

Distribution and Use of Facilities and Administrative (F&A) Funds to PIs and Managing Units Policy

Background: What are Facilities and Administrative (F&A) Costs?

Also known as “indirect costs” or “overhead,” F&A costs are facilities and administrative expenses associated with carrying out sponsored projects that cannot be specifically identified with a particular sponsored program or directly charged to it. Examples of “facilities” expenses include research equipment, building depreciation, start-up packages, and utilities, while “administrative” costs include a portion of many of the administrative offices that support research, such as the Office of Research, Finance, the Libraries, IS&T, Legal Affairs, and Human Resources. For more information on how F&A costs are calculated by the federal government, see the [COGR F&A Explainer video](#).

How Does Chapman Collect F&A Costs From Sponsors?

The University incurs these expenses upfront and is reimbursed for a portion by the sponsor. The federal government determines the F&A rate in response to an application from the University. This is then referred to as our Federally negotiated rate.

Chapman’s Contributions to Research

F&A rates only partially cover actual F&A costs associated with supporting research due to structural limitations in the federal formulae. As a result, Chapman and most other research institutions routinely subsidize research-related costs not charged to awards (e.g., faculty academic year salaries, start-up costs, internal grants, buildings, equipment, etc.). Table 1 from the NSF Higher Education Research and Development Expenditures survey summarizes research expenditures from 2010-2021 and shows that the proportion of research funding provided through institutional funds, on average, is about 20-25% of the institution’s total research expenditures. Chapman’s proportion is significantly higher at about 39% of research expenditures.

Table 1

Higher education R&D expenditures, by source of funds: FYs 2010–21

(Millions of current dollars)

Fiscal year	All R&D expenditures	Source of funds					
		Federal government	State and local government	Institution funds	Business	Nonprofit organizations	All other sources
2010	61,287	37,478	3,887	11,943	3,202	3,730	1,048
2011	65,274	40,768	3,851	12,580	3,183	3,854	1,038
2012	65,873	40,217	3,744	13,625	3,279	4,037	970
2013	67,145	39,510	3,706	14,974	3,515	3,903	1,537
2014	67,351	38,032	3,916	15,781	3,734	3,978	1,911
2015	68,694	37,911	3,864	16,638	4,009	4,236	2,037
2016	71,911	38,858	4,053	17,944	4,219	4,632	2,204
2017	75,291	40,320	4,187	18,887	4,439	5,157	2,303
2018	79,174	41,935	4,326	20,221	4,725	5,456	2,511
2019	83,643	44,540	4,520	21,115	5,064	5,702	2,702
2020	86,445	46,196	4,596	22,023	5,187	5,754	2,688
2021	89,872	49,228	4,745	22,482	5,119	5,604	2,694

Note(s):

Because of rounding, detail may not add to total. Includes all institutions surveyed in the fiscal years shown.

Source(s):

National Center for Science and Engineering Statistics. Higher Education Research and Development Survey.

Charging F&A Costs to Sponsored Projects

As the PI spends award money for direct project-related expenses, F&A is collected from the sponsor at the rate budgeted in the project. The Office of Research will apply the negotiated F&A rate to each proposal and award per the award terms.

A reduced F&A rate will be accepted if a sponsor (usually a Foundation or other non-profit organization) has an established F&A rate that is lower than Chapman's federally negotiated rate. The Office of Research may assist in communicating with the sponsor to obtain documentation of an established rate that is not published. If the sponsor does not have an established rate, the University's negotiated rate will be applied.

Distribution of F&A Recovery

To further stimulate research in the units that support the projects, the University has elected to allocate the F&A recovery in the following manner. The allocation will be made on an individual grant basis, depending on the actual amount recovered from the sponsor.

When F&A recovery is received or accrued from the sponsored based on billings, portions will be properly transferred into their respective unrestricted accounts. The Office of Research will create an account under the unrestricted fund as a University-designated unrestricted account for each distribution area. Unspent funds will carry forward from fiscal year to fiscal year.

