



**University of
Cincinnati**

**A Primer
on Facilities and
Administrative Costs**

Revised October 2015

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About this Primer

This Primer is designed to provide background information about *Facilities and Administrative (F&A) costs* to members of the University of Cincinnati community. It begins with a brief history of F&A cost funding, then describes how F&A cost rates are calculated, defines the various cost components used to calculate an institutional rate, and explains how F&A cost recovery provides significant funding for the infrastructure and administrative activities necessary to carry out the University's research programs.

The May 1996 revision of the Cost Principles for Educational Institutions (OMB *Circular A-21*) replaced the term *indirect costs* with the term *Facilities and Administrative (F&A) costs*. The two terms--indirect costs and F&A costs--have the same meaning. Throughout this primer, we will use the official term used in the ***OMB Uniform Cost Principles*** (which have supplanted Circular A-21) - Facilities and Administrative (F&A) costs.

UC submitted its most recent proposal to the Department of Health and Human Services in December 2011 based upon FY 2011 actual expenditures. Negotiations were finalized in May 2012, and rates were established through June 30, 2016.

1. What is the origin of the facilities & administrative cost concept and the OMB Uniform Cost Principles?

Federally funded research is a prominent feature at all major American research universities today. Prior to World War II, however, federal support for research as we know it was virtually nonexistent. The situation changed dramatically during the war as the federal government, initially through the office of Scientific Research and Development, invested heavily in the discovery and development of new technological tools to support the war effort. Successes achieved by the scientific, medical and engineering communities at American universities created a new awareness of the potential of university-based science and technology.

During and after the war, the Office of Naval Research (ONR) engaged faculty members at universities to carry out contract research for special projects. By 1947, ONR began to formalize such funding programs. In the process, the issue of institutional costs (now designated F&A costs) was addressed. It became apparent that a successful university-based research infrastructure could expand and improve only if the costs incurred in connection with these Navy contracts--beyond the obvious direct costs of research--were reimbursed. ONR formally acknowledged the legitimacy of establishing differential F&A cost elements. They recognized that when reimbursing an institution for a given project, one had to take into account whether many or only a few capital facilities would be required, whether substantial or token utility costs would be incurred, and so forth. Despite ONR's formal acknowledgment of these F&A cost principles, the practice in the early years was to provide a flat-rate reimbursement for F&A costs.

After World War II, discussions of F&A cost rates continued between the universities and the federal government. In 1958, a formal and extensive set of guidelines for determining F&A costs was issued as Bureau of the Budget *Circular A-21*. The *Circular A-21* guidelines included formal

criteria for justifying costs, methods for distributing the costs between instruction and research, and documentation requirements. In addition, certain costs were declared as unallowable.

Prior to 1958 the Department of Health, Education and Welfare (DHEW) had also acknowledged the ONR philosophy on F&A costs, but restricted recovery of F&A costs by setting an upper limit of 8%. Today this is still the mandatory rate for most National Institutes of Health (NIH) training grants. In 1958, the general rate for NIH was fixed by law at 15%, then raised to 20% in 1963. In 1966, the government removed the F&A cost ceiling and established the policy that universities should be fully reimbursed for the F&A costs incurred in conducting funded research projects. At the same time, mandatory cost-sharing language was instituted in the DHEW Appropriations Act, requiring that federally funded grants be augmented with support from the University. At many institutions, including the University of Cincinnati, this requirement has been satisfied by documenting that a portion of faculty time is devoted to the grant but not reimbursed by federal sources. The guidelines in *Circular A-21* provided a mechanism for universities to receive reimbursement for their costs, but the guidelines also imposed new compliance standards, requiring detailed documentation.

After several years of consideration and discussion, the guidelines and principles originally set down in a variety of OMB circulars, including circular A-21, were streamlined and combined into new regulations, which govern all sponsored programs issued after December 26, 2014. The **OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements** are listed in the Code of Federal Regulations at 2 CFR part 200.

2. How have the terms of the guidance changed over time?

Circular A-21 was revised six times between 1961 and 1976. In 1979, protracted negotiations among federal agencies, universities and OMB (Office of Management and Budget, formerly the Bureau of the Budget), led to a major revision of *Circular A-21*. The government had been dissatisfied with the lack of uniformity in costing methods and with documentation of salary charges. The universities hoped to get a clearer definition of allowable costs to protect themselves from unreasonable interpretation of the guidelines by government officials and the threat of future audit disallowances. The 1979 revision increased reporting requirements and reduced institutional flexibility. It also introduced the concept of Modified Total Direct Costs (MTDC) as the standard basis for determining allowable F&A costs (see [Section 4](#)).

From the mid-1960's and through the 1970's, revisions to OMB *Circular A-21* were negotiated between government cost accounting experts and their university counterparts. During the 1980's, the Administration budget requests attempted to use regulatory language to modify cost principles. In 1983 the Department of Health and Human Services (DHHS, the new name for DHEW after the Department of Education had been established separately) proposed a ceiling for F&A costs. In 1985 DHHS requested that F&A cost rates be frozen at their 1985 levels. In 1986 the Assistant Secretary for Management and Budget at OMB and the Deputy Associate Director for Health Programs at DHHS teamed up to propose a limit of 20% for recovery of *administrative* costs. While none of these attempts were allowed by Congress, the December 1986 revision of *Circular A-21* did set a 3.6% fixed allowance for faculty administrative costs, establishing a precedent for capping a portion of F&A costs.

Increasing budget pressures, demands from the research community for increased funding, revelations of serious cost-accounting errors, and the recognition that the federal guidelines were ambiguous breathed new life into earlier efforts to limit F&A costs, and resulted in increased federal scrutiny of F&A costs at universities. This led in 1991 to new restrictions and revisions of *Circular A-21*, including a 26% cap on the administrative cost component, which includes General Administration, Departmental Administration, and Sponsored Projects (Grants and Contracts) Administration. *Circular A-21* changes in 1993 included restrictions on administrative and clerical salaries and a formal grouping of F&A cost pools into two broad categories--"facilities" and "administrative" costs.

Changes to *Circular A-21* in 1996 included consistency requirements when charging costs, the requirement to file a detailed Cost Accounting Standards (CAS) disclosure statement, an increase in the equipment threshold, fixed F&A cost rates for the "competitive segment" of an award (e.g., the rate in effect during the first year applies for all five years of a five-year award), and a replacement of the term indirect costs with the term Facilities and Administrative (F&A) costs. Recent changes implemented a standard format for F&A rate submissions.

In 2013, the OMB combined the regulations set in Circular A-21 with regulations from several other OMB circulars, including A-133 (Audits of States, Local Governments and Non-Profit Organizations), A-110 (Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations), and A-87 (Cost Principles for State, Local and Indian Tribal Governments). The new regulations, known as the ***OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements***, were codified in the US Code of Federal Regulations (***2 CFR part 200***). The Uniform Requirements consolidated many overlapping regulations from the circulars, eliminated inconsistencies, and streamlined some of the regulatory requirements. These requirements largely went into effect in December 2014, although certain sections pertaining to procurement have had their implementation delayed until at least 2016.

3. What is the distinction between direct and F&A costs?

2 CFR part 200 states that, "direct costs are those costs that can be identified specifically with a particular sponsored project... relatively easily with a high degree of accuracy." By contrast, "F&A costs are those that are incurred for common or joint objectives, and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity." F&A costs are those involving resources used mutually by different individuals and groups, making it difficult to assess precisely which users should pay what share. Direct costs are easily assigned to a specific research project and paid by its direct grant funding.

In some cases it is easy to make this distinction. For example, if an investigator has to buy a chemical for a specific experiment, then that clearly is a direct cost to the grant. On the other hand, an investigator's use of electrical power, water and other utilities, or the services of the purchasing and accounting offices, are not normally charged directly because it is not practical to account for them separately. Installing individual meters to monitor usage levels of electricity, and carrying

out the associated accounting and billing functions, would probably cost as much as the electricity itself.

