

Two forms of funding

- Federal research funding comes in two forms:
 - Direct funding (salaries, supplies, equipment)
 - Facilities & administrative (F&A) costs (space, utilities, etc.), also known as indirect costs
- The federal government determines what types of expenses can be considered “direct costs” and what types of expenses must be treated as “indirect costs.”

F&A expenses include

- The costs of research space/buildings and maintaining state-of-the-art research laboratories, facilitating high-speed data processing, compliance with national security protections (e.g., export controls, cybersecurity, research data security, etc.), patient safety protocols (e.g., human subjects protections), radiation safety and hazardous waste disposal, personnel required to support essential administrative and regulatory compliance work, maintenance staff, and other activities necessary for supporting research that are mandated by federal requirements.

F&A costs are research costs

- Indirect costs are an essential part of the total costs of research and are necessary for safely, securely, efficiently, and effectively conducting world-leading research.

F&A costs are essential

- These costs are a crucial part of the price of doing research, and the federal government, like any entity paying for a service, is expected to cover them.

Process for reimbursement

- The federal F&A cost reimbursement process ensures only necessary, allowable expenses are reimbursed, much of it to support mandatory federal requirements.

“A” is for research administration

- The research administration component of F&A is capped at 26% and has been since 1991 despite steady increases in mandatory federal requirements.

F&A costs are reimbursed costs

- Payments are reimbursements for costs paid for by the university to fund the resources required to comply with federal regulations as well as for the research labs and other spaces used for federally funded research. They do NOT represent profit for the university.

F&A cost reimbursement process

- The federal government determines the F&A rate that each institution can use based on actual, audited costs that institution incurs to support research. An institution then bills the federal government for both direct and indirect costs based on the F&A rate determined by the federal government.

F&A costs do not represent profit

- Payments for F&A reimbursements are NOT profit for the University. They are cost recovery from federal research sponsors for support of the research already performed.

Why does the federal government support F&A?

- During WWII, the federal government realized that innovation and cutting-edge research could not come exclusively from federal research labs. Tapping some of the greatest minds residing within universities, the government began to turn to them to respond to the enormous needs the country faced during and after the war. But it needed a way to cover all costs of performing research at those universities, including the use of research labs and equipment that those universities owned and paid to maintain.
- As a result, the government created the F&A model to reimburse universities for those costs. The federal government invested over \$29 billion to fund research in universities in 2023.

F&A Cost Reimbursement Process:

- While complex, the F&A cost reimbursement process is efficient and based on actual research costs, enabling a successful partnership.

Why do some foundations pay lower F&A rates?

- Private entities like foundations, other non-profits, and for-profit companies do not have to abide by the federal costing principles since they use private money to fund research. As such, they allow costs that the federal government normally expects to be covered by F&A to instead be charged as direct costs.
- Thus, universities include items like research space, supplies and materials, and administrative support into the direct costs budget when working with these private entities. As such, the amount of 'indirect costs' is much lower. Despite the differences in this model, universities still must recover the actual costs of performing the research project.

Responsible stewards:

- By maximizing the impact of every dollar, UNC-Chapel Hill strives to ensure that federal investments directly contribute to groundbreaking discoveries, economic growth, and the betterment of society.

Increasing transparency:

- The OVCR is committed to working with our legislative partners and member associations to proactively identify improvements to the F&A model that increases transparency and provides practical guidance and support to our research community.

Cutting F&A = cutting research

- Any reduction in F&A reimbursement is a cut to research funding itself, with disastrous consequences for innovation, public health, the economy, and national security.
- Much like the U.S. military cannot be successful without its ships, submarines, planes and weapons, universities cannot do research without research space and infrastructure. The federal government designed the U.S. research model deliberately specifying that F&A cover the cost of this infrastructure.