

Facilities and Administrative (F&A) Costs, Reimbursements and Budget Planning

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Research FY22



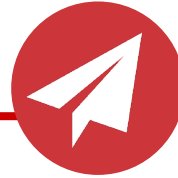
\$547+

MILLION
in research
expenditures
(Estimated)



\$64+

MILLION
in F&A earned



\$1.5+

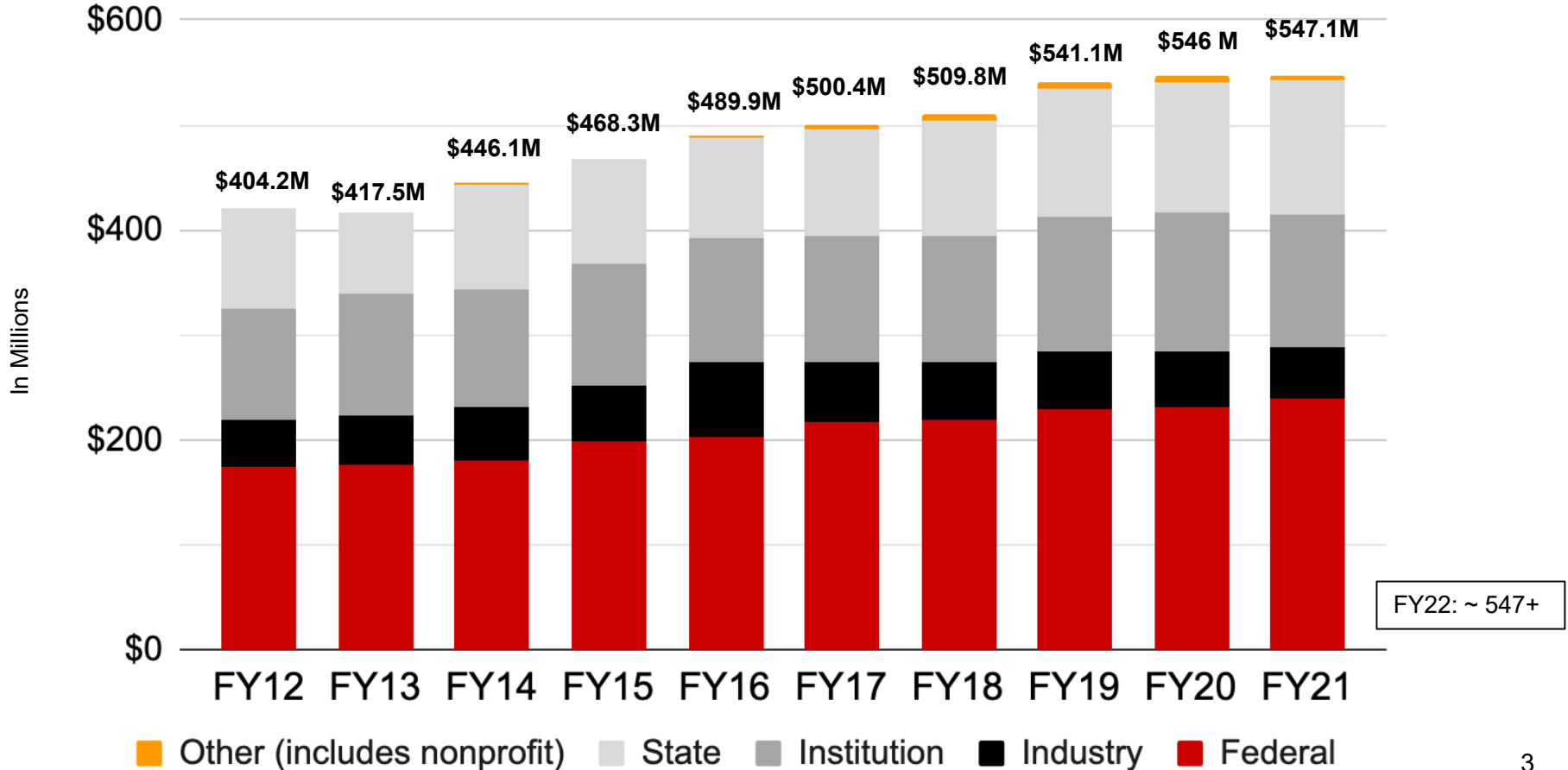
BILLION
in proposals
submitted



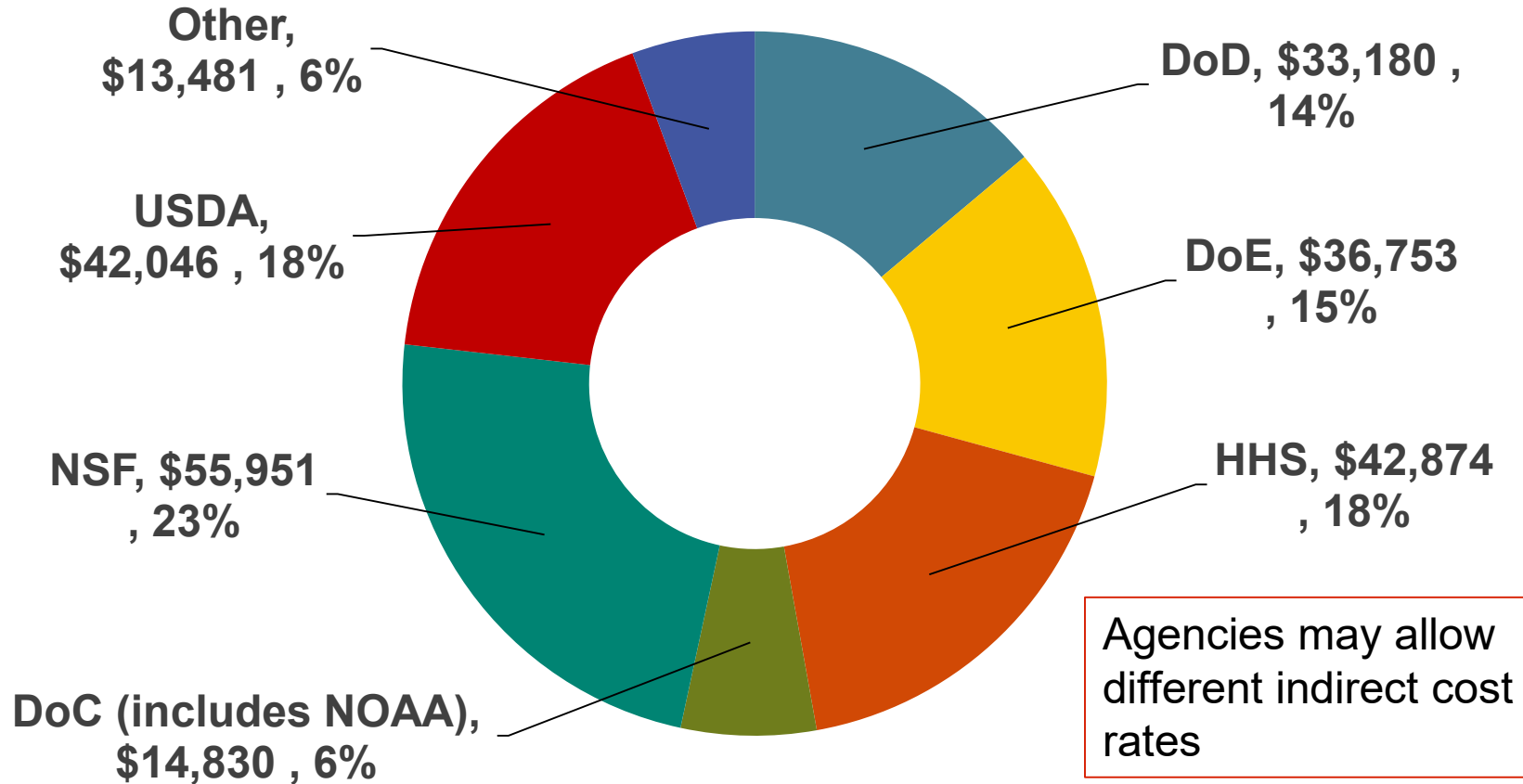
\$409

MILLION
in sponsored
research
awards

NC State Research Expenditures



Federal Expenditures by Agency FY21 - \$239 M



What F&A *is* and what it is *not*

What it is:

- Indirect **costs incurred by the university** to enable and administer research and public service efforts.
- F&A receipts are **a partial reimbursement** of these costs by external sponsors who fund research, public service and instructional activities.
- Examples include equipment depreciation, facilities, utilities, information technology infrastructure, pre and post-award administration and regulatory compliance, library, etc.

