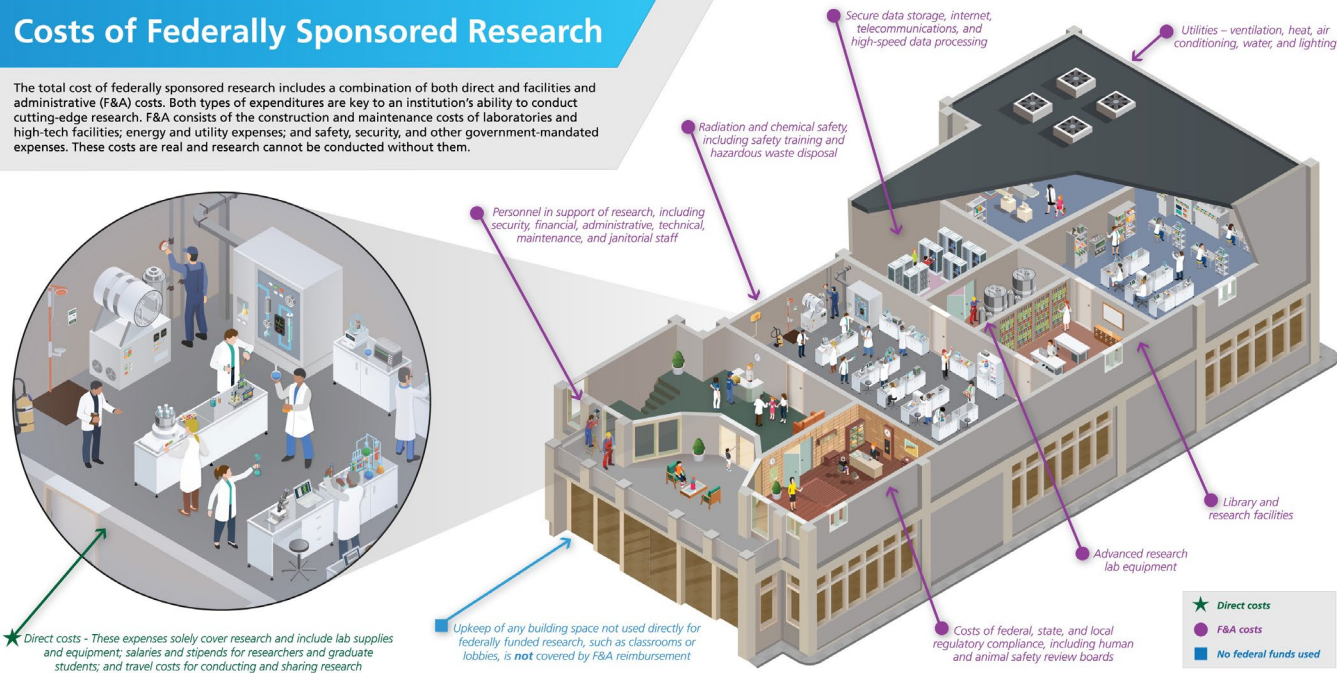
- Facilities operation & maintenance:
  - Building and equipment depreciation
  - Interest
  - Utilities
  - Lab renovations
- Administrative Staff
  - Purchasing
  - Compliance
  - Departmental research administrative staff



# Both Direct and F&A Costs are Real Costs of Doing Research

## 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.





# Why should F&A costs matter to me?

They are required if you submit grants or contract proposals through our Office of Sponsored Projects

- F&A rates vary depending on the sponsor and proposal type
- F&A costs are included in your proposal as a percentage of the total direct costs or modified total direct costs

They are necessary. Without sufficient F&A funds:

- UT would not be able to recover the additional infrastructure research-related costs
- Compliance issues could go undetected



# Current F&A Rates for UT Austin

Link to UT's F&A  
 Rate Memo:  
<https://research.utexas.edu/osp/research/sources/fa-memo/>

Federally-Negotiated Rates	Rate	Gets Applied to
<b>Organized Research Rate</b>	<b>58.5%</b>	<b>Modified Total Direct Costs</b>
<b>ARL Organized Research Rate</b>	<b>14.5%</b>	<b>Modified Total Direct Costs</b>
<b>Instruction Rate (teaching/training)</b>	<b>50%</b>	<b>Modified Total Direct Costs</b>
<b>Other Sponsored Activities (non-research)</b>	<b>40%</b>	<b>Modified Total Direct Costs</b>
<b>Off-Campus Research (prior approval required)</b>	<b>26%</b>	<b>Modified Total Direct Costs</b>
Exceptions to Federally-Negotiated Rates	Rate	Gets Applied to
<b>State of Texas, City of Austin, and Travis County</b>	<b>15%</b>	<b>Total Direct Costs</b>
<b>Non-Profit Foundations without Published Rates</b>	<b>15%</b>	<b>Total Direct Costs</b>
<b>Industry Clinical Trials</b>	<b>38%</b>	<b>Total Direct Costs</b>

\* Modified Total Direct Costs (MTDC) exclude equipment, capital expenditures, patient care, student tuition, rental costs of off-site facilities, scholarships, fellowships, and the portion of each subcontract in excess of \$25,000.





