

PI ARTICLE: The Mysterious and Very Important F&A Cost Reimbursement Rate

The Fundamentals of F&A Costs

F&A (Facilities and Administrative) costs, also known as indirect, IDC, or overhead costs, are incurred for common (joint) objectives and cannot be identified readily and specifically with a particular sponsored program.

- Facilities (F) costs are incurred by Georgia Tech to provide the physical infrastructure needed to support sponsored programs. Included in the F category are costs associated with buildings, GIT purchased equipment, interest (debt financing), operations & maintenance, and libraries. Recovery of these costs is uncapped by the Federal Government.
- Administrative (A) costs are incurred by Georgia Tech to provide the administrative support required by sponsored programs. Included in the A category are costs associated with general administration (e.g., President, Provost, HR, Legal Affairs), departmental administration (e.g., college dean's offices, unit departmental staff), and sponsored projects administration (e.g., VPRA offices, Grants & Contracts). Recovery of these costs is capped by the Federal Government at 26%.

What is the F&A Cost Reimbursement Rate?

The F&A cost reimbursement rate (F&A rate) is the mechanism used to reimburse Georgia Tech for the F&A costs incurred to support sponsored programs. Georgia Tech has F&A rates for Organized Research (On and off campus), Other Sponsored Activity, and Sponsored Instruction. Across the country, individual universities and institutes have unique rates, which stem from differences in their actual costs, cost structures, space utilization, federal negotiators, and myriad other factors.

F&A rates are calculated as a fraction and expressed as a percentage. Although the calculation is highly complex, at a high level the fraction consists of facilities and administrative cost pools in the numerator and the appropriate direct cost bases (e.g. Organized Research) in the denominator. The cost bases are generally expressed as modified total direct costs (MTDC), which represents costs directly charged to research and other activities excluding specific costs expressly noted in federal guidelines (e.g. equipment). The appropriate negotiated rate is automatically applied as a percentage of every MTDC dollar charged to a sponsored program.

Georgia Tech negotiates its F&A rates with the Office of Naval Research (ONR), Defense Contract Audit Agency (DCAA). The current "base year" for Georgia Tech is fiscal year 2022, and our next series of F&A rate calculations will be submitted to ONR in early calendar year 2023.

The Importance of F&A Cost Reimbursement

While the application of the F&A rate (and subsequent reimbursement by the sponsor) represents a cash inflow to Georgia Tech, it is NOT revenue.....it is a recovery of costs already incurred by the institute on behalf of all sponsored programs. Due to factors such as the gap between calculated and negotiated rates, sponsors paying less than our negotiated rates, cost sharing, the HHS salary cap, the administrative (A) cap, and F&A reimbursement waivers, Georgia Tech does NOT recover all of its incurred F&A costs. As such, the Institute must find enough funds annually to cover the significant resulting shortfall. Given the importance of research to our mission and the volume of annual research activity at Georgia Tech, maximizing our reimbursement of F&A costs is directly linked to our ability to fully achieve our mission and to support our faculty and staff working on sponsored programs.

More information about F&A cost reimbursement rates can be found in the Council on Governmental Relations' paper, "[Excellence in Research: The Funding Model, F&A Reimbursement, and Why the System Works](#)".

Current F&A cost rates can be found here: <https://osp.gatech.edu/rates>. If you have any questions regarding the contents of this article, please contact Josh Rosenberg at josh.rosenberg@business.gatech.edu.