

NIH research funding supports the United States' scientific competitiveness worldwide and enables the U.S. to be a global innovation leader. New NIH guidance would lower the facilities and administrative (F&A) rate for all NIH-funded research grants to 15 percent. As proposed, this will gut UC funding by hundreds of millions of dollars annually. The time-honored partnership between the federal government and universities to invest in scientific research has led to some of the most powerful and impactful discoveries in human history. Life-saving treatments for cancer, diabetes, heart attacks and strokes, and new technologies and industries that translate into countless jobs are at risk.

**Many myths and misunderstandings exist about NIH F&A cost rates, often leading to confusion or incorrect assumptions. This document aims to clarify these misconceptions with the facts.**



### MYTH

F&A costs are not necessary for conducting research.



### FACT

To conduct research, institutions need to make significant investments in infrastructure (labs, equipment) and operations (faculty, grad students, staff) necessary for research. F&A costs reimburse institutions for these expenses.

While these costs may not be easily linked to individual research projects, they are real and actual costs incurred by institutions to sustain research.



### MYTH

F&A costs are administrative bloat.



### FACT

F&A costs fund critical infrastructure like research labs, high-speed computing, libraries, and utility costs. They also support regulatory compliance, such as requirements for human subjects, laboratory safety, and national security protection to ensure research is conducted safely, ethically, and responsibly.

Reimbursement for administrative expenses is capped at 26 percent. Institutional costs that exceed this are not reimbursable and must be covered by the university. Therefore, universities have every incentive to contain costs as they must pay the entire bill and are only reimbursed for partial expenses when (and if) federal research is conducted.

# Myths vs. Facts

## F&A CUTS



### MYTH

If a university has an F&A rate of over 50 percent, it means they spend more than half their federal grant money to pay for F&A costs.



### FACT

A university's F&A cost rate **is not in reference to the total grant**, but rather only a **subset** of the research project's direct costs. Currently, the average amount paid to universities for F&A expenses is approximately 25-33 percent of the total amount of a grant. (Campuses with medical centers tend to be closer to 33 percent because of the higher costs involved in providing for medical research facilities.)



### MYTH

F&A costs siphon money away from actual scientific research.



### FACT

Lower F&A costs do not mean more money for research; instead, they represent a reduction in the funds available to support the broader research infrastructure and administrative needs of an institution.

Paying F&A is necessary for research and reducing F&A funding leads to diminished research capacity, deterioration of research facilities, and loss of scientific talent. Institutions may have to scale back research programs due to insufficient funding for essential infrastructure and operations. Without adequate F&A funding, research facilities may fall into disrepair, impacting the quality and safety of research. Researchers may be forced to leave institutions that cannot afford to maintain a robust research environment, leading to a loss of valuable expertise.



### MYTH

Foundations and the federal government categorize the reimbursement of F&A costs in the same way.



### FACT

Federal F&A rates have been negotiated between universities and the federal government on an ongoing basis for decades. The University has been a partner in the negotiation process and supports transparency by providing the government detailed cost data according to federal cost principles (2 CFR 200) to establish the rate. Foundations establish their own policy for determining the allowability of direct vs. F&A costs. They often classify certain expenses as “direct costs” where federal rules for universities require similar costs to be categorized as F&A costs. Federal funding and foundation grants have different rules about what expenses they can cover. This means there are key differences in how costs are categorized for each. Regardless of the nuanced differences, the fact remains that both direct and F&A costs are necessary and real research expenses.



### MYTH

If a foundation caps its F&A reimbursement at 15 percent, the federal government is subsidizing the research.



### FACT

Federal cost principles require that F&A costs are allocated fully and consistently to all benefitting activities, regardless of whether a sponsor fully reimburses the institution. This ensures that all research is costed consistently. If a sponsor under-reimburses F&A, the institution is subsidizing the work. Non-federal sponsors operate under a different paradigm than federal agencies. F&A cost rate limitations often can be mitigated by greater latitude in direct charging allowable items.

# Myths vs. Facts

## F&A CUTS



### MYTH

F&A costs to universities are wasting taxpayer dollars.



### FACT

The federal government invests in university research because it gets a strong return in the form of life-saving treatments and improved health outcomes that affect all Americans and ultimately save taxpayers money. Universities carefully steward taxpayer dollars spent on biomedical research with robust oversight. As compared to the private sector, universities charge lower F&A rates, do not have profit margins, and are subject to an administrative costs cap. For more information on how indirect costs are used by research universities and how important they are, consult the Association of American Medical Colleges (AAMC) informational page on indirect/facilities and administrative costs: <https://www.aamc.org/what-we-do/mission-areas/medical-research/facilities-administrative-costs>



### MYTH

F&A rates paid to universities have skyrocketed in recent years.



### FACT

F&A reimbursement rates to universities have remained stable at roughly 27-28 percent of total federal research funding since 1991. Meanwhile, university spending on faculty research has surged by 65 percent since 2010, surpassing all other sectors, including overall federal spending on university research, which has increased by 13 percent.



### MYTH

Federal F&A rates are established arbitrarily.



### FACT

Federal F&A rates have been negotiated between universities and the federal government on an ongoing basis for decades based on detailed research expenditure data. Universities use these negotiated rates to make important long-term budgeting, hiring, and other administrative decisions and to fund research and innovation cycles that are needed for long-term discoveries. The federal government reviews these rates every 3-4 years, including examining the institution's infrastructure and operations.

# Myths vs. Facts

## F&A CUTS



### MYTH

Universities do not contribute their fair share to cover research costs.



### FACT

Federal F&A reimbursements do not fully cover the F&A costs of university research, so universities commit their own funding to make up the difference. A study by the Association of American Medical Colleges demonstrated that for every dollar in NIH awards an academic health center receives, they spend an additional 53 cents to support that science. The largest driver of this shortfall is unreimbursed facilities and administrative costs. Due to rising regulatory compliance costs, institutional support for research has increased while the federal government's share has decreased. Any cuts to F&A reimbursement would cripple our nation's research and innovation enterprise.



### MYTH

The cuts will not significantly impact the University of California due to its diverse funding sources.



### FACT

The NIH is the largest funder of UC research, with funding totaling \$2.6 billion in the last academic year. A reduction of this scale would have a profound impact on the UC system, creating significant gaps in funding that supports research facilities and staff. These cuts could challenge our ability to fully carry out our mission in education, patient care, and research.