**Misconceptions  
about F&A  
costs**

***58.5% of my research grant covers  
F&A costs***



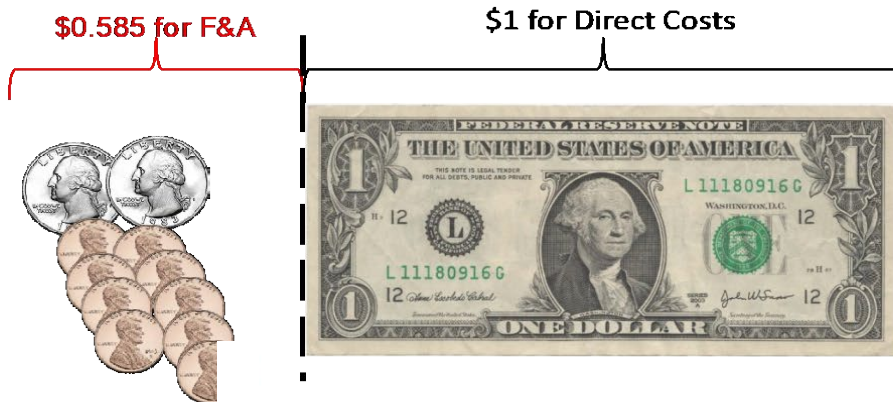
## *Facts:*

- F&A costs are not directly accountable to a project but represent the general costs of doing business.
- For every \$1 spent as a direct charge an additional \$0.585 is awarded by the sponsor to cover infrastructure cost, interest, utilities, and department research administrative staff as well as central support areas.
- An F&A rate of 58.5% equals 36.9% of total costs:  $\$0.585/\$1.585=36.9\%$



