



UNDERSTANDING F&A COSTS

SUPPORTING PUBLIC R&D FOR A COMPETITIVE U.S. ECONOMY

Georgia Tech is in the business of creating the next – the next idea, the next technology, and the next legion of visionary leaders. Bound together by passion and skill, spurred by our imaginations, and rolling up our sleeves to get it done, our faculty, researchers, and students focus on solving the grand challenges of our time. The institution’s commitment to carrying out important public research is reflected in its research expenditures. Georgia Tech was ranked #24 in 2015 for total R&D expenditures in the National Science Foundation Higher Education Research and Development Survey (NSF HERD).

Sponsored Expenditures at Georgia Tech	
2018	\$907.7 million
2017	\$824.8 million
2016	\$791 million
2015	\$765 million

When Georgia Tech answers a call for proposals to solve a public problem, such as a national security initiative, development of transportation or its infrastructure, medical research or an industry-specific challenge, certain **direct costs** associated with the project at hand are easily identified and assigned to a project budget submitted with the proposal. However, other expenses support the aggregate of research and development at Georgia Tech and therefore are not as easily tracked in the budget of a single project. These **indirect, or Facilities and Administrative (F&A) costs** include equipment, facilities and their maintenance, Georgia Tech’s library, and research personnel – from departmental deans and school directors to sponsored project, compliance and technology transfer personnel.

Like other entities receiving federal research contracts, Georgia Tech uses a **federal negotiation process** to determine a reasonable means to recover the indirect costs from its research sponsors. Recovery of F&A costs is a significant component of the operating budget at the Georgia Institute of Technology.

Georgia Institute of Technology Fiscal Year 2019 Negotiated Rates* for F&A Recovery	On Campus	Off Campus
Research with Capped Administrative Recovery (Federal Grants and Non-DoD Contracts)	57.8%	26.0%
Uncapped Research (DoD Contracts & Industry Subcontracts under DoD)	62.0%	30.2%
Industrial	63.8%	N/A
Instruction (Sponsorship of instruction activities including GT Professional Education)	53.92%	N/A
Other Sponsored (Applies to projects that benefit the public with activities other than research & development or instruction. Used for projects funded by state and local government entities in Georgia)	34.82%	N/A

*Applicable to the academic colleges of Georgia Tech. Rates used for Georgia Tech Research Institute are negotiated in compliance with cost principals applicable to Schedule C institutions.

Direct Costs

“Those costs that can be identified specifically with a particular final cost objective, such as a federal award (...) that can be directly assigned to such activities relatively easily with a high degree of accuracy.”

(Unified Guidance, 2 CFR §200.414)

Examples: salaries of a project’s research staff, lab supplies purchased specifically for a project, etc.

Indirect (F&A) Costs

“Costs incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored program or institutional activity.”

(Unified Guidance, 2 CFR §200.56)

Examples: electricity and other utilities, insurance, buildings and their maintenance, general office supplies, departmental staff, etc.

Recoverable F&A Costs include:

Facilities “F”

- Building and Equipment Maintenance
- Custodial and Grounds
- Utilities and Insurance
- Public Safety
- Library

Administrative “A”

- Human Resources, Payroll
- Procurement, Accounts Payable
- Executive Management
- Dean’s Offices
- Controller’s Office
- Academic Finance Offices
- Admin. Activities of Researchers
- Grants & Contracts
- Sponsored Projects and Compliance

Where do F&A rates come from?

F&A reimbursement for costs incurred by institutions for the conduct of federal awards is implemented through a process that is tightly regulated and audited by the Federal Government to ensure that the government funds only that portion of costs that are attributable to the performance of federally funded research.

Because Georgia Tech is a major recipient of federal funding, we follow the principles and guidelines outlined by the Office of Management and Budget (Uniform Guidance, 2 CFR §200).

Research F&A costs are the sum of all indirect costs incurred in support of research activities within a fiscal year. These costs are assigned to one of several pools within facilities and administrative categories (see adjacent figure).

These costs are allocated in accordance with federally mandated methods and become the starting point for the rate negotiation process between Georgia Tech and the Office of Naval Research, which negotiates on behalf of all federal agencies.

$$\frac{F+A(\text{Indirect})\text{Expenses}}{\sum \text{Direct Program Expenses}} \times 100 = \text{F\&A\%}$$

What are Georgia Tech's actual F&A Costs?

In Fiscal Year 2017, Georgia Tech's actual F&A cost was 62.23%, meaning that for every dollar of direct costs on an on-campus research project, Georgia Tech spends an additional 62 cents to support research.

Does Georgia Tech recover all of its F&A Cost?

