

# EXECUTIVE SUMMARY

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The Council on Governmental Relations (COGR), established in 1948, is an association of 190 leading universities and research institutions and is nationally recognized as the technical expert on a wide range of research policy issues, including how the research funding model works in the United States. Member institutions conduct more than \$70 billion in research and development activities each year and play a major role in performing basic research on behalf of the federal government. COGR brings a unique perspective to research regulatory and issues and focuses on the influence of federal regulations, policies, and practices on the performance of research and other sponsored activities.

This paper, *Excellence in Research: The Funding Model, F&A Reimbursement, and Why the System Works*, describes how a reliable “Facilities and Administrative” (F&A) cost reimbursement policy is critical to the continued success of the U.S. research enterprise. The paper also provides a strong educational foundation for understanding how the current system works and explores potential improvements.

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*“Excellence in Research” provides a robust educational foundation on how the research funding model works and makes the strong assertion that the system is efficient and effective. Further, a reliable F&A cost reimbursement policy is imperative to the continued success of the U.S. research enterprise.*

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*Excellence in Research* addresses equitable reimbursement of F&A costs, how the F&A cost rate works, misunderstandings and myths, and related topics. Discussions include:

**Brief History** ([Chapter 1](#)) provides background on how the funding model has evolved since the 1930’s and has had a significant, positive impact on the nation’s status as the global leader in research. This historical perspective draws on the insights of key policy-makers, including past and present White House science office advisors, Vannevar Bush and Kelvin Droegemeier, and encourages stakeholders to understand the history of and the important role that F&A costs play in securing a stable U.S. research enterprise.

**F&A for the Non-Accountant** ([Chapter 2](#)) explains F&A costs in a simple, straightforward way, including everyday terminology, clarifying examples, case studies, and graphics.

**F&A Nuts and Bolts** ([Chapter 3](#)) describes in more detail the calculation and application of F&A cost rates that research institutions and the federal government use to determine federal reimbursements for institutions’ F&A costs. While Chapter 2 is designed to simplify the

complexities, Chapter 3 enters into the details of the F&A cost rate calculation process. Key to the discussion is the role of [2 CFR 200](#) – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (i.e., Uniform Guidance), managed by the Office of Management and Budget (OMB), and how the Uniform Guidance directs the F&A process.

***Oversight and Audit*** ([Chapter 4](#)) depicts the value provided by the current oversight and audit infrastructure. This system helps to ensure effective administration of federal awards and provides assurance to stakeholders that F&A cost rates are tightly regulated and controlled. This infrastructure includes a wide variety of federal entities, auditors, and oversight bodies led by dedicated oversight and audit professionals who together safeguard federal awards, ensure compliance with federal requirements, and confirm that negotiated F&A cost rates fairly reflect the true F&A costs of the awards.

The next two chapters; ***Policy and Special Topics*** ([Chapter 5](#)) and ***The Facts (Not Myths)*** ([Chapter 6](#)) explore a variety of topics that prompt interesting and challenging policy discussions on F&A costs and their reimbursement. The chapter on facts and myths emphasizes the importance of data-driven, informed discussion around F&A, debunking common myths that misrepresent the facts and are unproductive to policy discussions on F&A cost reimbursement.

***The Administrative Cap and Burden*** ([Chapter 7](#)) describes the origin of the 26% administrative cap that was implemented in 1991 and is applicable only to colleges and universities. The link between the 26% cap and regulatory and administrative burden is well-known: Any new federal rule or regulation is an increase in the cost of compliance, and when the actual administrative portion of the F&A cost rate already exceeds the 26% cap, there is no mechanism to recover the compliance costs associated with the new regulation. In effect, the cost of complying with any new federal regulation is paid in full by the university. [Appendix 2, Managing Burden](#), provides an expansive discussion of regulatory and administrative burden.

***Why the Current System Works*** ([Chapter 8](#)) contends that, although the current system always should be subject to critical review, it is based on sound principles and for decades has helped to foster the partnership between recipients of research funding and the federal government. The chapter documents the 5 reasons why the system is efficient, effective, and fuels the economy via jobs and economic growth.

***Alternative Systems*** ([Chapter 9](#)) describes alternative models to the current system. While some of the alternative models could have benefits, unintended consequences may present significant risk to the stability of the U.S. research enterprise. Any proposed changes to the current system should be carefully evaluated and closely scrutinized by all key stakeholders.

***Improving the Current System*** ([Chapter 10](#)) concludes the paper with 5 recommendations designed to enhance the current system and provide a forum for regular engagement by key stakeholders and policy leaders. The recommendations are:

1. **Better Language and More Transparency.** *Incorporating both into policy documents, campus communications, and other media can contribute to better communication across all stakeholders.*

2. **More Flexibility in Direct Charging.** *Allowing this flexibility can result in a more equitable allocation of costs and a more fair reimbursement process.*
3. **Meaningful Reduction in Regulatory Burden.** *Doing so could result in new efficiencies, and ultimately reduce the cost of compliance at research institutions.*
4. **Leverage the Uniform Guidance.** *Building upon this platform can further enhance grants administration reform, as well as improvements specific to F&A cost reimbursement.*
5. **Convene F&A Roundtables with Key Stakeholders.** *These forums can offer the opportunity to address the nuanced technical issues of F&A cost reimbursement, as well innovative practices and opportunities to improve the system.*

All five recommendations are attainable and provide the opportunity to advance the vision articulated by Vannevar Bush in the 1940s. Further, we hope *Excellence in Research* enhances the climate for productive dialogue, including policy discussions, about F&A cost reimbursement.

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*The success of the Government - Research Partnership is an impressive story, indeed. The research funding model and F&A cost reimbursement process are effective support systems of the U.S. research enterprise and should be valued for their ongoing contribution to our nation's excellence in research.*

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*Excellence in Research* is [available online](#) at the COGR Website, [www.cogr.edu](http://www.cogr.edu)

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COGR appreciates the contributions of all its members in raising the challenges around research administration issues—and strategies for addressing these challenges—to the attention of their colleagues across the country. The COGR Costing Policies Committee, members of the Research Compliance & Administration (RCA) Committee, the COGR Board<sup>1</sup>, and volunteers in the research administration community all made important contributions to this paper. *Special recognition is given to the authors of and contributors to this paper, as shown at the front of the publication.*

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<sup>1</sup> See <https://www.cogr.edu/board-and-committees>