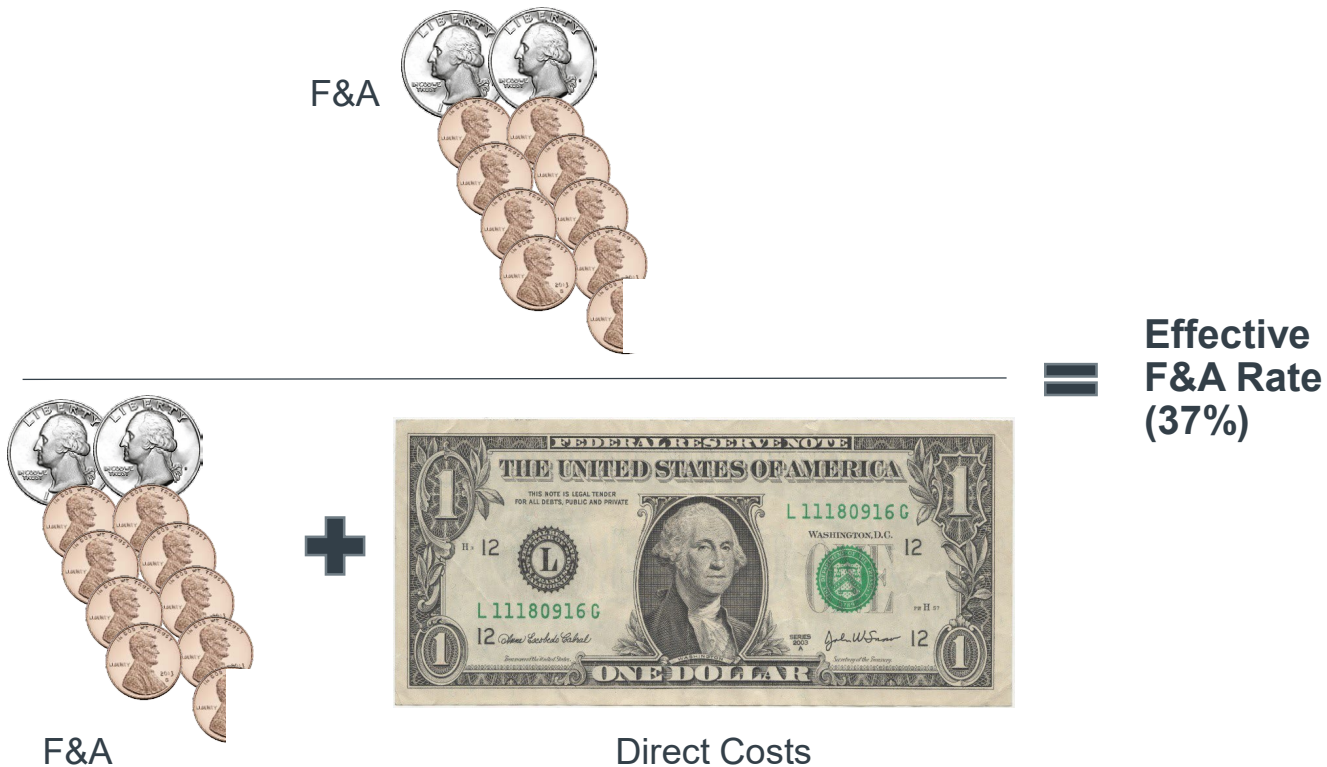
## *In other words...*

For every \$1 awarded at our full federally-negotiated rate, an additional \$0.585 is awarded by the sponsor to cover the allocable share of F&A costs.





The portion of a total award which is used to cover F&A costs is 37%





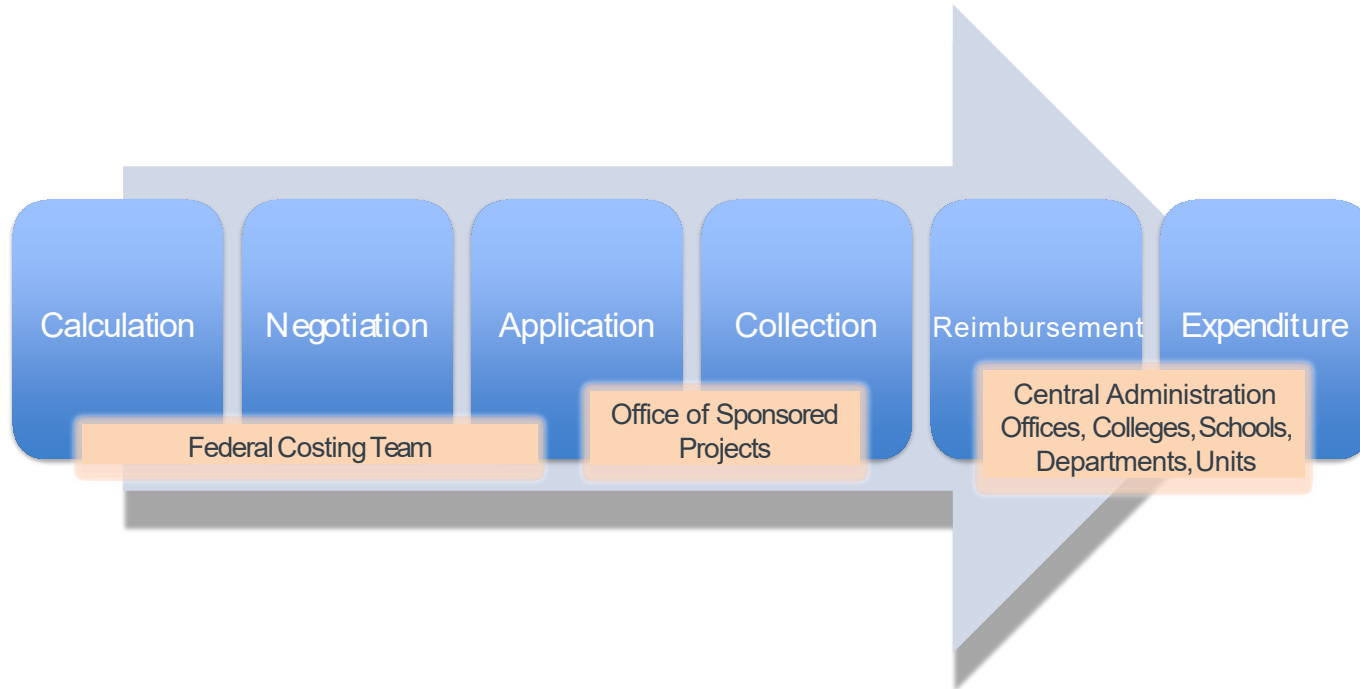
# Peer- University rates

Institution	FY22-23 Rate*
U. of California-Berkeley	60.5%
U. of Illinois-Urbana/Champaign	58.6%
Indiana U.-Bloomington	58.5%
<b>UT Austin</b>	<b>58.5%</b>
Ohio State U.-Columbus	57.5%
Michigan State U.	56.5%
U. of Michigan-Ann Arbor	56.0%
U. of California-LA	56.0%
U. of Washington	55.5%
U. of North Caroline-Chapel Hill	55.5%
U. of Wisconsin-Madison	55.5%
U. of Minnesota-Twin Cities	55.0%

