

PI ARTICLE: Why F&A Rates Differ Amongst Institutions

Around the country, you will see that each university has F&A rates that are different from the rates we have at Georgia Tech. And in some case, the rates may be dramatically different. You may wonder why there would be such differences, when the rules and calculation methodologies are basically the same across all institutions. Some of the most likely reasons for these differences include:

- **Cognizant Agencies.** Each institution is assigned a cognizant agency which will serve as your contact within the Federal Government for the negotiation and approval of your F&A Rates. At Georgia Tech, our cognizant agency is the Office of Naval Research (ONR). Approximately 20% of universities across the country have ONR as their cognizant agency. The other 80% have the Department of Health and Human Services (DHHS). Agencies have their own standards and requirements associated with proposal submissions.
- **Individual Federal Negotiators.** Within a cognizant agency, there are individuals who are assigned to review your rate proposal. While the standards for F&A rate proposals are generally applied to everyone, there are varying levels of interpretation amongst negotiators. And naturally, negotiators will focus on different areas and the degree to which they dig deeper into certain areas may differ. Their experience level may play a role as well.
- **Rate Choices.** Most institutions have F&A rates negotiated for Organized Research, Other Sponsored Activity, and Instruction. Most also have on and off-campus rates for those three categories. But there are some variants that are unique to different places. For instance, Georgia Tech has an uncapped organized research F&A rate applicable to Department of Defense (DOD) contracts and to industry.
- **Region of the Country:** It is widely known that the cost of living and doing business differs dramatically across the country. Areas within the United States like the west coast and the northeast are much more expensive than the southeast and the midwest, and so the facilities costs associated with operating research space in the west and northeast will drive their rates higher than those in other regions.
- **Times to the Table:** The only way to see an increase in the F&A rate is on the facilities side (because the administration side is capped at 26%). And the only way to get that increase is to submit a proposal and negotiate rates. Now this doesn't mean that every time you submit a proposal you will get higher rates, as this really is a function of the calculations themselves. But the more times you come to the table, the more opportunities there are to negotiate.
- **The Math!:** The F&A rate is expressed as a percentage but calculated as a fraction where overhead costs supporting research activity are divided by direct costs of research activity. Space is the primary driver of facilities related overhead costs in the numerator, and if the space dedicated to research is not growing at a rate that is either above or comparable to the growth in direct costs charged to research, the rate will go down.
- **The Experience of the Preparer.** The F&A Rate proposal is one of the most unique and complicated projects that a university can take on. It requires an in-depth knowledge of the institution, its underlying accounting, the research enterprise, financial systems, government regulations, and cost accounting concepts. Not all places have this knowledge in-house, which can impact the quality of the proposal submitted and the rates negotiated.

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