Georgia Tech does not typically recover all of its F&A costs. In Fiscal Year 2018, Georgia Tech's overall recovery was 38.29% (21.95% for Resident Instruction units including colleges).

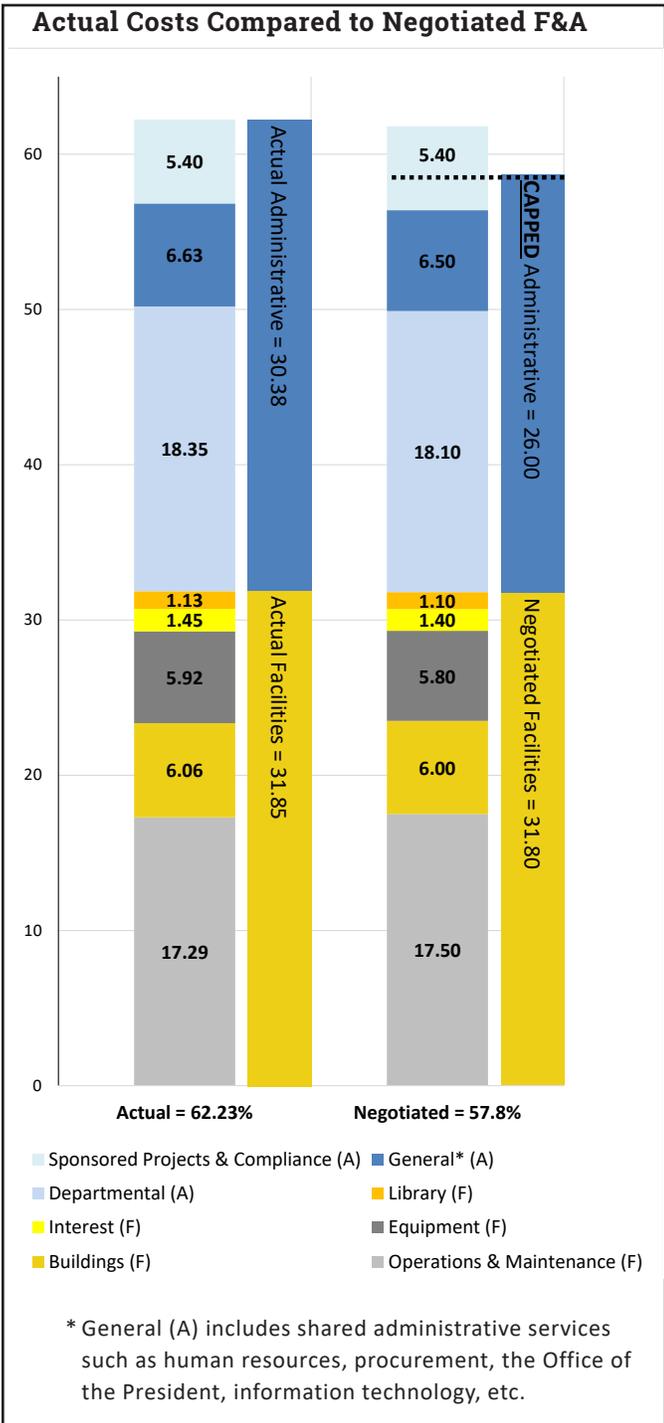
Contributing to this short-fall on F&A cost recovery, federal guidelines limit recovery of administrative costs to 26% of direct costs (see capped administrative rate on adjacent figure), even though Georgia Tech's actual administrative costs are higher (determined actual cost was 30.38% in the most recent negotiation). Also, certain other sources, such as state and local governments, are accepted at lower rates and there are further exceptions and agency restrictions within the pool of federally funded projects that limit recovery of Georgia Tech's F&A costs.

What does GT do with recovered F&A costs?

The recovered F&A costs for sponsored expenditures each year contributes to the institute's general operations for research buildings, maintenance, operations, utilities and other categories of indirect research expenses.

How do Georgia Tech's rates compare to those of other institutions?

Georgia Tech's FY17 capped F&A rate for federal grants and non-DoD contracts is 57.8%. The mean F&A recovery rate of the Top 10 Best Engineering Schools, as ranked by U.S. News and World Reports in 2017, for the same period is 57.95% (24.2% for off-campus). The median is 57.35% (26% for off-campus). This peer group includes Massachusetts Institute of Technology, Stanford University, University of California at Berkeley, California Institute of Technology, Carnegie Mellon University, University of Michigan at Ann Arbor, Purdue University, University of Illinois at Urbana-Champaign and University of Texas at Austin.



Georgia Tech F&A Questions

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Current and Future F&A Rates
<http://osp.gatech.edu/>