\*Per Rate Agreement on Institution's Website

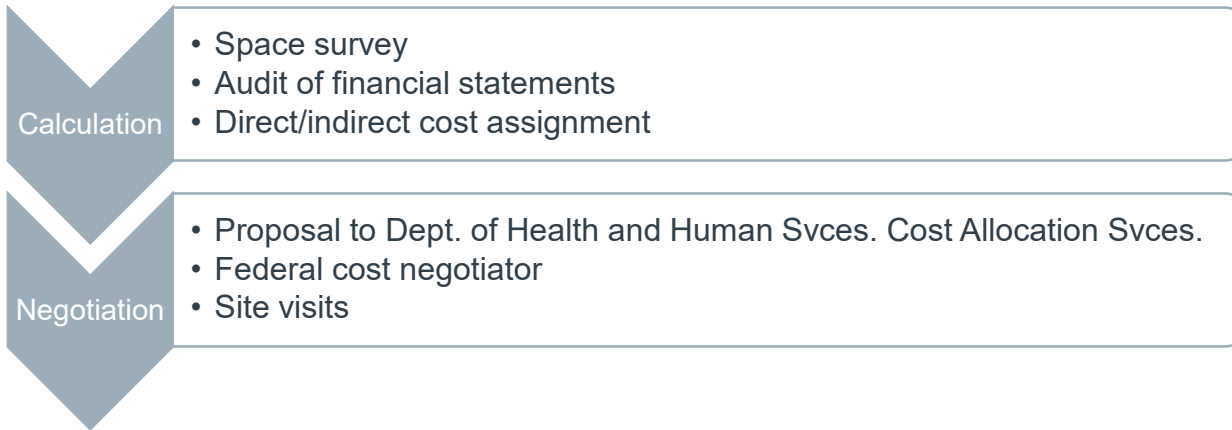


# How are F&A Costs Calculated?





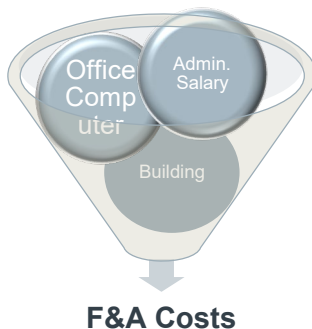
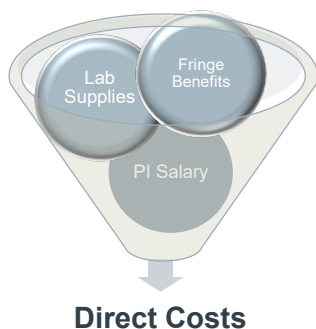
# Federal Costing Team (Accounting and Financial Management) Role





# The F&A Equation

The F&A rate is the result of dividing the University's indirect cost pools (or overhead) by the direct costs and cost share of all the sponsored research and other activities.



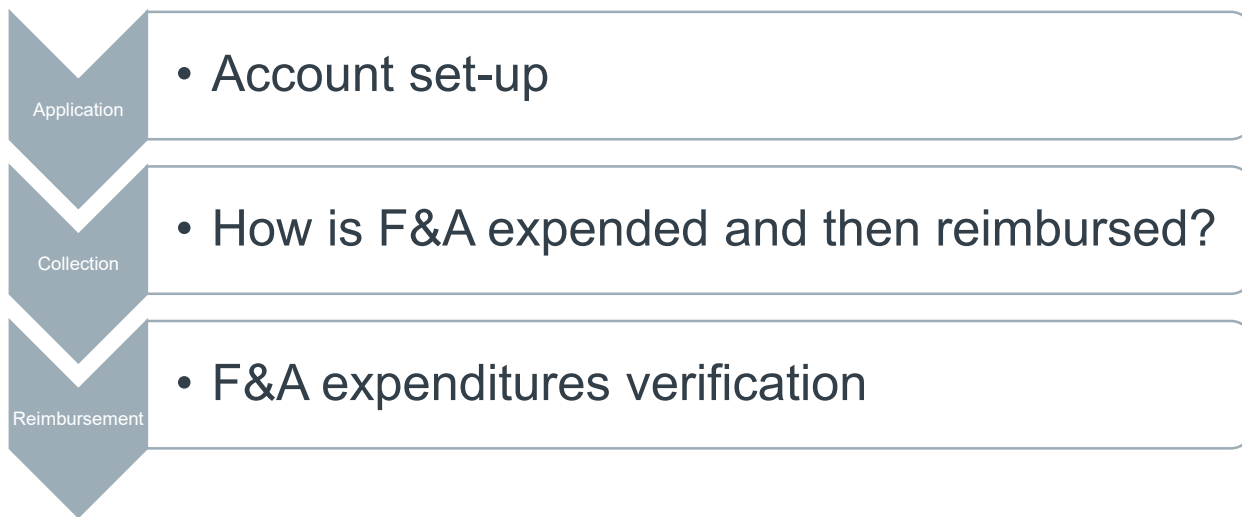
$$\frac{\text{F\&A Cost}}{\text{Direct Cost}} = \text{F\&A Rate}$$