Attributing an appropriate F&A cost amount for the use of research space for grant-related activities can be even more difficult. If, as is typical, a building houses dozens of investigators who are involved individually and collectively in teaching, research, public service and other functions, determining the building costs that should be attributed to a particular faculty member's research projects is not practical. For example, each faculty member may have several grants, which may use common space differentially. Although one could imagine a means of attributing a cost for the repair of a section of the roof (which may last 20 to 30 years) to a specific grant, it has generally been agreed that using a more macroscopic and statistically averaged method is much more sensible and cost effective. The basis for distributing space related costs is an annual space study.

4. How is the overall F&A cost rate calculated?

A formalized process developed by the Federal government (consistent with generally accepted accounting principles and presented in *2 CFR part 200*) is used to determine the University's F&A cost rate for sponsored research.

First, all F&A costs within the institution are assigned to one of nine cost pools related to primary functions. *2 CFR part 200* defines the nine cost pools (see [Section 5](#)). Then a fractional amount from each cost pool is attributed to the research enterprise according to guidelines provided in *2 CFR part 200*. Totaling these fractional dollar amounts yields the University's total F&A costs (TFAC) attributable to sponsored research.

The TFAC total is then converted to an F&A cost *rate* by dividing it by "Modified Total Direct Costs" (MTDC). In 1979, the Federal government elected to adopt a "Modified Total Direct Cost" approach for computing the F&A cost rate and charging F&A costs to individual grants. MTDC at UC is calculated as total direct costs minus the cost of equipment, buildings, patient care, off-campus building rental, training stipends, tuition, and the portion of each subcontract in excess of \$25,000. However, for most individual research projects, MTDC represents simply the direct costs less any equipment costs. (See [Chart I, The F&A Cost Formula](#)) The threshold for equipment was raised from \$500 to \$5,000 in FY1999 on Federal awards.

Chart I

The F&A Cost Rate Formula

$$\text{PROPOSED F\&A COST RATE} = \frac{(\text{TFAC})}{(\text{MTDC})}$$

F&A COST Definitions

$$\text{TFAC} \\ \text{(Total F\&A Costs)} = \text{Total amount of the nine specific F\&A cost pools} \\ \text{assigned to organized, sponsored research}$$

$$\begin{aligned} \text{MTDC} &= (\text{Direct Salaries and Wages}) \textit{ plus} \\ \text{(modified Total Direct Costs)} & (\text{All Other Direct Costs}) \textit{ minus} \\ & (\text{Equipment, renovation costs, patient care, off-} \\ & \text{campus building rental, training stipends, tuition, and} \\ & \text{the portion of each subcontract in excess of \$25,000}) \end{aligned}$$

5. How are F&A cost components calculated?

Circular A-21 spells out in considerable detail the data that must be collected for calculating the F&A cost rate. The financial basis for the F&A cost calculation is the set of audited data from a previous year's activity. The nine cost pools are classified within two broad categories--"Facilities" and "Administration"--with the F&A costs for the latter category capped at 26%. [Chart II](#) is a percentage breakdown of the University's on-campus research rate for Fiscal Year 2016. The chart suggests that for each \$100,000 allowed for MTDC, the 2016 UC rate recovers an additional \$7,500 for building and improvement costs, \$3,400 for equipment, and so on.

- The **Building Depreciation** cost pool (the first of nine cost pools) contains three major types of costs. The first and largest segment is the building depreciation. Depreciation is calculated on a straight-line basis by building component, such as foundation (50 years), roof (20 years) and so on. Building costs paid from federal funding are not included in the depreciation calculation.

Based on an extensive "space study" carried out by the University, an estimate is made of the fraction of building use which can be attributed to the research effort. The building cost pool also allows for the cost of land improvements (such as sidewalks, exterior lighting, landscaping), and the cost of off-campus rental space (if not charged to a grant directly).

- The **Interest** cost pool includes interest on debt issued by the University and on State of Ohio Higher Education Facilities Bonds associated with certain buildings, equipment and capital improvements. These costs are assigned to research projects proportionally in the same manner as the depreciation or use allowance on the items (buildings, equipment and capital improvements) for which interest is paid.
- The **Equipment Depreciation** cost pool includes items of equipment not purchased with federal funds. An annual depreciation amount is computed on each equipment item using "useful life" periods established using the University's experience. If the equipment is located in a room identified in the University's space study as research space, the corresponding equipment depreciation amount is considered an F&A cost of the research carried out in that room.
- The **Operations and Maintenance** cost pool includes physical plant operations and maintenance expenses. This category recovers the cost of utilities, maintenance, custodial services, environmental health and safety, transportation services, campus security, and

facilities management associated with organized research. The University's space study is used to apportion the majority of these expenses to research, instruction and other activities.

- The **Library** cost pool recovers centralized library costs incurred by the Langsam, Health Sciences Library and the Blegen Libraries as well as Branch Libraries. Recoverable operating costs include administration, book acquisitions, and the cost of periodicals. Libraries operated by academic departments are considered departmental administration costs, and are recoverable through that cost pool. The various groups utilizing library services must be identified and assigned a portion of library costs when establishing what fraction of the total cost of the library enterprise is attributable to the research activities of the University.
- The **General Administration** cost pool includes expenses for general executive and administrative offices, which provide services to all activities of the University. This category encompasses personnel, payroll, and purchasing services, financial management, and a variety of other central administrative functions. In addition, expenses in the offices of the President, the Provosts, and Vice Presidents are included in this cost pool. These expenses are distributed proportionally in relation to the many other activities conducted at an educational institution.
- The **Departmental Administration** cost pool includes expenses for program support and administration which occur at both the college/school and departmental levels. This cost pool includes an allowance (3.6% of MTDC) for the administrative effort of faculty and other professional personnel. In addition, the Departmental Administration cost pool includes a calculation of the portion of personnel costs for non-faculty and non-professional technical and administrative staff, and for supplies, travel, telephone services, etc. which are typically paid from general operating budgets.
- The **Sponsored Projects Administration** cost pool recovers the cost of organizational units established primarily to support the research or training effort regardless of the funding source. The primary elements in this pool are the costs associated with the offices of Sponsored Research Services, Sponsored Program Accounting, Government Cost Compliance, and some costs in the office of the Vice President for Research.
- The **Student Services Administration** cost pool provides for graduate student services. This includes a portion of the costs of graduate student counseling, health services, the Graduate Admissions office and similar activities. However, current DHHS practice requires the allocation of all student services administration costs to instruction. Therefore, no student services administration costs are included in the existing F&A rate for research.

Once all F&A costs attributable to research are identified and calculated for a fiscal year, the sum becomes the numerator in the F&A cost rate calculation shown in [Chart I](#). The modified total direct costs (MTDC) for the corresponding year are placed in the denominator. The resulting quotient is the proposed F&A cost rate. A component rate is calculated for each of the nine cost pools as shown in [Chart II](#).

Chart II
University of Cincinnati F&A Cost Components and
their percentage of Modified Total Direct Costs (MTDC)

Rate Components	Percentage
Facilities	
Building Depreciation	7.5
Interest	3.3
Equipment Depreciation	3.4
Operations & Maintenance	16.3
Library	1.5
Subtotal Facilities	32%
Administration	
General Administration	4.6
Departmental Administration	17.2
Sponsored Projects Administration	4.2
Student Services Administration	
Subtotal Administration	26%
On-campus Organized	
F&A Research Rate for UC (FY 2016)	58.0%

6. What is the administrative process for negotiating the final F&A cost rate?

Once the F&A cost information is assembled and appropriately documented, it is submitted to the Department of Health and Human Services (DHHS), which is the University's cognizant federal agency. DHHS negotiators from the Division of Cost Allocation for the Central States Field Office in Dallas make their own evaluation of the materials submitted and seek to negotiate downward some of the costs included in the pools.