What it is not:

- It is **not a “tax”** on research budgets.
- It is **not “new” money** in the coffers of the University.
- It is **not a full reimbursement** of overhead costs for funding research

How is the current fully negotiated research rate calculated?

Administrative	Total F&A Costs	Total F&A Rate	Negotiated F&A Rate
General Administration (OFA, Provost, ORI, OIT)	\$12,445,169		
Department Administration (Colleges and Departments) (2)	\$31,949,669		
Sponsored Projects Administration (SPARCS and C and G)	\$6,928,285		
Total Administrative	\$51,323,123	32.09%	(1) 26.00%

Facilities			
Buildings and Building Interests Payments on Building Debt	\$8,139,855		5.50%
Equipment	\$4,469,904		3.1%
Operations and Maintenance (includes utilities)	\$19,958,212		14.90%
Library	\$4,252,882		2.50%
Total Facilities	\$36,820,853	27.54%	26.00%
Totals	\$88,143,976	59.63%	52.00%

Base year 2015

(1) Non negotiable federal cap of 26%. Sponsor-capped F&A rates reduce the actual F&A receipts the university receives.

(2) NC State proposal 53.54% (26 + 27.54) negotiated to 52% by Fed. Gov.

Includes 1.3% utility cost allowance

F&A costs not recovered

- **There are indirect costs associated with every research project (external or internal).**
- Sponsor-capped F&A rates reduce the actual F&A receipts the university receives.
- *Our effective F&A rate is currently in the 21% range.* The other 30 to 40% is unrecovered. Annually NCSU earns about \$64M in F&A.
- For example: a grant with 100k in direct costs with **full** F&A should earn up to \$52k in F&A (total grant: 152k, current 52% F&A rate was approved in FY15)
- Next F&A Cost Proposal base year is 2023
- Some factors that will affect the upcoming negotiated rate: Plant Sciences, Reduction in building interest, January 2023 Space Study, Utility Cost Allowance, ...
- A new negotiated rate will only apply to new grants after the negotiated rate is set. Full effects of a new rate are traditionally not material until 2025.

NC State's F&A full rate compared to peers

NC STATE

Peer Institution	Research	Other Sponsored Activities (Usually Public Service)	Instruction
Texas A&M University	51.5%	30.0%	51.5%
North Carolina State University	52.0%	33.6%	52.0%
University of Florida	52.5%	32.6%	47.5%
University of Arizona	53.5%	47.0%	50.0%
University of Maryland	55.0%	40.0%	53.0%
Purdue University	55.0%	38.0%	54.0%
University of Wisconsin	55.5%	38.0%	53.0%
Michigan State University	55.0%	36.0%	N/A
Rutgers University	57.0%	37.2%	53.0%
*Georgia Institute of Technology	58.2%	35.9%	53.4%
*University of Illinois	58.6%	31.7%	44.9%
University of California-Davis	59.5%	42.5%	50.0%
*Virginia Polytechnic Institute	63.0%	35.0%	53%