Percentage	Area	Purpose
20%	Principal Investigator (PI)	For future research-related costs. If the sponsored program was submitted by a

		Program Director or other University Administrator, the allocation will be credited to the program for future related costs associated with operating the unit or program.
25%	Academic Dean	To seed research projects, support research travel and other research-related activities, and/or to cover administrative research-related costs. Funds will be used to cover any overdrafts on sponsored programs.
55%	Office of Research	To reimburse central administrative expenses related to research, sponsored programs, and compliance. To support and advance research across campus.

A. Institutes and Centers:

For approved centers within schools/colleges and institutes reporting to the Provost, the standard 25% allocation to the Dean will be split between the center/institute and the Dean the following way:

Percentage	Area	Purpose
15%	Center/Institute	To support research related and administrative costs associated with operating the center.
10%	Dean	To seed research projects, support research travel and other activities and/or to cover administrative costs.

B. Specification of Appropriate College/School

Where grants are managed through a center or institute, the college or school where the main Principal Investigator (PI) holds their faculty appointment will receive the dean portion (10%) of the F&A. If a PI is not affiliated with a college or school, then the dean portion will remain with the center or institute.

Use of F&A Funds and Allowable Costs

A. PI's Allocation

The Office of Research will create an individual project code to assist the PI in tracking their F&A research fund allocation. If the PI leaves the University, these allocated funds will be forfeited and returned to the F&A account of the Vice President for Research.

B. Dean's Allocation

The Dean's allocation will be used under the discretion of the Dean and as described under the Allowable Uses section below. These funds may be used to assist with cost-sharing (also known as matching), seed funding for new initiatives, and adjunct instruction costs when PIs require course reduction to complete a sponsored research project. When using these funds for cost-sharing, deans should follow procedures issued by the Financial Services and the Office of Research to ensure that the cost-sharing expenditures are adequately documented for reporting and future reference.

The dean may elect to give a portion of the F&A to the departments or units within their school or college for seed research projects, research travel, other activities, or other costs described below.

C. Director's Allocation

The Director's allocation should be used for a variety of research-related purposes, including the administrative support of pre- and post-award functions for the center or institute, costs associated with general operations of the center or institute, and potentially any bridge funding of research personnel.

D. Office of Research

The Office of Research allocation will be used to support and advance research across campus and support central administrative expenses for sponsored programs and compliance.

E. Allowable Use of F&A Funds:

F&A recovery funds must be used for research and scholarly and creative activities. They must adhere to all University policies and procedures and all applicable laws and regulations when using these funds. Examples of allowable costs include:

- Operations support: Clerical salaries, postage, phones, etc., needed to manage the project but cannot be charged to the project (e.g., due to insufficient funding or the sponsor prohibits those charges).
- To cover overdrafts on sponsored awards.
- Bridge funding: Salaries and benefits for key personnel to retain them between grants, as well as supplies, travel, and clerical support to develop proposals for new funding.
- Sponsor-required cost-sharing: Costs to meet sponsor-required percentages or dollar amounts for cost-sharing as documented in proposals or grant agreements.
- Allowable project costs: Salaries for research assistants (e.g., when they cannot be supported on awards), chemical supplies, travel for grant purposes, or other types of support approved but not fully funded by the sponsor.
- Items such as academic and professional development conferences, meeting expenses, food (excluding alcohol), promotional items, and office supplies that the sponsor does not allow but that are needed to conduct or enhance the project.
- Project development costs: Pilot projects; proposal writing; proposal typing/editing; travel to

conferences or to meet with sponsors; expenses to host sponsors, prospective partners, or influential project supporters; specialized equipment and workshops leading to proposal submissions.

- Research faculty recruitment and initial support: Salaries/equipment for new faculty or research faculty bringing grants with them from another institution; salaries for promising research associates or new faculty with the expectation they will write proposals and obtain future grants.
- Research center/institute support: Shared administrative/executive assistants, technicians, equipment purchases or maintenance, and other support for groups of principal investigators. Personnel support for sponsored projects and compliance: support positions for research administration support of pre- and post-award management and all areas of research compliance (i.e., human subjects, animal use, conflict of interest, export controls, research misconduct).
- F&A Funds may NOT be used for:
 - Paying bonuses or other forms of extra compensation for Chapman faculty or other employees.
 - Alcoholic beverages.
 - Other expenses that do not directly benefit Chapman's research or creative activity, such as entertainment or personal expenses, etc.

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