Facilities and Administrative Cost Reimbursement: 
Resources, Facts and Figures

Reimbursement of Facilities and Administrative (F&A) costs has been thoroughly studied and analyzed at a significant level since the mid-1990s. Below is a listing of some important studies and resources, followed by statistical data that are relevant to discussion of F&A reimbursement.


Facts and Figures

When applicable, the data shown below are sourced to the publications (1. through 9.) listed above.

1. **F&A Rate surveys by the Council on Governmental Relations (9.) show that university F&A rates have held relatively constant at approximately 51 percent for at least the past six years.**
The cohort of institutions has varied from survey to survey, but each survey has captured about 80 out of the top 100 institutions (according to the National Science Foundation (NSF) survey of academic R&D expenditures).

2. **F&A expenditures as a percentage of total research expenditures** (a more descriptive indicator of F&A burden) applicable to extramural research at the National Institutes of Health (NIH) was stable at approximately 28.5 percent during fiscal years 2003 through 2005, according to the Government Accountability Office (7).

   This indicates that less than 30 cents of every dollar spent on NIH extramural research is used for F&A costs, and over 70 cents of every dollar is used for direct research activity. Other studies suggest that other federal agencies that fund research have an even lower ratio of F&A to total costs. When all federal agencies are combined, the ratio may be closer to 25 cents of F&A to 75 cents of direct activities.

3. **Although no recent studies directly compare the costs of research conducted at universities with private industry, a 1996 study by Arthur Andersen & Co. (1.) showed that universities spend less on F&A costs than industry (31 percent of total costs versus 36 percent of total costs).**

   The Andersen study did not consider the 26-percent administrative cap applicable to universities. As a result, all university administrative costs allowed by OMB Circular A-21 were included, even if they were not necessarily recoverable because of the cap. In addition, the profit factor that industry would normally charge and recover from the federal government was not considered in the study.

   Chapter 3 of the RAND study compared F&A rates across a broader group of sectors: universities, industry, government laboratories, hospitals, and research institutes.

4. **The RAND study (2.) in 2000 estimated that universities were subsidizing between $700 million and $1.5 billion of F&A costs associated with federal projects as a result of various agency limitations, cost sharing requirements, and other related factors.**

   Like the Arthur Andersen study, the RAND study did not include the impact of the 26-percent cap in the recovery of administrative costs. COGR estimates—using FY05 data from the NSF survey and including the effect of the 26-percent cap on administrative costs—that the university subsidy for F&A costs on federal research projects may exceed $3.0 billion annually. (The most recent COGR survey indicates that the average calculated administrative rate is approximately 30 percent, or four percentage points above the cap.)

5. **Universities, using their own institutional funds, are the second leading sponsor of university-based research. The FY05 NSF Survey (8.) shows that universities contribute more than $8 billion of their own funds each year to support their R&D activities, or nearly 20 percent of their total research and development expenditures.**
Although the federal government still provides the largest share of research funding at universities, university funding equals all other sources (state and local governments, private industry, foundations, and other sources) combined. In the early 1970s, the university share was approximately 11 percent of all research and development expenditures. Effectively, the growing university share represents significant increases in both direct and F&A expenditures.

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