

FACULTY SENATE REQUEST FOR INFORMATION: F&A COST ADJUSTMENT FOR GRANTS AND CONTRACTS

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Background for the Response:

Facilities and Administrative (F & A) costs (sometimes called indirect costs or overhead) are **actual** costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with any *single* sponsored project, instructional activity, or other institutional activity. Examples of these costs are administrative salaries, space, utilities, and library facilities.

The University's federal F & A rates are established through periodic negotiations with our cognizant agency, Department of Health and Human Services (DHHS). The costs used to prepare the F&A rate proposal are actual cost incurred in our base year, fiscal year (FY) 2011. The rate is a simple ratio with the total indirect costs being the numerator and the total direct costs being the denominator.

Questions and Responses:

Question 1: Please provide a detailed accounting of services that are provided/available at the current 31% rate and a detailed accounting of additional services that grant-seeking faculty can expect to see as a result of this 9% increase.

Response 1: See response 2 included below.

Question 2: How does Georgia Southern's institutional support structure for grants/contracts compare to the peer institutions referenced in Dr. Patterson's campus-wide memo—that is, how are the services provided by these institutions similar to those provided at Georgia Southern? In what ways are the services provided by these institutions different than those provided at Georgia Southern (e.g., number of professional staff; number of programs with full-time administrators specifically dedicated to grants and contracts, etc.)?

Response 2: Questions 1 and 2 pre-suppose that costs/activities related to sponsored projects support are a component of the Facilities and Administrative (F&A) Costs Rate. This is not correct. At our funding level, Georgia Southern is required to use the "Short Form" template for preparation of the rate proposal and the Short Form does not utilize Sponsored Projects Administration as a component of the rate. Thus, the rate increase impacts neither the level of service currently provided nor planned for the future.

Question 3: Putting aside comparisons of the previous 31% rate to those of other institutions, what justifications specific to Georgia Southern led to the recent adjustment from 31% to 40%?

Response 3:

Question number 3 asks for the justification that led to the increase from rate of 31% to a rate of 40%. Referring back to the background information provided, the new rate reflects actual indirect costs incurred in the base year. Indirect costs incurred in FY 2011 totaled \$68,175,238. The direct cost base for FY2011 was \$157,632,925. A proposal for a rate of 43.24% ($68,175,238 / 157,632,925$) was submitted to DHHS. The government offered a rate of 40% and, in lieu of further negotiating the rate to be closer to the calculated 43.23%, the agency's offer was accepted.