For the 2011 fiscal year, University documentation supported a rate of 65.2% for on-campus research. The University negotiated a variable rate from 57.5% to 58.5% for the years 2013 through 2016. The current on-campus research rate (FY16), which is the maximum rate which the University is permitted to charge federal grants and contracts for the fiscal year specified, is 58.0%. Another (lower) rate is established for off-campus research (26.0%), for which some of the underlying costs such as building rental are charged directly to the grant and not borne as an F&A cost by the University. As has already been noted, the Federal government imposes selective

restrictions on the F&A costs attributed to certain grants, such as the 8% rate on many training grants.

7. What expenses are not allowable in cost pools according to the Uniform Cost Principles?

Much of the public discussion of F&A costs in the early 90's focused on the four cost pools categorized as "Administration," in part because the guidelines in *Circular A-21* were often ambiguous with respect to expenditures allowed in this category. Whereas a number of administrative expenditures had been allowed before the intense scrutiny in 1991, new allowability standards were applied retroactively. In the climate of the mid 90's, it was no longer a question of whether an expenditure has been allowed by *Circular A-21*, but whether it is considered reasonable by current standards. In the turbulent atmosphere generated by congressional investigations, previous "unallowables" were made more explicit and new ones were added. Many universities had always acted conservatively and had routinely excluded borderline costs. Nevertheless, the redefined lists, applied retroactively, made some institutions appear to have been in violation of *Circular A-21*.

The new and improved list of "unallowables" is presented below for ready reference.

Representative Unallowables

- Alcoholic beverages
- Alumni activities
- Institution-furnished automobiles for personal use
- Legal costs of criminal and civil proceedings, appeals and patent information
- Dependent tuition remission
- Donations and contributions made by an institution
- Fund-raising activities
- Entertainment
- Executive and legislative lobbying
- Insurance against defects
- Fines and penalties
- Goods and services for personal use of employees
- Housing and personal living expenses of an institution's officers
- Memberships in any civic, community or social organization or country club
- Selling or marketing of goods or services

Under the current *Uniform Cost Principles*, none of these "unallowables" can be allocated through F&A cost pools to research, and the University must certify that they have indeed been excluded. The difficulty in identifying these unallowable costs can best be illustrated by the following example:

Although the University rigorously excludes all costs associated with centralized fund-raising by eliminating all expenditures included in budget numbers established for this activity, similar costs in departments, schools and colleges are commingled in operating budgets and were not identified readily and specifically as fund raising. The University now relies on careful identification of fund

raising costs by administrative staff in academic units for exclusion from the [Departmental Administration](#) cost pool. As a result of these diligent efforts, "unallowables" were not an issue in recent F&A cost rate negotiations.

Chart III
Typical Research Grant Subtotals

Summer Salary - Faculty (1 summer month)	\$7,000
Post-Doctoral Research Associate (12 months, 80%)	\$20,800
Graduate Student Research Assistant (12 months, 50%)	\$15,000
Subtotal: Salaries	\$42,800
Employee Benefits (Faculty 30.0%, Postdoc 19.1%, Grad Assistant 6.7%)	\$7,078
Subtotal: Salaries and Benefits	\$49,878
Supplies and Services	\$2,600
Publications	\$1,000
Travel	\$1,000
Subtotal: MTDC	\$54,478
F&A Cost (57% of MTDC)	\$31,052
Subtotal (MTDC plus F&A)	\$85,530
Equipment	\$5,500
Graduate Tuition	\$8,196
TOTAL AWARD	\$99,226

Every grant is unique.
Every grant has different F&A cost impacts.

8. What are the typical elements of a research grant?

[Chart III](#) outlines the budget for a typical research project in the sciences. Salaries and benefits often constitute 50% or more of the project budget. The supplies and services component is often 10% or less of the total. These budgeted items are then added together to determine the Modified Total Direct Costs of the grant, a sum which forms the basis for calculating the grant's F&A costs. Multiplying the project's MTDC by the institution's F&A rate for that year yields the grant's F&A cost amount. The F&A costs and the MTDC together typically comprise about 90% of the total award. Usually the remainder involves various items of equipment that might be needed to carry out the research but which are excluded from the MTDC calculation. If graduate students are supported, the graduate tuition is also excluded from the MTDC calculation. Although the chart represents a typical project, the character of projects varies enormously across the institution. Some grants can be as small as \$500 while others can be as large as \$5 million, or even more. Moreover, it is clear that each grant will use different resources and therefore have a different F&A cost impact within the institution.

9. Why should my grant pay F&A costs?

It is not uncommon for faculty members to feel that when they successfully compete for a grant, the F&A cost component is something that they are *bringing* to the University and *donating* to the institution. From the institution's point of view, the faculty member's proposal really addresses the direct cost elements only, and when a federal agency or other sponsor funds the research, the direct cost commitment to the faculty member must be supplemented to pay for a share of the institutional cost of research. The reimbursement of F&A costs is a matter between the institution and the sponsor, based on the principles outlined in the Uniform Cost Principles. From the sponsor's and the institution's point of view, the F&A cost component is distinct from the direct cost award, and in the best of circumstances it simply reimburses the institution for the real cost to the University of a specific research project.

These contrasting perceptions can be a cause for misunderstanding. The faculty member feels that she or he is contributing significant F&A cost dollars to the University, whereas the administration maintains that the University is simply being appropriately reimbursed for the F&A costs of the project. There is typically a tendency for faculty to underestimate the nature and cost of essential support services. All too frequently, the recovered F&A costs do not fully cover the actual F&A costs of such research. In many instances the cost of the space alone, if calculated at market rates, would be comparable to the F&A cost amount generated by the grant.

The situation is even more complicated than the above analysis suggests. When a federal agency receives its appropriation from Congress, there is often no distinction between direct and F&A costs. The agency receives a total budget to carry out its program. Whatever funds the agency has to pay out for F&A costs are clearly unavailable to award for direct cost purposes. Thus, there is a fundamental trade-off made at the agency level between direct and F&A costs, which makes this issue of legitimate concern to faculty considering the long-term funding prospects for their disciplines.

Some faculty members feel that if they could force sponsors to reduce the F&A costs a university can recover there would be more money for their research program. That tactic might work in the short term, if the "savings" were used to help fund a larger number of grants. However, in the

longer term, if the University loses revenue in this way, it will be forced to cut services, staff and faculty positions, reduce available research space, and trim other expenses, so that any initial advantage will be undermined or completely outweighed by later disadvantages. In reality, the University subsidizes many proposals for which the F&A cost rates are arbitrarily restricted by the agency. In light of this, the University continually strives to lower administrative costs and to conduct research in the most efficient and effective manner possible. Through these efforts, the University lowers its costs, and more direct cost funds are made available.

10. What are the F&A cost charges to my grant actually paying for?

Most of us seem to have little difficulty understanding (or accepting) the reimbursement policy for travel when we use our personal vehicle to make a business trip on behalf of the University. The reimbursement rate is typically close to 50 cents per mile even though the direct cost might only be 25 cents or less per mile. In this case the F&A cost rate we charge the University is typically over 100%. Generally, those driving Volkswagen "Beetles" don't protest that the rate is too high (or those driving Corvettes that the rate is too low).

[Chart IV](#) shows a variety of activities and costs which are allowable components for calculating the University's overall F&A cost rate. While central administrative expenses may be the component of F&A costs that come most readily to mind, many institutional resources are used in support of research. A given project will require some of the resources on the list more than others, but most projects draw on a substantial fraction of them. Moreover, a proposal seeking funds for a fairly small project, and the subsequent award, may require as much administrative work to process as a grant with a million dollar budget. Since a number of F&A cost elements that support a grant represent fixed costs, it is sometimes argued that smaller projects should pay higher rates.

