The Financial Accountability in Research (FAIR) Model

Developed by the Joint Associations Group on Indirect Costs (JAG)

The **Financial Accountability in Research (FAIR)** model is a new approach to increase transparency, accountability, and clarity in how federal research funding is spent. The goal of FAIR is to ensure continued American leadership globally in research and innovation while delivering maximum benefit to American taxpayers. FAIR was developed with extensive input and feedback from a broad array of public and private research institutions, academic medical centers, independent research institutes, hospitals, private foundations, and private companies. It will:

- Establish an efficient, transparent and auditable payment structure that fully demonstrates accountability to the American taxpayer;
- Fund the true costs of research including government-mandated research compliance requirements;
- Accommodate all types of non-government organizations that receive federal funding for research;
- Align project costs with the type of work being performed; and
- Ensure predictable and actual reimbursement for essential institutional costs incurred in the conduct of federally sponsored research.
- Require changes to the Uniform Guidance and policies regarding salary and project budget caps.

The current indirect costs model applies an institution's negotiated reimbursement rate to all types of federally funded research. While this attempts to create a consistent reimbursement process across government funding agencies, it does not take into account the resources required for different types of research across the institution. Further, the current model has not accounted for the drastic increase in research regulatory costs and creates its own administrative burden and cost, including periodic negotiation with the government.

FAIR addresses these challenges by introducing three main cost categories:

- **Component 1: Research Performance Costs (RPC):** Formerly known as "direct costs," RPC represents costs that reflect project-specific research activities.
- **Component 2: Essential Research Performance Support (ERPS):** Formerly within the "indirect costs" category, ERPS represents costs that are necessary for carrying out research and that can be linked explicitly to a given project. They consist of four elements:
    - Regulatory Compliance (RC), which are project-specific costs associated with compliance with human and animal subject protections, biosafety, radiation safety, clinical trial monitoring, system security plans and project-specific research security policies, and other related regulations.
    - Award Monitoring, Oversight and Reporting (AMOR), which are project-specific costs related to administrative, financial, and performance management of federal awards.
    - Research Information Services (RIS), which are project-specific costs related to journal subscriptions, database access, institutional repositories, and related resources.
    - Essential Research Performance Facilities (ERPF), which are project-specific costs for research space, including utilities, maintenance, operations, building depreciation, leases, and other facility expenses directly supporting research activity.
- **Component 3: General Research Operations (GRO):** Formerly within the "indirect costs" category, GRO represents institution-wide infrastructure and services that are necessary to conduct research and support every sponsored research project but are impractical to allocate to a given project. This includes, but is not limited to, human resources such as onboarding, payroll, and benefits; procurement; and general services. GRO is the residual of "indirect costs" that remain after the items shown above have been moved to the ERPS category.

**JAG held 4 public town halls/webinars which elicited more than 400 questions and comments, in addition to receiving additional input through association members. Provisional models were released to community for comment and testing, resulting in more than 200 responses, 176 of which were based on testing of the models by institutions. All of this feedback was considered and shaped the final FAIR model.*

Two accounting options exist within the FAIR Model for funding Essential Research Performance Support (formerly a portion of "indirect costs"). These options are made at the institution level and apply to all research proposals and awards from all federal agencies at the institution.

- **Expanded Option**, under which institutions may directly charge all four elements of ERPS costs to individual research project budgets, as shown below.

Expanded Option – Example Project Budget

Research Performance Costs (RPC)	
Senior Key Personnel (e.g., PIs)	$$
Other Personnel (e.g., grad students)	$$
Supplies	$$
Publication costs	$$
Etc…	$$
Essential Research Performance Support (ERPS)	
Regulatory Compliance (RC)	$$
Award Monitoring, Oversight, and Reporting (AMOR)	$$
Essential Research Performance Facilities (ERPF) (% of budget)	%
Research Information Services (RIS)	$$
General Research Operations (GRO) (% of budget)	**15%**

Formerly referred to as "Direct Costs" – the project-specific costs to actually perform the research

Items moved from the former "Indirect Cost" category – project-specific costs needed to support the research

Remaining items in former "Indirect Costs" category – cannot easily be assigned to a given project

- **Base Option**, shown below, can be used by any institution. It may especially be attractive to those not having the administrative resources to benefit from the Expanded Option. For institutions using the Base Option, a fixed 10% of a total project budget will cover RIS and ERPF, in addition to the fixed 15% for GRO, while directly charging regulatory compliance and AMOR costs to the project budget.

Expanded Option

Research Performance Costs (RPC)	
Senior Key Personnel (e.g., PIs)	$$
Other Personnel (e.g., grad students)	$$
Supplies	$$
Publication costs	$$
Etc…	$$
Essential Research Performance Support (ERPS)	
Regulatory Compliance (RC)	$$
Award Monitoring, Oversight, and Reporting (AMOR)	$$
Essential Research Performance Facilities (ERPF) (% of budget)	%
Research Information Services (RIS)	$$
General Research Operations (GRO) (% of budget)	**15%**

Base Option

Available for all institutions and especially attractive for those with insufficient administrative resources for the Expanded Option

Research Performance Costs (RPC)	
Senior Key Personnel (e.g., PIs)	$$
Other Personnel (e.g., grad students)	$$
Supplies	$$
Publication costs	$$
Etc…	$$
Essential Research Performance Support (ERPS)	
Regulatory Costs (RC)	$$
Award Monitoring, Oversight, and Reporting (AMOR)	$$
General Research Operations (GRO) (% of budget)	**15%**

10% of total Budget

FAIR allows institutions to classify and recover costs for each specific project based on the actual type of research being conducted. By using long-established tools such as recharge centers and the space survey already employed in current rate negotiations, research institutions can map specific research requirements to the facilities and services each project requires. This flexibility empowers each institution to define its own categories and cost structures using internal data, while ensuring auditability and public accountability.

By modernizing the cost reimbursement model, FAIR strengthens public trust and the longstanding partnership between the federal government and the research community, supports accountability, and better positions America to continue its global leadership roles and responsibilities in research and innovation.

JAG Organizations: *Association of American Universities (AAU), Association of Public and Land-grant Universities (APLU), Association of American Medical Colleges (AAMC), American Council on Education (ACE), Association of Independent Research Institutes (AIRI), Council on Governmental Relations (COGR), National Association of Independent Colleges and Universities (NAICU), American Association of State Colleges and Universities (AASCU), and the National Association of College and University Business Officers (NACUBO). Science Philanthropy Alliance (SPA) – SPA contributed ideas and staff time to the JAG effort, but as a matter of policy does not speak for its partner organizations, so takes no formal position on the FAIR Model*