- ⦿ Direct costs: PI Salary, Lab Supplies, Fringe Benefits, Animals, Postdoc Salaries, Travel, etc.
- ⦿ Indirect costs: Admin. Salary, General Support, Office Computers, Library, Building Maintenance, Custodial Services, etc.





# Office of Sponsored Projects Role





# Application - Account Set-Up



## Account Set-Up

- SPAA Reads Contract and other pertinent documents
- SPAA Assigns Account Number
- SPAA Assigns G & C Specialist
- SPAA Completes Account Profile Setup in Define
  - Includes Funding Detail, Budget Detail, Billing Detail, Reporting Detail



**Misconceptions  
about F&A  
costs**

**The University recovers all of its  
costs**



## *Facts:*

2017 Calculated Uncapped  
Organized Research rate:  
**77.3%**

2017 Proposed  
Capped Organized  
Research rate: **66.5%**

Negotiated  
rate for 2020-  
21: **58.5%**

- Unrecovered rate: Calculated  
Uncapped rate – Negotiated rate:  
**18.8%**



## In Other Words...

- Understanding that research is central to its mission to achieve excellence in all interrelated areas including undergraduate and graduate education, research and public service, UT makes the investment with local resources to cover \$0.188 of unrecovered F&A for every research \$1
- Actual cost \$0.773 – Recovered \$0.585 = Total UT contribution \$0.188

**\$0.188 UT  
contribution** **\$0.585 for F&A**



**\$1 for Direct Costs**





## Collection - How are F&A Costs expended and reimbursed?

- Account profile is created linking financial unit to 26 account
- Budget subaccount profiles are created
  - F&A Rate is assigned to each eligible subaccount
- Direct Charges – Posted to account daily
- F&A Expended –
  - Posted to 26 account during month end process for Non-Letter of Credit (LOC) funding
  - Posted to 26 account weekly for all LOC funding



# Reimbursement – F&A Cost Report

- SPAA compiles the indirect earned on all 26 accounts for the prior calendar year
- Identifies the financial unit listed on the notice of award generated from RMS (provided by dept)
- Compares the academic unit for each PI (provided by the Provost Office) against the financial unit of the account.
  - If these match – no adjustment is required
  - If there is not a match – adjustment is made to reflect the academic appointment associated with the PI



# Reimbursement – F&A Cost Report

SPAA reviews direct charges and conforms with:

- Compliance guidelines
- Terms and conditions
- Approved budgets
- SPAA reconciles F&A expended on a routine basis



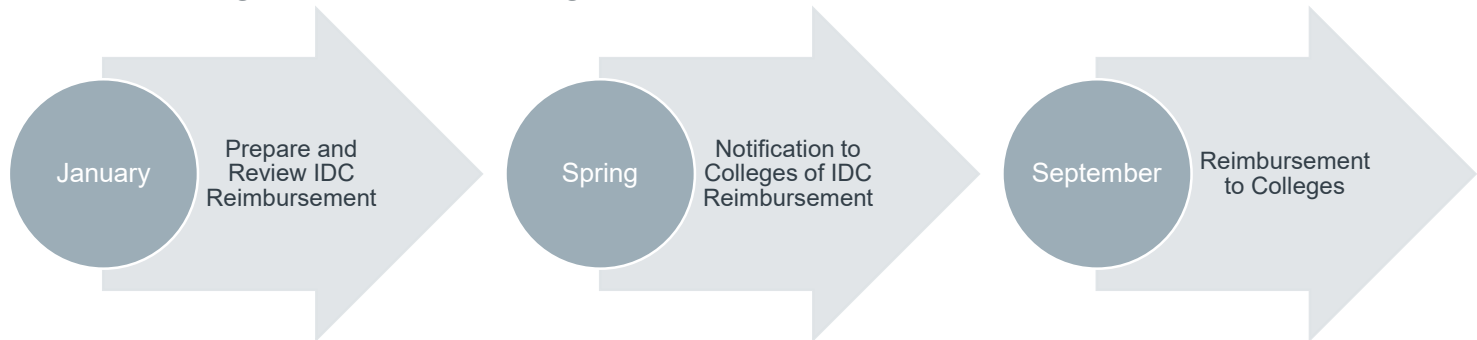


- F&A costs recovered by the university are not extra income, a tax, a fee, or profit; instead, they are a reimbursement for costs incurred in order to operate its research facilities.