Such a variable rate structure would be quite cumbersome to apply, and inconsistent with the government's *Circular A-21* guidelines. Researchers in the humanities typically receive smaller grants. They sometimes wonder what the F&A costs are paying for. Anyone receiving an NEH summer research salary of \$5,000 in FY 2007 would generate an additional 57.0% in federal funds, or \$2,850 for F&A costs. They may feel that they don't need laboratory space and expensive equipment and should instead be assessed at a different rate. A more comprehensive look reveals that more of the institution's resources are used than seems apparent on casual reflection (for example, costs for maintaining the library and its collection, support of graduate student assistants, and the cost of grant accounting and administration).

The library is a good example of a major resource necessary for research but often taken for granted and not recognized as a component of F&A costs. The library is used by virtually everyone engaged in scholarly activity, and the availability of this asset depends to a significant degree on the flow of F&A cost reimbursements to cover a portion of the costs of the University's library system.

Chart IV

Representative Resources Allowed as F&A Costs

Advertising Costs (for Personnel)	Institutional Animal Care and Use Committee
Affirmative Action Monitoring	Institutional Biosafety Committee
Accounts Payable	Institutional Review Board
Bond Interest	Internal Audit
Building Depreciation	Library Services
Central Administration	Maintenance/Operations
College Administration	Payroll Office
Communications Costs	Personnel Office
Computer Facilities and Services	Purchasing Office
Custodial Services	Radiation Safety
Departmental Administration	Risk Management
Employee Benefits	Security (Campus Police)
Environmental Health and Safety	Sponsored Program Accounting
Financial Services	Sponsored Research Services
General Counsel	Seminar Costs
Government Cost Compliance	Transportation Costs
Graduate Student Admissions	Utilities
Graduate Student Services	

The increasing number and complexity of requirements imposed by the federal government to ensure compliance with various regulations also contribute to F&A costs. [Chart V](#) and [Chart V\(a\)](#) list new or revised federal regulations that have come into effect just since 1988. They require the University to institute new or expanded monitoring activities, to submit certifications, and, in general, to handle a great deal more paperwork than ever before.

Chart V

Federal Rules/Regulations Since 1988

Anti-Kickback Act (1988)
Anti-Lobbying Rules (1990/92/95)
Certifying Accuracy of Indirect Costs (1991)
Circular A-21 Revisions (1991/93/96/98,2000)
Circular A-110 Revisions (1993/99)
Circular A-133 Revision (1997, 2003)
Clean Air Standards (1988/90)
Clean Water Standards (1988/90)
Conflict of Interest (1995)
Cost Accounting Standards (1995)
Debarment and Suspension (1989)
Data Access Law (1999)
Drug Free Workplace and Workforce (1989)
Americans with Disabilities Act (1990)
Small Business Subcontracting Plan (1990)
Drug Free Schools and Campuses Act (1990)
Hazardous Waste Disposal (1988/90)
Human Subjects Training for NIH PIs (2000)
Medical and Infectious Waste (1988/90)
Misconduct in Science (1989)
Non-Delinquency of Federal Debt (1989)
Radioactive Waste Disposal (1988/90)
Right-to-Know Laws (1988/90)

Chart V(a)

COUNCIL ON GOVERNMENTAL RELATIONS

1200 New York Avenue, N.W., Suite 750, Washington, D.C. 20005

(202) 289-6655/(202) 289-6698 (FAX)

Federal Regulatory Changes, Since 1991

The regulations listed below have been implemented or amended since the imposition of the 26 per cent cap on administrative costs in the Facilities and Administrative Cost recovered under OMB Circular A-21. The listed regulations directly affect the conduct and management of research under Federal grants and contracts. The list of current regulations is in chronological order. Significant changes in the implementation or interpretation of regulations or management processes are listed below in a separate section. The list concludes with significant proposed regulations. **This list does not include the reporting requirements associated with the American Recovery and Reinvestment Act (ARRA) funding support.**

Federal Policy for the Protection of **Human Subjects (Common Rule, 1991)**

Nonindigenous **Aquatic Nuisance Prevention & Control Act of 1990**(Implemented, 1992)

NIH Guidelines for Research Involving **Recombinant DNA Molecules (1994)**

Deemed Exports (1994, EAR & ITAR)

DFARS Interim Export Control Compliance Clauses (July 2008)

Conflict of Interest

Public Health Service/NIH Objectivity in Research (1995; Amendments Proposed 2010)

NSF Financial Disclosure Policy (1995)

Lobbying Disclosure Act of 1995 (Amended 2007)

Cost Accounting Standards (**CAS**) in OMB Circular A-21(1995)

Health Insurance Portability & Accountability Act of 1996 (**HIPAA**) Privacy Rule (Amendments Proposed 2010)

OMB Elimination of **Utility Cost Adjustment (UCA) (1998)**

Data Access /**Shelby Amendment (FY 1999 Omnibus Appropriations Act)**; related amendments to OMB Circular A-110

Policy on Sharing of **Biomedical Research Resources (NIH, 1999)**

Misconduct in Science (Federalwide Policy, 2000)

NEH, 2001

NSF, 2002

EPA, (Directive, 2003)

Labor, 2004

HHS/PHS, 2005

NASA, 2005

Energy, 2005

Veterans Affairs, 2005

Education, 2005

Transportation, 2005

USDA (2010)

HHS Centers for Medicare and Medicaid Services (**CMS**) **National Coverage Determination for Routine Clinical Trials (Clinical Trials Policy), 2000**

Executive Order 13224, Blocking Property and Prohibiting **Transactions With Persons Who Commit, Threaten to Commit or Support Terrorism (September 2001, also EO 12947, 1995)**

Select Agents & Toxins (under CDC and USDA/APHIS) Public Health Security & Bioterrorism Preparedness & Response Act of 2002; companion to the USA PATRIOT Act (2001)

FISMA Federal Information Security Management Act (Title III, E Government Act of 2002) OMB Circular A-130, Management of Federal Information Resources, Appendix III, **Security of Federal Automated Information Systems**

CIPSEA Confidential Information Protection and Statistical Efficiency Act (OMB Implementation Guidance 2007, Title V, E Government Act of 2002)

Data Sharing Policy (NIH, 2003)

Homeland Security Presidential Directive (**HSPD**) – 12, Common Identification Standards for Federal Employees and Contractors (2004)

Higher Education Act, Section 117 **Reporting of Foreign Gifts, Contracts and Relationships** (20 USC 1011f, 2004)

Model Organism Sharing Policy (NIH, 2004)

Constitution & Citizenship Day (2005, Consolidated Appropriations Act FY 2005)

Genomic Inventions Best Practices (2005)

Combating **Trafficking** in Persons (2008)

Code of Business Ethics & Conduct (FAR) 2008

Homeland Security **Chemical Facilities Anti-Terrorism Standards (CFATS)** 2008

E-Verify 2009

Military Recruiting and ROTC Program Access (2008, Solomon Amendment, National Defense Authorization Act for FY 2005)

Nuclear Regulatory Commission Order Imposing **Fingerprinting and Criminal History Records**

Check Requirements for Unescorted Access to Certain Radioactive Materials (Feb 2008, Section 652, Energy Policy Act of 2005)

National Institutes of Health **Public Access Policy** (2008, Consolidated Appropriations Act of 2008, Division G, Title II Section 218)

Certification of Filing and Payment of Federal Taxes (Labor, HHS, Education and Related Agencies Appropriations Act of 2008, Division G, Title V, Section 523)

