FAIR Cost Models

Joint Association Group on F&A

Subject Matter Experts Team

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Chapter 1: Introduction

Federally sponsored research is a cornerstone of the scientific discovery and innovation that drives U.S. global economic competitiveness and national security. Federal research is conducted primarily through long-standing partnerships between the federal government and a broad array of research institutions across the nation—including public and private universities, academic medical centers, independent research institutes, and hospitals. While federal agencies provide substantial financial support for specific research projects, the institutions also bear significant costs required to conduct the work safely and accountably—costs typically categorized as Facilities and Administrative (F&A) or "indirect costs."

Historically, the federal government has reimbursed institutions for indirect costs through a rate negotiated with each institution and applied to a subset of direct research expenditures on each project. While this model estimates the true costs to perform research at each institution, its complexity often leads to confusion and misunderstandings around the varied nature of the rates and how these funds are used. In addition, the existing indirect cost reimbursement model has become increasingly complex, administratively burdensome, and insufficient for covering institutions' true costs. Since 1991, federal policy has capped administrative reimbursements at 26%, irrespective of actual administrative expenditures, and many agencies apply additional budgetary caps, further restricting cost recovery.

Recognizing these persistent challenges, several major national associations representing academic and research institutions jointly launched an effort in early 2025 aimed at reforming how indirect research costs are reimbursed. This collective initiative, known as the Joint Associations Group (JAG), seeks to identify and propose transparent, equitable, and efficient alternatives to the current federal indirect cost reimbursement system. The overarching goal of the JAG initiative is to ensure fair reimbursement of actual costs incurred by research institutions, reduce administrative burden, and streamline federal funding processes across all federal agencies. The JAG comprises the following national organizations:

- American Association of State Colleges and Universities (AASCU)
- American Council on Education (ACE)
- Association of American Medical Colleges (AAMC)
- Association of American Universities (AAU)
- Association of Independent Research Institutes (AIRI)
- Association of Public and Land-grant Universities (APLU)
- Council on Governmental Relations (COGR)
- National Association of College and University Business Officers (NACUBO)

- National Association of Independent Colleges and Universities (NAICU)
- Science Philanthropy Alliance (SPA)

To facilitate detailed analysis and develop actionable solutions, JAG convened a Subject Matter Expert (SME) Team. This team includes representatives from a broad array of institutions and organizations, encompassing major public and private research universities, independent research institutes, academic medical centers, hospitals, federal research laboratories, and leading higher-education associations. The SME Team was charged with critically evaluating the current federal system for funding direct and indirect research costs, identifying key challenges, and proposing innovative, practical, and equitable solutions.

1.1 Challenges with the Current Federal Cost-Recovery Model

The existing F&A reimbursement system faces several critical shortcomings:

- Complex Negotiations: The process for negotiating indirect cost rates is highly resource-intensive, opaque, and inconsistent across agencies, resulting in administrative inefficiencies at the institutions and federal agencies.
- Inadequate Cost Recovery: The negotiated rate is applied to only a subset of direct costs resulting in the realized or effective rate being significantly lower than the negotiated rate. As a result, research institutions typically recover significantly less than the true expenses incurred in supporting federally sponsored research, effectively subsidizing the federal research mission.
- Overall Budget Limitations: Federal agencies frequently impose budgetary limits on research projects, restricting total project budgets, limiting the scope of work, and hindering the accurate reimbursement of true costs associated with compliant, high-quality research operations. In some cases, the budgetary limits have not changed in decades, despite increased personnel, supply, and facilities costs.
- Reimbursement model: Indirect costs are reimbursed to institutions for expenses they have already incurred. This process can appear to lack transparency in accounting for the funds and can lead to confusion about how the money was spent.
- Administrative Cost Cap: The federal administrative reimbursement rate has been fixed at 26% since 1991, without adjustments to reflect actual administrative costs and a marked increase in regulatory requirement placed upon institutions.

These limitations collectively drive calls from institutions, policymakers, and researchers for meaningful reform.

To address these pressing challenges, the SME Team developed two preliminary models under the framework of Fiscal Accountability in Research (FAIR). These models are intended as initial proposals designed explicitly to gather community feedback and enable institutions to test their practicality, impact, and effectiveness in achieving improved cost recovery and administrative efficiency:

FAIR Model 1: This model introduces a streamlined, standardized percentage applied to total federal research project costs, adjusted based on institutional and research-type factors. It eliminates the need for negotiated F&A rates, simplifies budgeting processes, and enhances transparency.