NC State base year 2015, on-campus rates

*Negotiates with Office of Naval Research

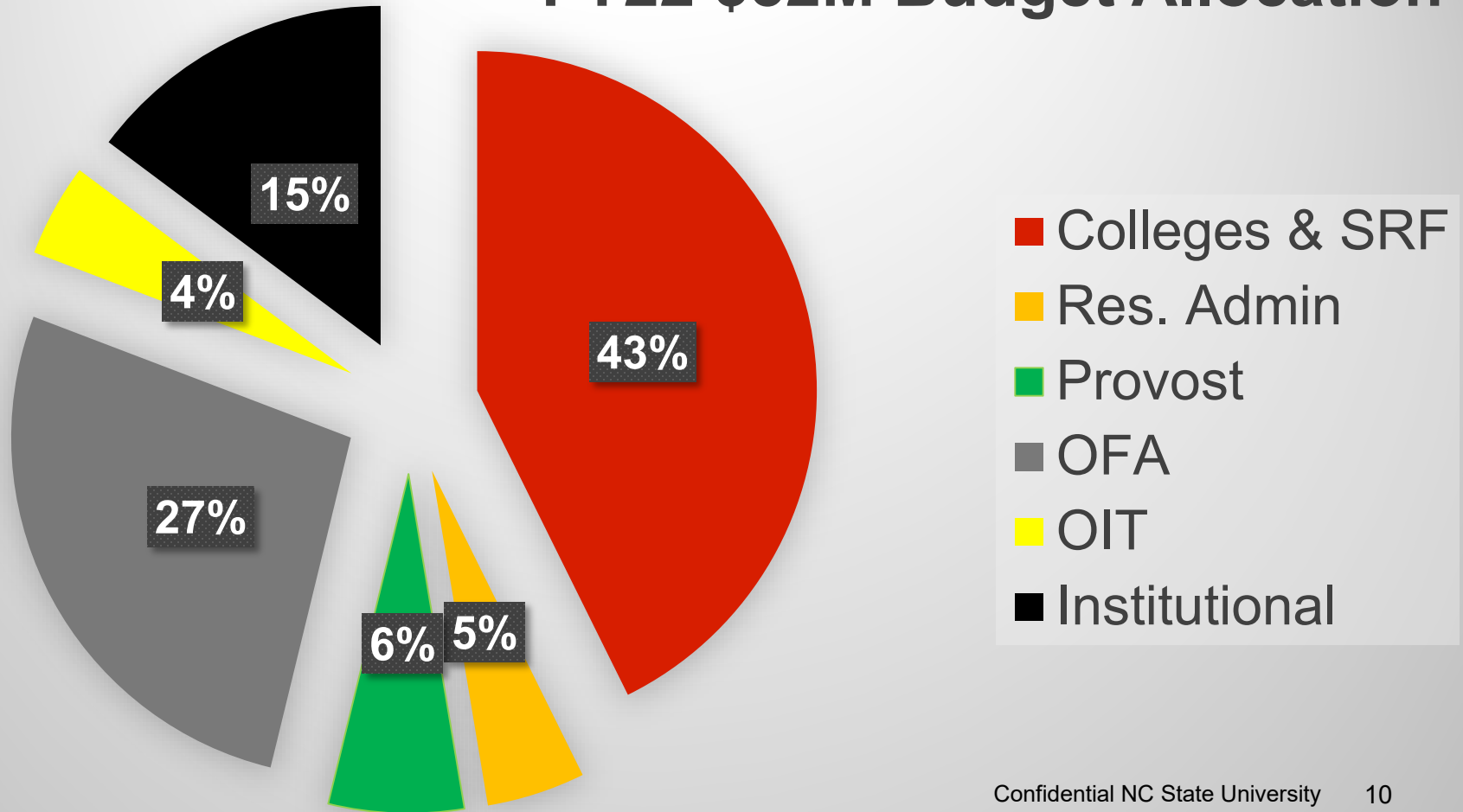
Off-campus rate is typically about half of the on-campus rate