Health and Human Services/FDA **Clinical Trials Registry**

Federal Funding Accountability and Transparency Act (**FFATA**) **Subrecipient Reporting** (2006) (FAR Interim Rule, July 2010; OMB Open Government Directive, April 2010)

USAID **Partners Vetting System** (re: EO 13224 et al re: terrorist financing)

National Institutes of Health **Guidelines for Human Stem Cell Research** (2009)

National Science Foundation **Post-Doctoral Fellows Mentoring** (America COMPETES Act 2006; implemented 2009)

Executive Order 13513, Federal Leadership on Reducing **Text Messaging** While Driving (October 2009)

National Science Foundation **Responsible Conduct of Research** Training (America COMPETES Act 2006; implemented 2010)

National Science Foundation **Public Outcomes Reporting** (America COMPETES Act 2006; implemented 2010)

Federal Acquisition Regulations (FAR) and Office of Management & Budget **Federal Awardee Performance and Integrity Information System (FAPIIS)** and **Guidance for Reporting and Use of Information Concerning Recipient Integrity and Performance** (2010) (Compliance with § 872, National Defense Authorization Act of 2009, PL 110-417 – FAR Interim Rule, 2010)

National Institutes of Health, **Budgeting for Genomic Arrays** for NIH Grants, Cooperative Agreements and Contracts (May 2010)

Implementation/Interpretation Changes, Since 1991

Foreign Nationals (See COGR/AAU/FDP Troublesome Clause Report, 2008¹)

Publication Restrictions (see COGR/AAU/FDP Troublesome Clauses, 2008)

PL 106-107/Grants.gov: Electronic Applications, Financial Reporting, Progress Reports, iEdison Invention Reporting, etc.

CCR/DUNS Registry requirements (Subrecipients implemented 2010)

Research Performance Progress Report (RPPR) (January 2010)

Subrecipient Monitoring (OMB Circular A-133, Compliance Supplement)

Changes to A-21 **F&A Proposal Format**

Federal Policy for the Protection of Human Subjects:

Federalwide Assurance (2004), mandatory training

IRB Registration (2008)

Title IX of Education Amendments of 1972: Access to science and math educational programs (2007+)

EPA Hazardous Waste, Subpart K (2008)

IRS 990 Reporting

National Institutes of Health Trainee **Instruction in the Responsible Conduct of Research** (1989; 1994; Updated 2009)

Significant Proposed Changes

Food and Drug Administration **Requirements for an Investigative New Drug (IND)** covering food and plants claiming therapeutic benefit

Export Controls: Export Administration Regulations (EAR) & International Traffic in Arms Regulations (ITAR) (2003)

National Science Advisory Board for Biosafety (NSABB) **Oversight of Dual Use Life Sciences Research** of Concern

Nuclear Regulatory Commission – Considerations concerning the Security and **Continued Use of Cesium-137 Chloride Sources** (July 2008)

USDA **Animal Welfare Act, Contingency Planning** (2008)

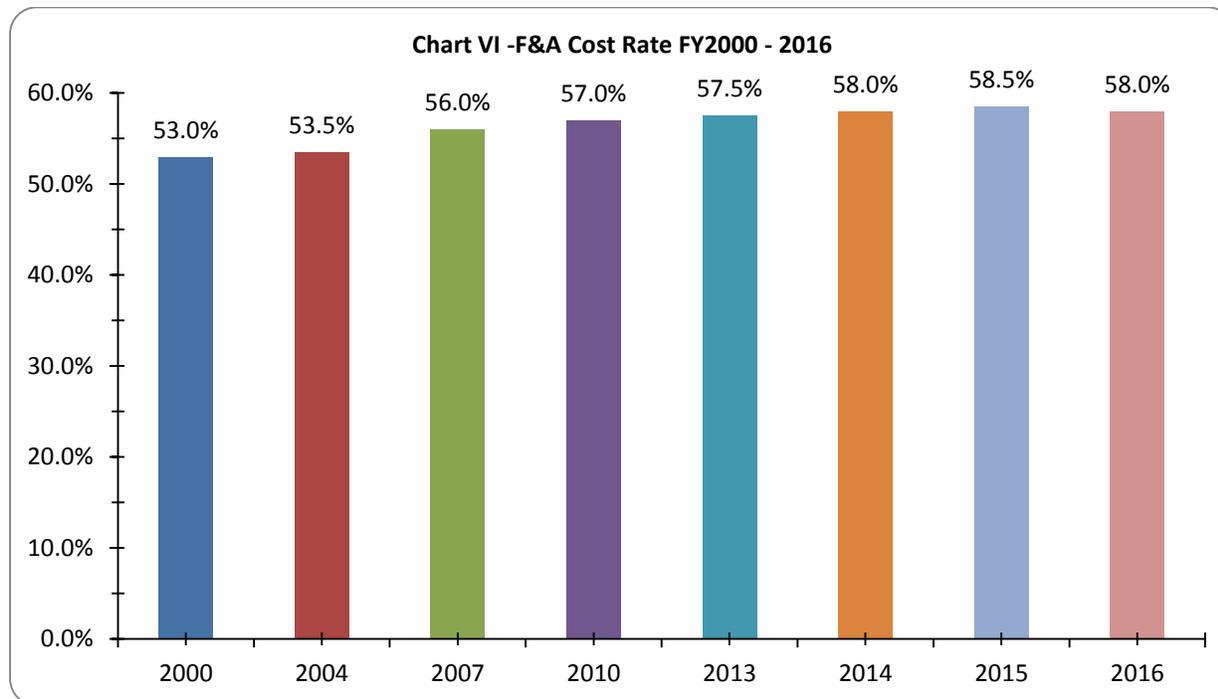
Select Agents & Toxins (under CDC and USDA/APHIS) Public Health Security & Bioterrorism Preparedness & Response Act of 2002; companion to the USA PATRIOT Act (2001) - Legislative consideration of changes

Food and Drug Administration **Reporting Information Regarding Falsification of Data** (proposed rule February 2010)

¹ The Report is available at: www.cogr.edu/docs/COGRAAUTroublesomeClausesReport.pdf

11. How has the F&A cost rate changed over the years?

[Chart VI](#) shows how the F&A cost rate has changed at the University of Cincinnati during the last two decades. In 1979 the federal government revised *Circular A-21* and changed the base from salaries and wages to the MTDC approach discussed earlier. As a result, F&A cost rates at the University have been applied on an MTDC basis since FY 1981. As [Chart VI](#) shows, the F&A cost rate has remained within a six-point band at or above 53% for the past 11 years. The present rate is 58.0%.



12. How does our overall F&A cost rate compare with other universities?

[Chart VII](#) shows that F&A cost rates vary among major research institutions, and indeed institutions not shown on the graph lie outside the 50% to 59% range. The average rate among all research universities is around 53%; private universities have an average rate about 7 percentage points higher than that figure, whereas the average rate for public universities is approximately 3 percentage points lower than the overall average.

The differences in F&A cost rates have often been cause for scrutiny and discussion. There are a number of factors that give rise to these differences. The first factor to consider is the Building Depreciation cost pool. An institution that has a large number of research facilities, with some built recently at higher cost, will have higher depreciation expenses than an institution that has a smaller and/or older physical plant. Additionally, private institutions generally try to recover as fully as possible the cost associated with research facilities, whereas public institutions have tended to be less aggressive, since their buildings are often funded in part by the state.