# F&A Expenditures and Reimbursement

F&A expenditures are calculated on a calendar-year (Jan – Dec) basis and reimbursed to colleges the following September.



For example, the report of F&A expenditures for Calendar Year 2022 will be prepared in Spring 2023 and funds will be reimbursed to colleges and schools in September 2023.



## **Misconceptions about F&A costs**

**Rising central administration costs  
are responsible for our increasing  
F&A rates**



## *Facts:*

- Reimbursements for administrative costs were capped by the federal government at 26% beginning in 1991. Our actual costs exceed this level, so changes in our administrative costs do not affect our final F&A rate.
- The cost of new facilities, the rising cost of space in Austin, and the costs of renovating older buildings have all increased the University's total facilities costs.





**Misconceptions  
about F&A  
costs**

**The University is keeping all of my  
F&A Cost Payments**



## Facts:

Typically 75% is used centrally by the University to cover expended research costs:

- Building Depreciation
- Equipment Depreciation
- Facilities (laboratory/office space)
- Maintenance & Operation (utilities, police, plant)
- Administrative support

25% of F&A funds are passed on from the central Business Office to colleges for:

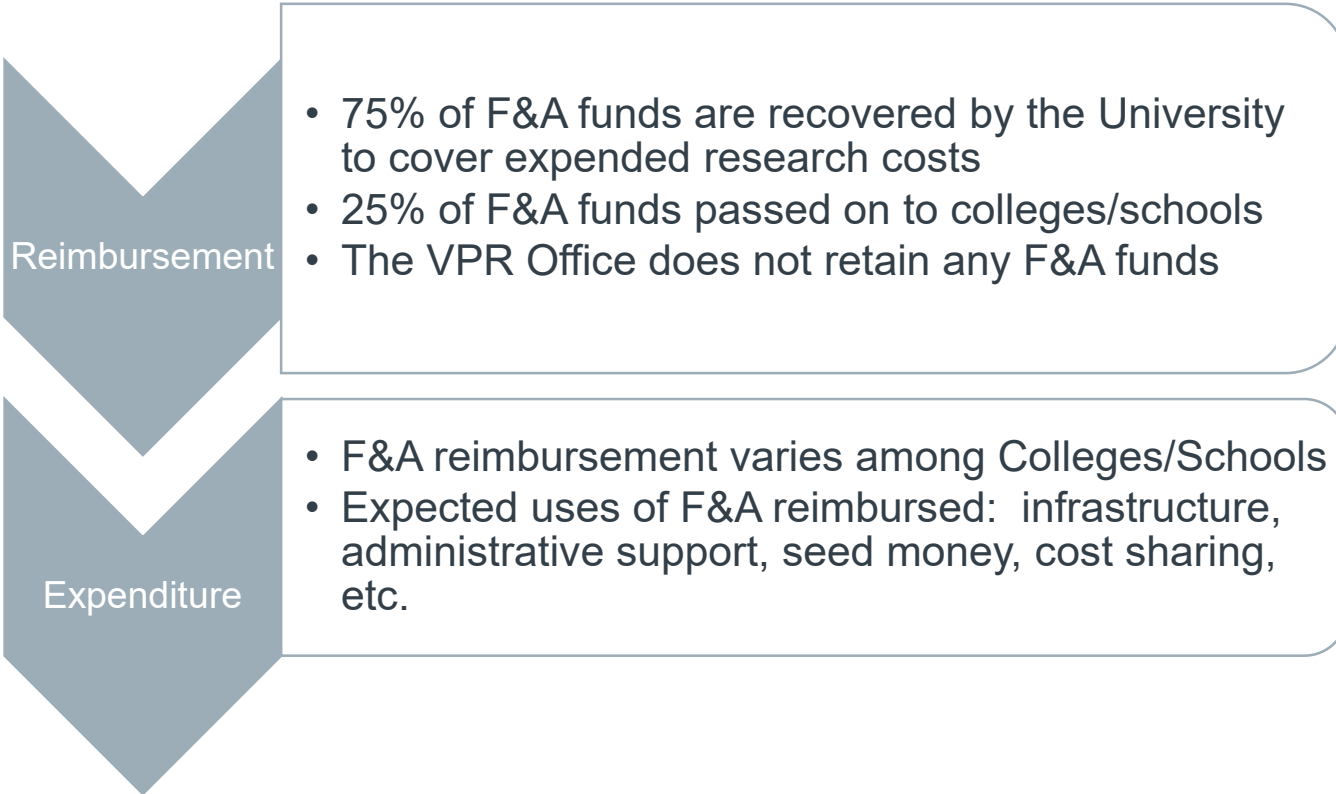
- Departmental grant-related administrative support
- Research-related conference travel
- Lab equipment
- Seed money
- External grant proposal review

Individual colleges determine the percentage passed on to their departments/units.

