

F&A Fundamentals

ReDAC Meeting

3/13/19



VCU

Definition

- OMB Uniform Guidance (200.56) Definition of Indirect (facilities & administrative (F&A)) costs

“Indirect (F&A) costs means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. ...”

F&A Rate Development

- Rates are developed for an institution, not a project
- VCU develops the rate and submits it to our cognizant agency for negotiation
- Rates are developed based on actual expenses in prior years

F&A Rate Calculation

$$\text{Research F\&A Rate} = \frac{\text{F\&A Costs}}{\text{Research Modified Total Direct Costs (MTDC) + Cost Sharing}}$$

As the denominator gets bigger, our F&A rate lowers. This is why cost-sharing is discouraged; it negatively affects our F&A rate for future years.

F&A Myths

- Myth #1

F&A rates are so high. VCU's F&A rate is 55%.
More than half of my budget goes to F&A costs!

F&A Myths – The Reality

35¢ of every dollar
is for F&A costs

65¢ of every dollar is for
direct research costs



Operations &
Maintenance 8.5¢
Buildings 6¢
Equipment 3¢
Library 1.5¢

Facilities
related = 19¢

Administration
related = 16¢



F&A Myths

- Myth #2

F&A costs are not real costs. They are profit that my institution uses to subsidize other activities (like education or athletics).

F&A Myths – The Reality

- F&A costs are real expenses incurred by the institution in support of sponsored projects.
 - Related to administrative management and to providing the facilities in which the project occurs
- F&A costs simply reimburse the institution for expenses already spent. They do not represent a “profit” for VCU.
- In developing our rates, only costs related to sponsored projects are included. We are prohibited from including any other expenses.

F&A Myths

- Myth #3

F&A is so high because institutions hire more and more administrators. Institutions do this so that they can recover more F&A. What a counterproductive system; there is nothing that discourages excess spending!

F&A Myths – The Reality

- Facilities
 - Building Depreciation
 - Equipment Depreciation
 - Interest
 - Operations and Maintenance
 - Library
- Administrative
 - General Admin
 - Departmental Admin
 - Sponsored Projects Admin
 - Student Admin and Services
- Capped at 26% (1991)
 - Only applicable to IHEs
 - Faculty Administration capped at 3.6% (1986)

F&A Myths – The Reality

- More administrators?
 - VCU exceeds the 26% cap, so changes in our administrative costs do not affect our F&A rate.
 - Institutions often do hire more administrators
 - Institution bears these costs aka “unfunded mandates”
 - Institutions subsidize every single project (even if “full” F&A is recovered).

F&A Myths

- Myth #4

We can reduce F&A rates by reducing the regulations surrounding sponsored projects.

F&A Myths – The Reality

- Due to the 26% cap on Administrative costs, a reduction in regulatory burden will not have much of an impact on F&A rates.
 - VCU is well over the 26% cap and thus significant regulatory relief would have to occur for this to affect our rate.

Questions?