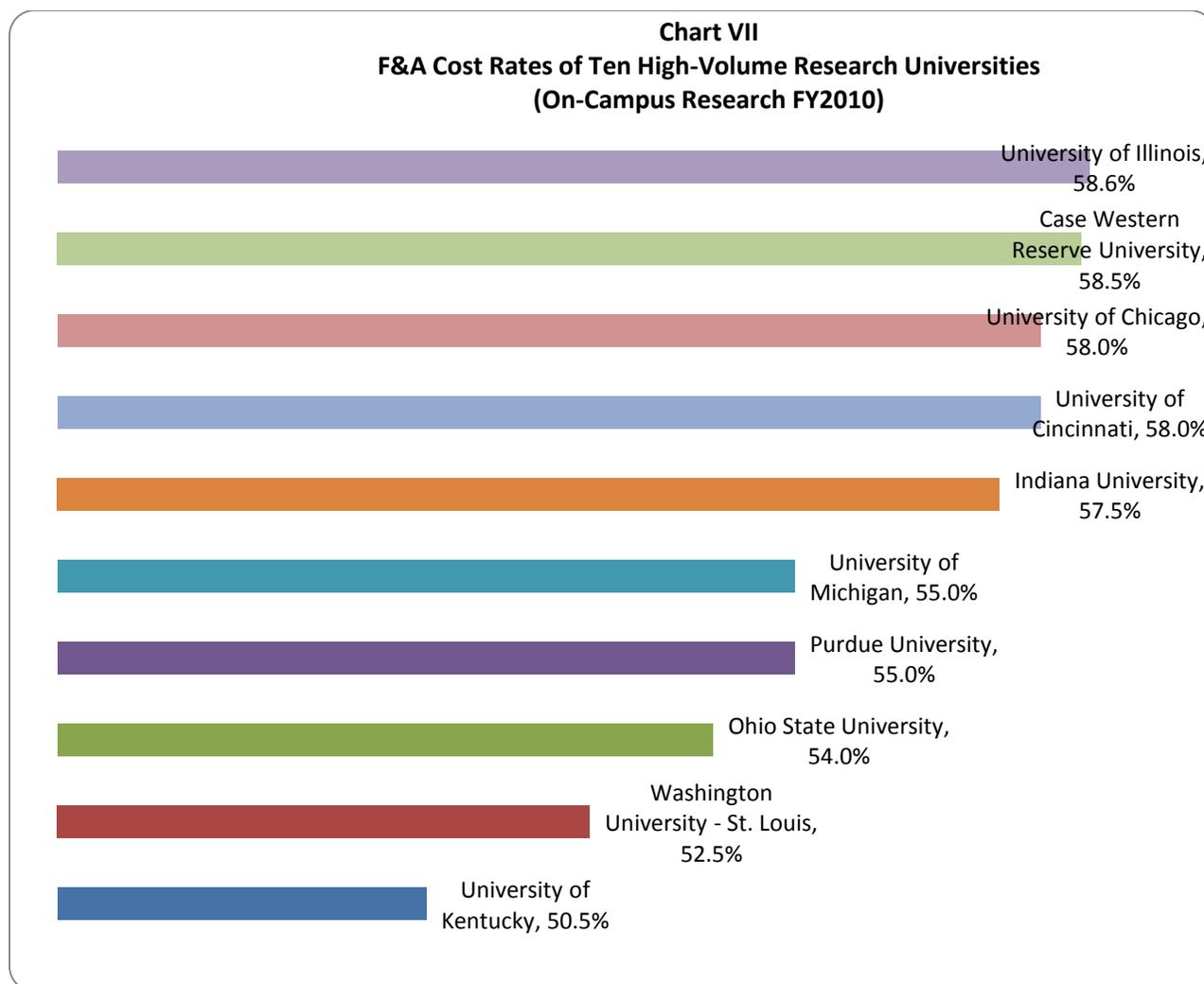
In some states, F&A cost rates have deliberately been kept low on the theory that aspiring research institutions would be more competitive for federal grants. Such decisions can result from a deliberate plan by the state and university to subsidize their research programs with nonfederal resources.

Significant differences, especially in the Building Depreciation and Equipment Depreciation cost pools, also result when an institution decides to change from the use allowance method (simplified depreciation methodology) to a full depreciation calculation. This approach can be used to justify a significantly larger F&A cost return if the institution is willing to bear the cost of a much more extensive accounting effort. Many universities, both public and private, use full depreciation. The additional accounting costs can be added to the F&A cost pools for administration, assuming that sum does not exceed the 26% cap.

Costs may also differ because of internal institutional policies regarding direct versus F&A costs and how they are defined. For example, at some universities equipment maintenance costs may generally be considered as F&A costs, while at others, they may be a direct charge to the grant. As a result, a given university may show higher direct costs and lower F&A costs than comparable costs at another university, even though the actual cost of the particular function is exactly the same at the two institutions.

Simple variations in the cost of utilities or labor in different geographic areas may contribute to rate differences. Electricity costs in the New England are approximately 16 cents per kilowatt hour compared to approximately 8 cents per kilowatt hour in the Cincinnati area. Similarly, heating and air conditioning costs vary widely across the country, as do labor and construction costs.

Thus, it is generally conceded that there are legitimate differences in costs among institutions across the country that should be recognized by the government in the award of F&A costs. However, it can be argued that institutions which arbitrarily limit themselves to F&A cost rates below their actual costs are simply allowing the granting agencies to underwrite disproportionately more services and newer facilities at competing institutions with relatively higher rates.



13. Are the cost category percentages similar at most research institutions?

There are actually substantial variations between cost categories at various universities. For example, total facilities costs range from 22.5 percentage points at the University of Kentucky to 38.0 percentage points at Johns Hopkins University. The data reveal that one of the main reasons for the difference is in the **Operations and Maintenance** cost group. For these cost pools, UK's rate is 11.0 percentage points compared to 19.5 for Johns Hopkins. This differential suggests significant divergences in utility costs (Kentucky's have been the lowest in the nation) and/or maintenance costs dependent on the concentration and requirements of research-intensive facilities. The differential between these same two institutions in the **Building Depreciation, Interest and Equipment Depreciation** cost groups furthermore suggests differences in age and funding of facilities. *Space costs are the single most important factor for F&A cost rate differences between institutions.*

Prior to 1991, it was often argued that growing administrative costs were a major reason for substantial increases in F&A costs rates. While this argument had little validity before, it is now entirely without merit. The 1991 revisions to *Circular A-21* placed a 26 percentage point cap on administrative costs (**General Administration, Departmental Administration, Sponsored Projects Administration, and Student Services Administration**).

14. Why should I pay the same rate as my colleague for F&A costs?

Implicit in the accepted procedures for determining F&A costs is the notion of averaging. It has been a principle with the federal government that there should be a single F&A cost rate for each institution's on-campus research. Since every grant is different and places unique demands on the institution's resources, some grants recover more than actual costs and some recover less. Nevertheless, everyone should be aware that since the recovery of F&A costs is generally well below the actual cost of supporting research, probably no one is paying more than could be justified.

The disadvantages of using an average rate can be easily stated. It is obviously not a precise method, and it lacks strong incentives for efficiency. Questions of fairness arise because comparisons can be made that seem to suggest that one person is at a disadvantage relative to another. But the alternative to averaging would have few proponents. It would require an extremely complex (and costly) accounting effort to attribute a different F&A cost rate to each grant. Substantial fluctuations in cost recovery rates would arise, depending on when a person utilized a particular resource, the starting date of a grant compared to the fiscal year and so forth.

The averaging approach is a convenient and straightforward method. The differential impacts tend to balance out over time, and the stability of the rate is an advantage for most participants. If one takes into account the broad range of variability over time and over various research activities, the averaging approach seems the best of admittedly imperfect alternatives.