The VPR Office does not retain any F&A funds



# Central Administration/CSU Role

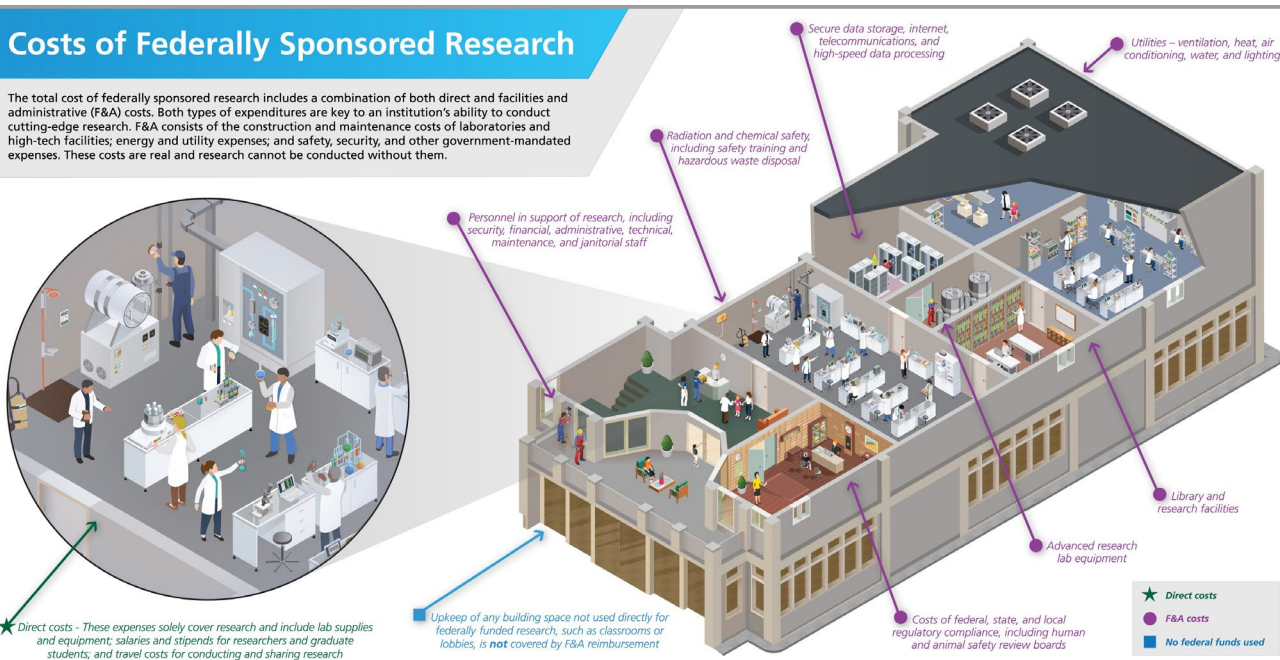




# What happens to the 75%?

## Costs of Federally Sponsored Research

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# What happens to the 25%?

- At UT Austin, F&A Costs are reimbursed once a year to each college/school that generates the corresponding research expenditures.
- Typical F&A reimbursement follows a 75/25 split:
  - 75% is used by central administration to cover its expended research costs
  - 25% is reimbursed to each college/school
- Each college/school has its own separate, internal reimbursement policy that follows federally-mandated usage guidelines.



## Indirect Cost Policy - Communication

- Of the 25% returned to Moody, if the IDC Rate is 50% or above, 50% is retained by the college, and 50% is returned to the administering dept/unit. The administering unit may return up to 50% of their returned portion to the PI. Administering units also have the authority to retain all IDC and return no IDC to the PI.
  - Follow the math - Under this model, if the PI were to get 50%, then the TOTAL amount received from the original IDC returned would be 6.25%.
- If the IDC rate is under 50% or the PI leaves UT, the college will retain 75%, and 25% is returned to the administering dept/unit.