Updated Sep 2022

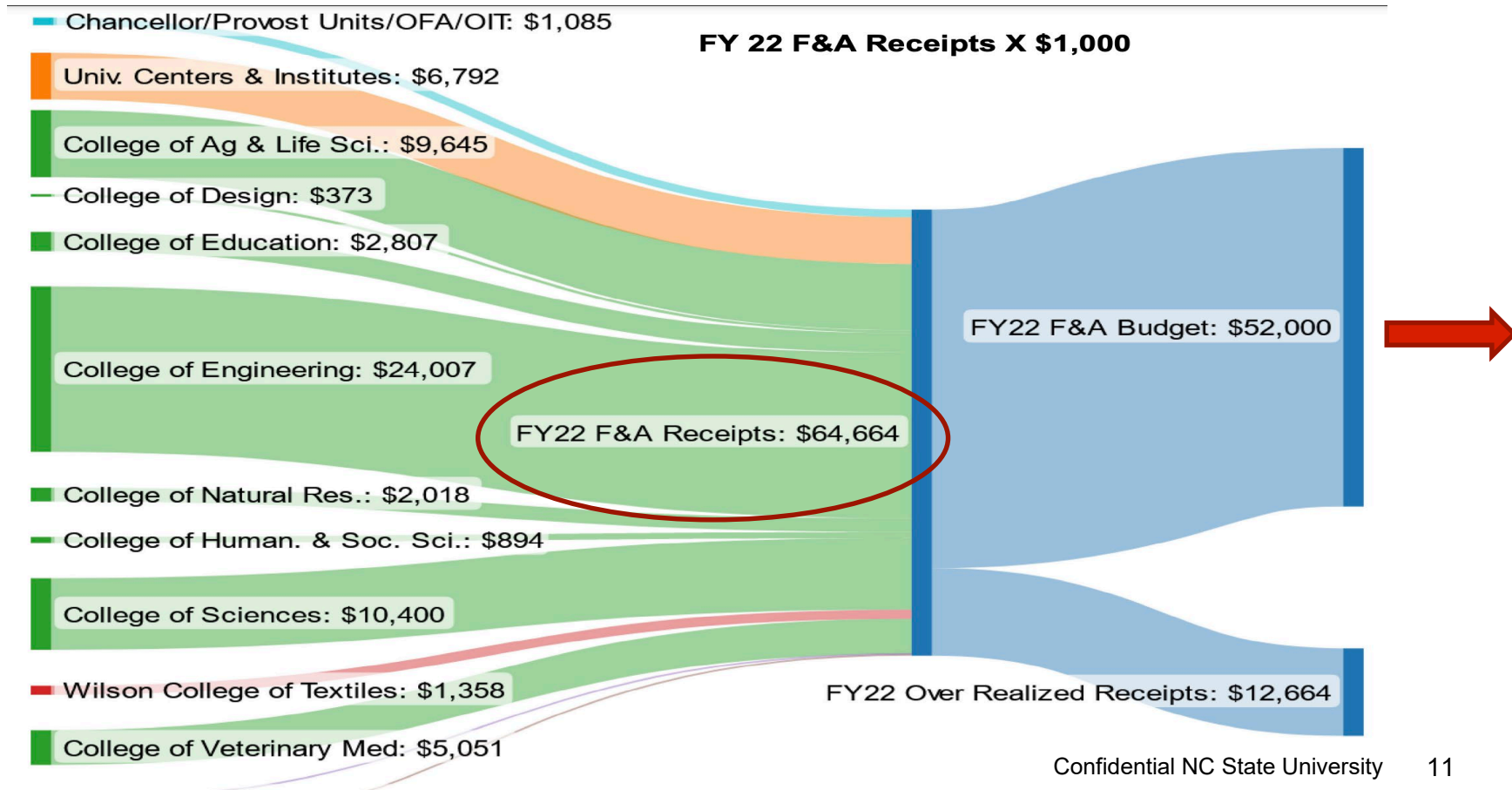
How does NC State budget, allocate, and invest F&A receipts?

- Study Historical **trend** in F&A (prior year actual receipts and trend over time)
- Make a **projection** of coming year F&A considering contracts and grants in hand, awards being received, proposals being submitted or considered and external political/budgetary outlook both Federal and State
- Establish an annual F&A **operating budget** (continuing and one-time components)
- Identifying **central** obligations
- Setting aside funds for **strategic** investments to fuel new research
- Utilizing the full F&A rate component structure as a guide for further budget allocation of the remaining allocation base
- Any additional monies which are received during the year (**over realized receipts**) remain in the University reserve to be used as directed by Executive Officers for strategic research initiatives