15. How much F&A cost reimbursement accrues to UC?

In FY15, the University of Cincinnati generated approximately \$110 million in direct costs on sponsored projects (excluding Pell Grants and other forms of direct student aid). However, for several reasons, the overall F&A cost reimbursement is well below 58% of that \$110 million. It is not appropriate to apply the rate to the total direct costs (TDC), since F&A costs are calculated on the basis of modified total direct costs (MTDC), not TDC. Further, research activities carried out at off-site locations such as observatories and accelerators are charged at a lower rate because many underlying costs (facilities costs, primarily) are borne by the grant or contract, or by other entities. Most training grants are capped at an 8% rate. The Federal Department of Agriculture has established a 20% F&A cost rate for its competitive grants. Grants from private foundations often allow only 10% for F&A costs. The net result of all of these factors means that the effective recovery rate for F&A costs is substantially below the maximum 58% on-campus rate allowed for federal grants at UC.

Chart VIII

UC Grant and Contract Awards by School/College/Unit, FY 2014

Academic Planning	2,032,331
Allied Health Sciences	1,312,900
Arts and Sciences	8,590,147
Business	110,392
College Conservatoiry of Music	27,953
Design, Architecture, Art and Planning	383,016
Education, Criminal Justice and Human Services	10,421,797
Engineering & Applied Science	17,252,190
Hoxworth Blood Center	845,307
Medicine	90,284,581
Nursing	2,489,008
Office of Research	2,288,193
Office of the President	22,754
Pharmacy	2,016,616
Sr VP & Provost for Bacc & Grad Education	50,000
UC Clermont	846,990
Undergraduate Affairs	16,681
University of Cincinnati Library	10,000
VP & CIO for Information Technology	55,093
VP for Student Affairs	42,092,945
Total Grant and Contract Awards	181,148,894

[Chart IX](#) shows the effective recovery rate for research at the University of Cincinnati during the last five years. The average for the entire period is about 33.8% if calculated on a research TDC base. If the calculation is made on modified total direct costs (MTDC), the percentage is slightly higher, but nowhere near what people generally think it to be. The actual F&A costs recovered across *all* grants in FY 2010 were approximately \$44 million.

16. How does funding from the State of Ohio fit into the picture?

The University's total annual budget is about \$1.0 billion (FY10), and the State of Ohio provides approximately 21% of this total. Tuition revenue provides another 30%, including tuition funding generated from sponsored projects, federal financial aid, and directly from students. Roughly a third of the budget involves UC's locally generated non-state funds for the hospitals, student housing and food services, self-sustaining units, and other auxiliary enterprises, which also

includes some funding from sponsored projects. A substantial portion of the remaining funding is generated by sponsored research, with some additional funding coming from endowments and gifts.

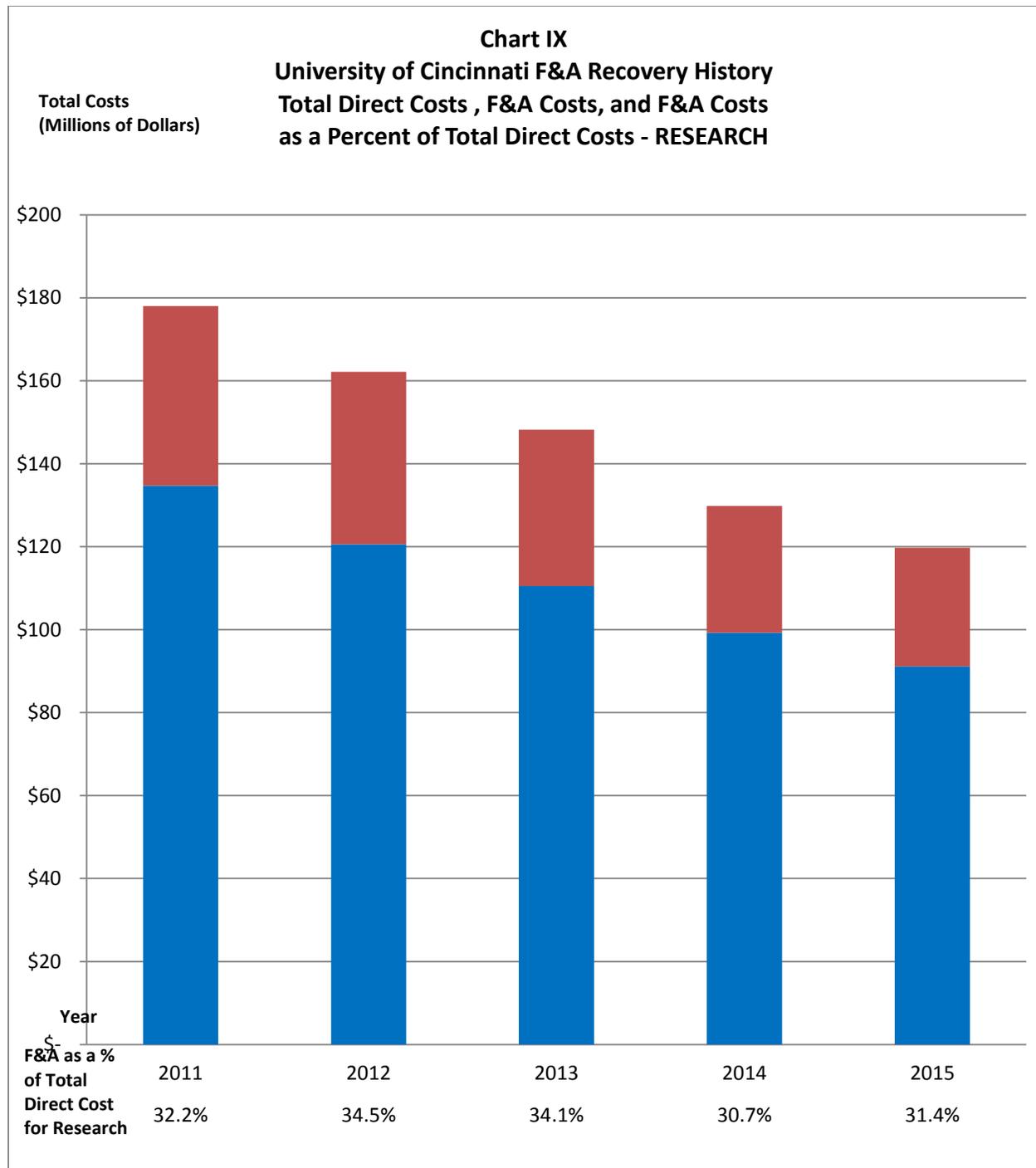
The portion from the State includes partial support for graduate teaching and associated research activities at the University. This is provided primarily in two ways. First, the State pays the salaries of the faculty, who spend a portion of their time in graduate teaching and research. Some staff and operations support for the faculty is also provided by the State. The second way involves capital facilities; in the past the State has provided a significant share of the construction and renovation funding that supports the graduate teaching and research program. For a variety of reasons, including less than full recovery of F&A costs on some awards from the federal government, the University doesn't fully recover the cost of capital facilities from F&A costs. Inflation over the life of the buildings also makes it necessary to find additional funding sources for building construction and renovation. Furthermore, the growth of the research enterprise has made it necessary to build additional buildings to house this work. The State has been a partner with the University in funding these new and renovated facilities that support graduate teaching and associated research activities. It should be noted that in the last few years local funds, mainly F&A cost reimbursement and investment income, have played an increasing role in the funding of capital facilities construction and renovation.

Compared to its capital and salary expenditures at the University, the State provides relatively small amounts for direct research funding.

17. How important is F&A cost reimbursement to the University?

[Chart IX](#) shows growth of both direct and F&A cost at the University of Cincinnati during the last five years. F&A cost reimbursement is the primary source of infrastructure support for UC's extensive graduate education and research programs. The F&A cost reimbursements pay for a wide range of support services and administrative activities. They allow us to service, maintain and renew our research facilities and they make it possible for the institution to operate a first-rate library system for research and scholarship. Without the F&A cost reimbursements, our research and graduate teaching enterprise would be only a shadow of its present size and quality.