# Examples of How F&A Reimbursement Can be Used by Colleges/Schools

While the federal F&A funds are a reimbursement for expenditures, the government restricts how we can use these funds:

- Administrative costs not allowed under federal guidelines (2 CFR 200)
- Routine matching fund commitments made to sponsors on proposals
- Minor research renovations
- Support for common or shared administrative structures
- Staff to support research activities
- Equipment needed to support research activities
- Seed money for new research projects; and
- Other appropriate items related to the administration of research (research supplies, reference books, etc.)



# Indirect Cost Policy - Engineering

- 25% of IDC generated on an award is reimbursed to CSE
- Approx. 12% of IDC is returned to ORU/Dept.
- Approx. 12% is retained in the Office of the Associate Dean for Research
- Individual PIs do not receive a direct allocation





# Examples of How F&A Reimbursement Can be Used by CSE Depts/ORUs

– *Think Common Good Expenses* –

- Research grant accounting
- Shipping and receiving
- HR for graduate students and postdocs
- Research expense vouchering
- Central shops
- Graduate student recruiting
- Research space renewal
- Research equipment renewal





# Examples of How F&A Reimbursement Can be Used by CSE ADR

- Staff support for facilities
- Research equipment repairs/replacement
- Research lab renovations
- Cost sharing on proposals
- Strategic investments that seed research programs/initiatives
- GRA commitments to new faculty
- Licenses for Matlab/Mathematica
- Overdrawn (by PIs) sponsored accounts
- Central funding of core facilities for materials and biological research
- Graduate student recruiting





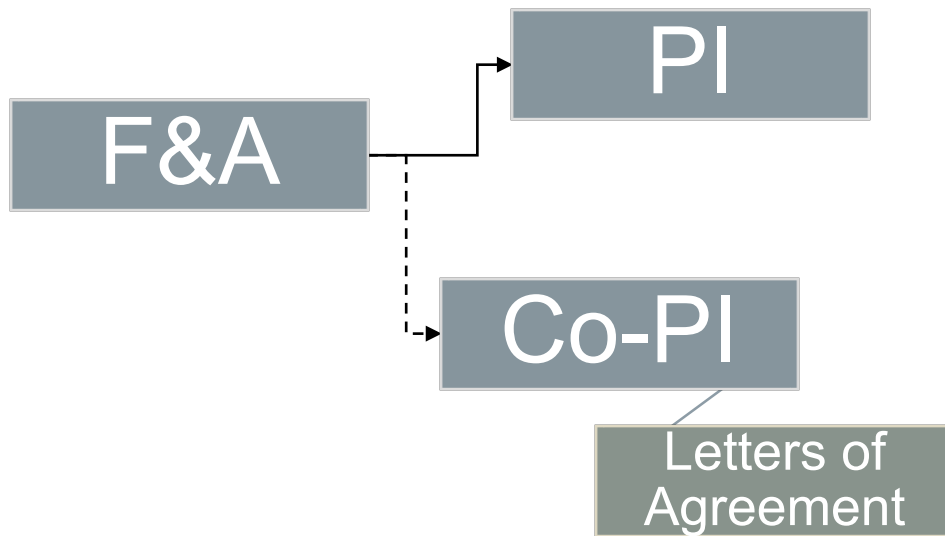
## Some 2020-21 CSE IDC Return Investments

- \$713,200 paid out in cost sharing for various faculty-led proposals (\$386,000 pending on 8/31/22)
- \$600,000 GRA commitments to newly-hired faculty
- \$518,615 for core facilities support in TMI/CBRS/Chemistry
- \$98,900 in research equipment repair/replacement in faculty labs





# Nuances that Impact PIs



**F&A Reimbursement Follows the PI**





# Who the PI is on a Project Affects Where F&A Reimbursements Flow

F&A reimbursement follows the PI (*i.e.*, PI unit code):

- A PI with multiple college/school appointments may require a “cross college adjustment” to split the F&A
- Co-PI/Co-I does not naturally receive F&A reimbursement on a given project, unless special arrangements are made.
  - A Letter of Agreement may be created to split the F&A between a PI and a Co-PI/Co-I.





# Additional Information and Budget Preparation Assistance

- [Proposal Preparation and Submission - UT's Office of Sponsored Projects](#)
- [Current UT Austin Indirect Cost Rate Agreement \(F&A Memo\)](#)
- [Research Administration Support by College/School](#)
- [OSP Concierge Services](#)
- [Understanding the real costs of research \(video\)](#)
- [PI Book](#)



# Takeaways...

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The cost of conducting research at a university is high.

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Some of this burden is alleviated by reimbursement of some of our F&A costs, but not all (UT contributes the difference).

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F&A costs are important for the University to recover some of its infrastructure and administrative costs necessary for conducting our world-class research.

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Colleges and Schools handle research support differently – contact [your Associate Dean for Research](#) directly to learn more.