

# THE TRUE COST OF RESEARCH

## WHAT ARE “INDIRECT COSTS”?

The federal government and universities collaborate to advance the innovation and discovery opportunities of the nation through the grant process. Researchers – faculty, staff, and students - working and studying at universities are selected through a merit-based process to advance projects that align with the priorities of the nation as defined by Congressional allocations which are then implemented by agencies through awarding research funding. A component of this research funding is **Facilities and Administration (F&A)**.

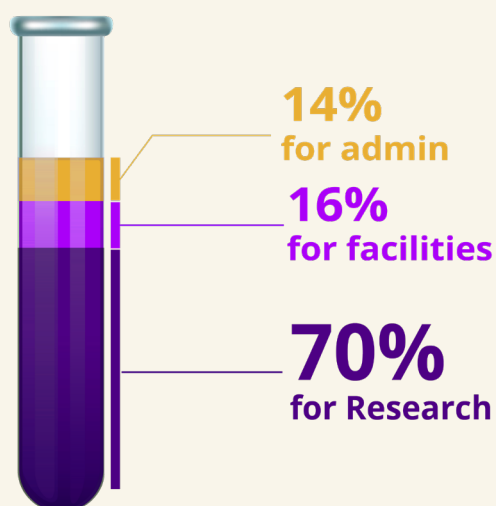
Including **Facilities and Administration (F&A)** costs in a grant is the way grantees, like universities, recoup real expenses incurred while conducting research made possible by a grant. These costs are also known as **Indirect Costs (IDC)**.

**Direct research costs** are what people generally think of when it comes to federal research projects. These costs support activities that are the most visible activities of the project, such as grant-specific laboratory supplies, specialized equipment and its maintenance, lab usage fees, a percentage of salary support for researchers and lab personnel, tuition support and stipends for graduate students, publication costs and conference travel, subcontracts to other institutional partners, and travel for field research. Such activities form the

core of university-based federally sponsored research and the bulk of where federal investment is spent.

**Indirect costs**, on the other hand, are the enabling costs borne by universities that are unavoidable and, in many cases, required by the federal government. They are complex to calculate and difficult to assign to individual projects or attribute to an individual grant because they support the collective federally sponsored research in progress at a university. For this reason, the federal government created the IDC calculation more than 70 years ago. These expenses support building and maintaining the **facilities** that make the research possible. In addition, there are reimbursements for costs of **administration** associated with fiscal support for research activities as well as required federal reporting and compliance regulations. Sponsored programs support requires teams of people from multiple central offices working to directly ensure UW is compliant with a multitude of federal rules and regulations pertaining to the over 8,100 awards UW received in FY2024 — totaling \$1.56 billion. Of this total, \$1.15 billion came from a broad range of federal agencies.

## F&A FOR ON-CAMPUS RESEARCH



**Research requires a mix of funding support. In a typical on-campus grant, 70% goes to direct cost activities, while 16% supports research facilities and 14% covers administrative costs. F&A costs include:**

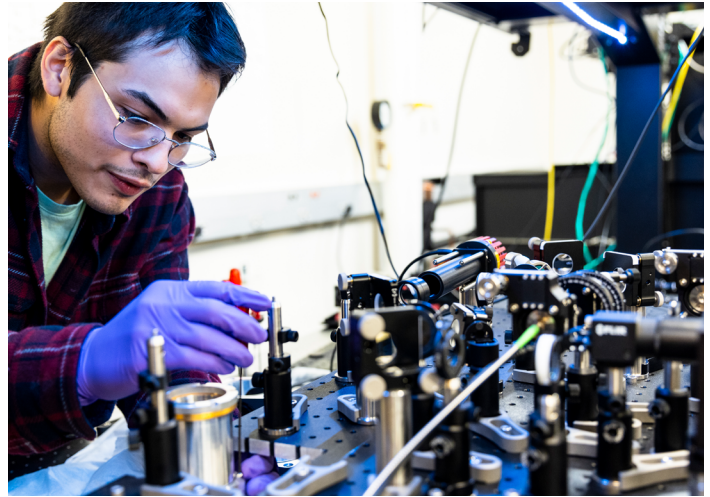
- *Lab specific infrastructure* (fume hoods, lab benches, high-end measurement and fabrication equipment)
- *Building maintenance* and improvements
- *Utilities*: water, electrical, heating
- *Information technology services* (internet, phone lines, email services, high performance computing infrastructure, cybersecurity)
- *Hazardous waste disposal*
- *Operations and maintenance* (cleaning, repairs, lightbulbs. etc.)
- *Library infrastructure*
- *Purchasing, payroll and HR staff used by all grantees*
- *Compliance officers* (to monitor research involving human subjects, animals, export control, and other types of sensitive research activity as required by the federal government)
- *Reporting* (federally required reports)

## CALCULATING F&A

F&A rate is developed according to federal laws and regulations and is based on expenses in specific categories defined by the government. Currently, the federal government **negotiates research F&A rates for an entire institution, not each grant.** The federal rules and regulations on how the rates are calculated were implemented to streamline and simplify the federal granting process: calculating, attributing, and verifying vital services to each grant, which are often cumbersome for both the federal government and large research institutions, for thousands of federal grants and contracts each year, would be immensely labor intensive, time consuming, and burdensome for both the university and the federal government.

For example, a single lab can be the home to several different concurrent grants – from NIH, DOE, and NSF – and it would be incredibly burdensome to both the university and the government to determine and then correctly attribute the cost of facilities repair and maintenance, internet or email usage, and even necessary campus or lab security to each grant. **The process to calculate F&A was created to make it easier and less costly for the federal government and universities to calculate and attribute these real costs.**

By law, each university's F&A rates are negotiated between the university and a federal agency on a regular basis. The rate is an average based on reviewed and audited real costs incurred by the university to conduct research in previous years. Routinely, the negotiated F&A rate is less than the calculated rate of actual overhead costs due to the cap on administrative cost reimbursement. Universities are the only entities – private, public, or non-profit – for which such a limit on recovery of these costs is imposed.



## INFRASTRUCTURE FOR IMPACT

Without F&A, research at UW would not be possible. Although not often visible, the costs associated with these activities and needs are real, incurred to do federal work, and must be covered. All universities subsidize a portion of the indirect cost to do to federal research, but the UW does not have other means to fully support the costs of research as required by federal sponsors. Endowment funds are 99% restricted. Without the reimbursement of indirect costs based on currently negotiated F&A rates, UW research activity would cease to have the impact it does today. Quantum information research needs sophisticated equipment operating in carefully controlled environments. Advancing AI requires high performance computing and cybersecurity infrastructure. Advancing children's health requires oversight to ensure the safe transition of scientific advances. The major impacts associated with work on emerging technologies are not possible without the university's partnership with the federal government.

## FEDS VS. FOUNDATIONS

Comparing federal F&A reimbursement rates to what foundations pay for F&A costs is comparing apples to tires. Foundations categorize and pay grant-related expenses differently than the federal government does. For example, foundations often categorize some items as direct expenses that federal rules require to be counted as F&A expenses, so foundation F&A is lower. This further underscores that Direct and F&A costs are all part of total research costs. In addition, much of the infrastructure for reporting and compliance covered by the administrative part of F&A is driven by federal regulations required of universities as stewards of federal funding and not required for foundations.