Anyone who has submitted grant proposals during the last ten years is aware that the on-campus research F&A cost rate has been fairly stable. It has varied between 56% in 2007 to 57% in 2010, up to its current rate of 58% in 2016.



18. How are F&A reimbursements allocated?

The University allocates the F&A recovery to several areas. This allocation is called the Research Incentive Award (RIA). The RIA allocation is directly tied to the revenue source. This allocation is based on the F&A reimbursement that is received to help support the costs of research activity. Approximately a quarter of the F&A recovery is returned to the college and departments.

While this allocation has been modified slightly since it was adopted in the 1970s, it has remained fairly constant. The most significant change was made in 1994 to allocate fifteen percent (15%) of the recovery to fund research support units (Sponsored Program Accounting, Sponsored Research Services, VP for Research, Institutional Animal Care and Use Committee, Institutional Review Board, Radiation Safety, and the University Research Council to name a few). Another change occurred in 1999 when the F&A recovery on Lab Animal Medicine (LAM) expenditures began to be returned to LAM to offset per diem costs and fund purchases of additional cages and equipment. A change in 2008 redistributed the allocations amongst General Funds, Research Support, Provost, Deans, and Departments. In 2016, this reallocation was modified, primarily to consolidate allocations to academic areas to the college deans, rather than the individual departments.

[Chart X](#) shows the distribution of F&A expenditures between research related functions in academic and non-academic units

Chart X
RIA Revenue Sources and Distribution
FY 2015

	Amount (In Thousands)	Percentage of F&A Costs
Instruction/Other	\$ 535	1.80%
Research	\$ 28,620	96.24%
Public Service	\$ 439	1.48%
Scholarship/Fellowship	\$ 144	0.48%
Subtotal	\$ 43,878	100.00%
Distribution by Category		
General Funds	\$ 14,788	49.73%
Research Support	\$ 6,004	20.19%
Colleges & Departments	\$ 7,393	24.86%
Research Cost Share	\$ 421	1.42%
Lab Animal Medicine	\$ 1,132	3.81%
Subtotal	\$ 29,738	100.00%

19. How are F&A cost reimbursements related to University expenditures?

University budget policies have, in general, allocated F&A cost reimbursements to the support of research in a manner consistent with the pattern of expenditures in the University's audited F&A cost studies and rates. Given that UC does not recover all its F&A costs (the effective rate is less than the audited rates), other University funds must be used to help pay for these activities.

Although the F&A cost process identifies the costs incurred in supporting the research program (as outlined earlier in this document), the actual budgeting process cannot allocate funds efficiently on a simple item-for-item basis. For example, a \$100,000 federal research grant may generate an F&A cost payment of roughly \$30,000 (see [Chart III](#)), but it would not be practical to restrict expenditure of the \$30,000 solely to the F&A costs incurred by that specific grant in that particular year. (The roof may not need to be repaired that year.) It may help to recall the definition of F&A costs as "those that are incurred for common or joint objectives, and therefore cannot be identified readily and specifically..."

In general, a much more macroscopic approach is called for when dealing with expenditures. When the University develops its budget for a particular biennium, it starts with an estimate of the total revenues available for that biennium, including State funding, tuition, F&A cost reimbursement, interest and investment income, and so on. Arrayed against this projected total income figure is the wide range of anticipated expenses that must be funded. Some expenses are relatively predictable, such as salaries, but other categories cannot be pinned down as easily in advance. Utility costs, self-insurance costs, regulatory compliance costs, responses to competitive salary offers, special matching requirements for major equipment proposals, and many other costs cannot be accurately predicted.

Just as in any budgeting process, prudent judgments must be made to try to match total projected income with total projected expenses, including planned improvements and new programs. In this process, efforts are made to relate the projected F&A cost of research and training to the estimated F&A cost reimbursements. In practice, all the previously mentioned funding sources are combined to support the total budget identified in the University's policy-based and priority-driven budget process. The expenses identified in the cost study used to justify the F&A cost rate are real expenses that have been paid for by the institution from the total pool of available fund sources.

Although there is some correspondence between F&A cost reimbursements generated and the amount spent in support of the research enterprise, it is not considered cost-effective to keep track of this correspondence in detail. Nevertheless, approximate figures for the distribution of these funds can be extracted from the University accounting data. An approximate breakdown of the F&A cost expenditures for FY 2015 is summarized in [Chart X](#). These F&A cost reimbursements supplement other traditional revenue sources in the various University budget categories. Most of the remaining funding for this budget category is provided by the State and student tuition revenue and pays mainly for faculty and staff salaries. F&A cost reimbursement is either allocated directly to schools and colleges or used to support research-related costs for operations and maintenance (physical plant), computing and communications, libraries, general administration, sponsored research administration, and buildings. In addition to the dollar amounts shown, [Chart X](#) indicates the approximate percentage of the overall expenditure in several of the other major budget categories that F&A cost reimbursement represents. A more detailed analysis of Allocations to Schools/Colleges is shown in [Chart XI](#).

Chart XI
University of Cincinnati
FY 2015 Unrestricted Fund Expenditures
Supporting Research by Academic Unit

School/College/Unit	RIA Fund Expenditures for Research	Other Fund Expenditures for Research	Total Research Support Expenditures
General University			
Arts & Sciences	\$ 611,958	\$ 1,798,964	\$ 2,410,922
Budget Services	\$ -	\$ 173,463	\$ 173,463
Business	\$ 947	\$ 520,642	\$ 521,589
College-Conservatory of Music	\$ -	\$ -	\$ -
Design, Architecture, Art, & Planning	\$ 4,877	\$ 59,576	\$ 64,452
Education, Criminal Justice, and Human Services	\$ 63,815	\$ 382,538	\$ 446,353
Engineering & Applied Science	\$ 1,577,839	\$ 3,831,967	\$ 5,409,806
Graduate School	\$ -	\$ 28,167	\$ 28,167
Hoxworth	\$ 13,849	\$ 140,477	\$ 154,326
President	\$ -	\$ 11,364	\$ 11,364
UCit	\$ -	\$ 1,996	\$ 1,996
VP for Research	\$ 15,300	\$ 12,501	\$ 27,801
VP Research Interdisciplinary	\$ (57,157)	\$ 251,050	\$ 193,893
Distance Learning / International	\$ -	\$ 195,460	\$ 195,460
Total General University	\$ 2,231,428	\$ 7,212,704	\$ 9,444,132
Health Sciences			
Allied Health	\$ 294,467	\$ 125,285	\$ 419,752
Institute for the Study of Health	\$ -	\$ -	\$ -
Medicine	\$ 3,019,952	\$ 23,738,612	\$ 26,758,564
Nursing	\$ 4,874	\$ 1,017,154	\$ 1,022,027
Pharmacy	\$ 77,493	\$ 671,858	\$ 749,351
VP for Health Affairs	\$ -	\$ (155,798)	\$ (155,798)
Total Health Sciences	\$ 3,396,786	\$ 25,397,110	\$ 28,793,896
Grand Total	\$ 5,628,214	\$ 32,609,814	\$ 38,238,028

Conclusion

It is hoped that this account of the nature and present management of F&A costs will be of value to the University community. While the subject is of immediate relevance for those who propose and are awarded research grants, it is important that members of the faculty, staff and student body recognize that funding for a significant proportion of the University's programs is derived from F&A cost reimbursements.

The purpose of this overview is to promote a broader understanding of these issues. An ongoing goal is to address responsibly any questions and misunderstandings regarding F&A costs and to elicit carefully reasoned suggestions for improving our present practices to enhance the environment for teaching, research and scholarship at UC. An increasingly important and parallel objective is to clarify this complex subject for the public, on whose support and advocacy we depend. As pressure on federal budgets mounts and efforts are made to adjust federal funding patterns, an informed and united academic constituency will be necessary to sustain reasonable funding levels for research and for higher education more generally.