FY22 \$52M Budget Allocation



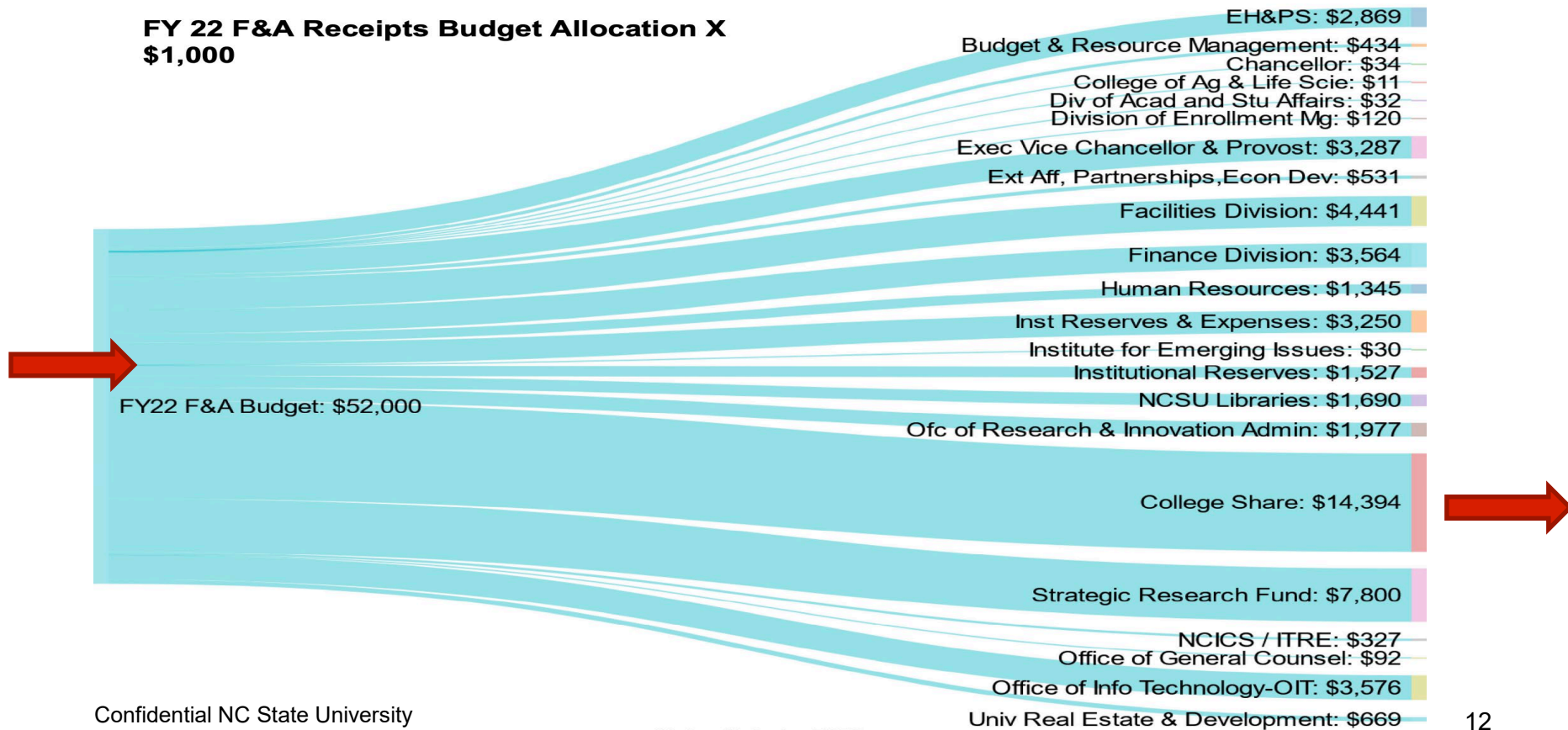
FY22 F&A Receipts



F&A Budget Allocation FY22

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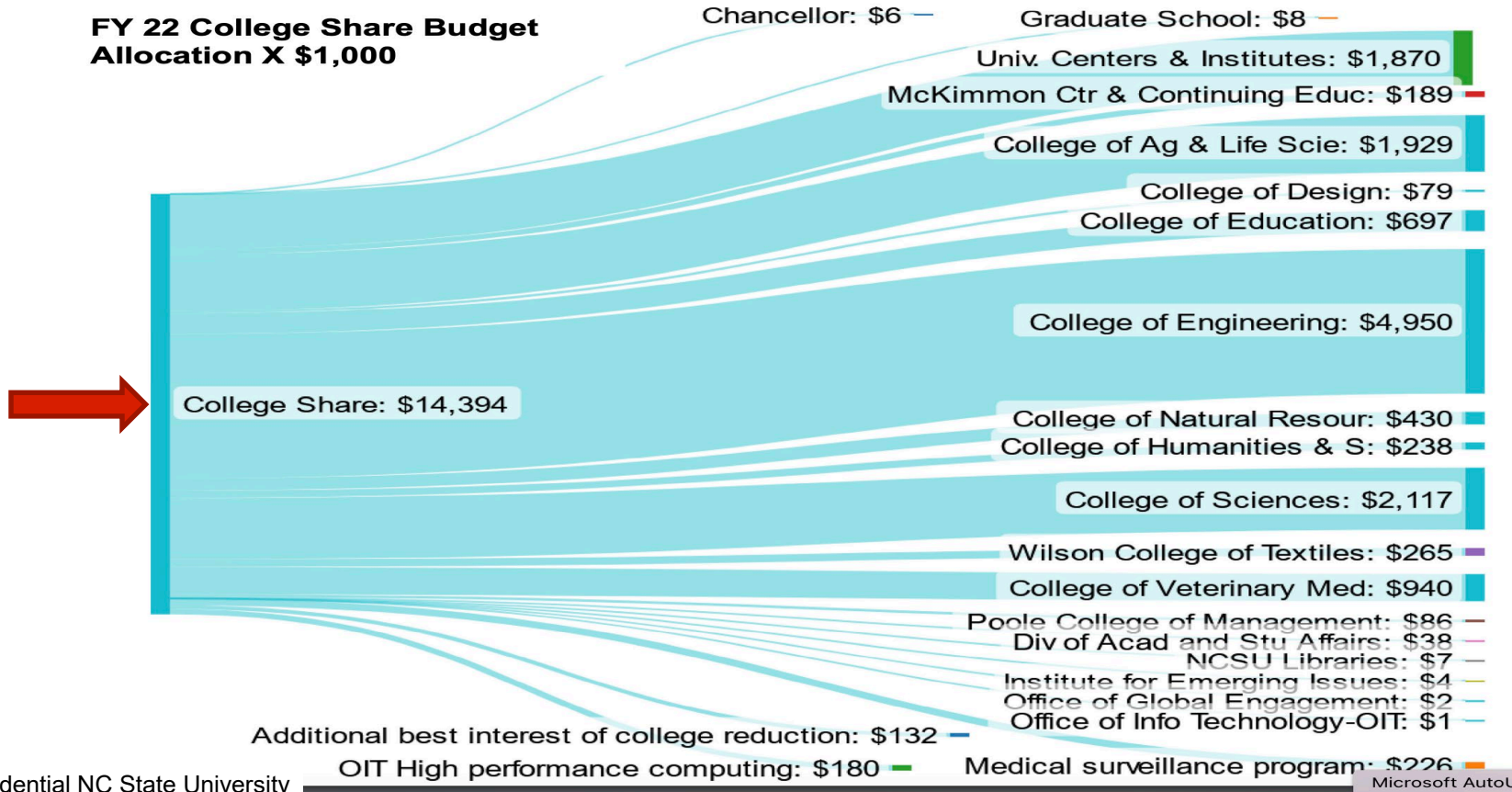
**FY 22 F&A Receipts Budget Allocation X
\$1,000**



College Share Allocation FY22

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FY 22 College Share Budget Allocation X \$1,000



Components of the College Share Allocation

- **Prior year receipts** - Used to determine each **College's % share** of the College portion of the budget allocation base.
- **Budget Allocation Base x College's % share** of prior year receipts
- **University Share of Revenues** - 100% minus Department Administration (Colleges & Departments) 36.2% (from slide 6, \$31.9M/\$88.1M) = 63.8%
- **College Share of Revenues** - 36.2% x College's portion of Budget Allocation Base
- **Additional best interest of college reduction** - "Best Interest of the College" is code applied to a contract or grant awards when the Vice Chancellor for Research or Director of Sponsored Programs agrees to waive (wholly or partially) F&A recovery at the applicable federally negotiated rate, other than those sponsor restrictions pre-approved by SPARCS. This code indicates the waiver or reduction requested by a College is approved, and the benefit is deemed to be specific to the College or a program within it. F&A is under-recovered and the College is assessed a penalty to offset the university portion of the lost F&A.

F&A Budget Planning

- All 2-digit OUC's receiving F&A Budget will complete a 5-year budget plan in coordination with the University Budget Office as a component of the All-Funds Budget discussions in the Fall – modeled similarly to the auxiliary budget process
- Process will begin annually in August and will lead to All-Funds Budget meetings with units in September and October
- The main purposes of the F&A Budget Planning Process:
 - Approve a current year (FY23) budget
 - Establish an appropriate carryforward target
 - Implement and F&A Strategic initiatives Fund (different from ORI Strategic Research Fund).
 - Begin to develop NC State's All-Funds Budget
- Includes a 5 year budget template and 1-2 page word narrative

F&A Budget Planning – Carryforward Targets

- Each 2-digit OUC will establish an annual carryforward target
- Carryforward targets will be discussed and established each year to an appropriate agreed upon amount that makes sense for each specific unit.
- Justifications for increased carryforward targets will be included in the units F&A Budget Planning word narrative and will be discussed during the September/October All-Funds budget unit meetings.

Questions?

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