FAIR Model 2: This model provides a detailed, cost-driven approach by directly budgeting key research support functions—including facilities, grants management, and regulatory compliance—as standardized direct cost categories. Only minimal administrative costs remain as a residual component.

Note: Both models calculate costs based on the total project cost. The models do not use rates calculated against direct costs or modified total direct costs. This creates simplicity and aligns with how many people currently assume the indirect cost model works.

1.2 Shared Features and Assumptions

FAIR Models 1 and 2 share key design elements and foundational assumptions:

- Universal Applicability: Both models are designed for adoption by all federal agencies sponsoring research and can also be implemented by private foundations and other research funding organizations.
- Removal or Significant Increase of Budget Caps: Effective implementation requires federal agencies to remove or substantially raise current budget caps, allowing full and accurate reimbursement of actual research costs.
- Transparency and Auditability: Each model emphasizes clear, auditable, and transparent cost allocation methodologies, ensuring accountability and facilitating understanding among researchers, administrators, and federal sponsors.
- Administrative Efficiency and Burden Reduction: Consistent with recommendations from the Council on Governmental Relations (COGR) and the National Academies of Sciences, Engineering, and Medicine (NASEM)—which is currently evaluating administrative burden—both FAIR models advocate streamlining federal regulations, policies, and practices to significantly reduce institutional administrative complexity.
- Generalizability: The models provide equitable treatment of diverse research institutions, recognizing the distinct operational characteristics of public and private universities, independent institutes, hospitals, and academic medical centers.
- Regulatory and Policy Adjustments: Successful implementation will require updates to the Uniform Guidance, individual federal agency policies, and potentially legislative changes.

1.3 Accountability, Transparency, and Auditability

The traditional indirect cost model ensured transparency primarily by setting reimbursement rates through federal negotiation. In contrast, the proposed FAIR models significantly enhance transparency by providing detailed visibility into how institutions allocate and spend research support funds. Institutions will be required to allocate funds explicitly within designated budget categories to cover actual research costs. This approach advances accountability and reinforces public trust.

Similar accountability practices already exist in certain states and institutions. For instance, the University of North Carolina's Board of Trustees requires detailed reporting and transparency on the expenditure of indirect cost reimbursements. Likewise, the state of Florida mandates specific accountability measures and detailed expenditure reporting for funds historically categorized as indirect costs. These existing models underscore the viability and benefits of adopting enhanced transparency and accountability measures as proposed by the FAIR initiative.

1.4 Goals and Next Steps

The SME Team and JAG intend these proposed FAIR models as starting points, designed specifically to stimulate informed discussion and facilitate rigorous evaluation within the broader research community. Institutions are encouraged to thoroughly test and provide feedback on these models, contributing critical insights that will shape future policy recommendations and implementation strategies.

Detailed instructions for providing feedback are provided in Chapter 6.

Part 1: FAIR Model 1

Chapter 2: Overview of **FAIR** Model 1

FAIR Model 1 offers a simplified yet robust alternative to the current Facilities and Administrative (F&A) cost recovery system used by research institutions. Developed under the Fiscal Accountability in Research (FAIR) framework, this model significantly reduces administrative complexity and enhances transparency by applying standardized percentages to total federal research project budgets.

This chapter outlines the key principles, benefits, and clearly defined adjustment factors essential for implementing FAIR Model 1 effectively.

2.1

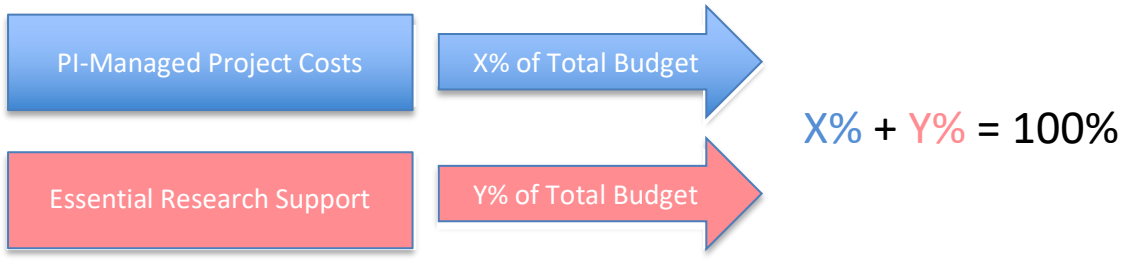
FAIR Model 1 is guided by several core principles that ensure fairness, simplicity, and transparency:

- Transparency and Accountability: Clearly defined adjustment factors make the process straightforward and easily auditable.
- Fairness: Adjustment factors account for institutional and research-type differences, ensuring fairness across diverse institutions.
- Simplicity and Administrative Efficiency: Standardized percentages eliminate the complexity associated with negotiating indirect cost rates.
- Universal Applicability: Applicable across all federal funding agencies and adaptable by other research sponsors, including private foundations.

2.2 Overview of FAIR Model 1

In FAIR Model 1, the total costs of a project budget consists of two components, the **Principal Investigator (PI)-Managed Project Costs** and **Essential Research Support (ERS)**. ERS is defined as a percentage of the total project budget and accounts for costs vital to the conduct of the research but need to be managed by the institution rather than the PI. ERS consists of a percentage determined by two adjustment factors, **Institution Type** and **Research Type**. These adjustment factors ensure the budget is appropriate to the specific type of research being conducted on the project and the unique nature of different institutions that perform research on behalf of the federal government.

ERS includes costs such as Research Library Materials, Safety and Compliance, Research Facilities, Grants Management and Finance, and General Research Operations. Below is a schematic of how the two budget components are combined into the total project budget.



2.3 Defined Adjustment Factors

FAIR Model 1 uses two clearly defined adjustment categories—Institution Type and Research Type—to determine the appropriate percentage applied to the total federal research project budget for the Essential Research Costs.

Note: We provide the following adjustment factors for illustrative purposes only. The final factors will be determined based on feedback from institutions' model testing and are likely to be different from those below.

Institution Type Adjustment Factors:

- Institute of Higher Education: 25%
- Independent Research Institute: 40%
- Hospital: 35%

Research Type Adjustment Factors:

- Office and Dry Lab without Human Subjects: 0%
- Laboratory and Instrumentation-Based Science Labs: 7%
- Patient-Centered Clinical and Interventional Trials: 7%

2.4 Calculating FAIR Model 1 Costs

Under FAIR Model 1, the Essential Research Support costs for a given project are calculated by combining both institution type and research type adjustments. Institutions apply the final total adjustment factor to the total federal project budget (direct plus Essential Research Support costs).

Example Calculation:

- Institution: Institute of Higher Education (25%)
- Research Type: Laboratory and Instrumentation-Based Science Labs (7%)
- Total Adjustment: 25% (Institution) + 7% (Research) = 32%

Let total project budget = X, and direct costs = $500,000.

The calculation under FAIR Model 1:

- Total Project Budget (X) = Direct Costs + 32% of X
- Therefore, X - 0.32X = Direct Costs
- 0.68X = $500,000
- Total Project Budget (X) = $500,000 ÷ 0.68 ≈ $735,294
- Essential Research Support Costs: $735,294 - $500,000 = $235,294

2.5 Benefits of FAIR Model 1

Implementing FAIR Model 1 provides numerous advantages, including:

- Reduced Administrative Burden: Eliminates lengthy and resource-intensive indirect cost negotiations.
- Increased Predictability and Transparency: Institutions and federal sponsors clearly understand cost expectations from project inception.
- Enhanced Fairness Across Institutions: Uniform and objective factors ensure fair treatment regardless of institutional differences.

2.6 Next Steps

Institutions are encouraged to utilize Chapter 3 to understand and submit the necessary data required for testing FAIR Model 1. Feedback from these evaluations will guide further refinements and the future development of FAIR Model 1.

Chapter 3: Testing **FAIR** Model 1

To effectively evaluate FAIR Model 1, institutions should internally gather accurate and comprehensive data reflecting their actual research expenditures. This chapter provides specific guidelines and instructions for institutions preparing to independently test FAIR Model 1.

Note: The following process will provide a high-level estimate of how institutions will be affected by FAIR Model 1. Actual implementation of FAIR Model 1 would occur on a grant-by-grant basis and is described further in the next chapter. Institutions may conduct more detailed analyses as needed.

Institutions are encouraged to test different adjustment factors and provide feedback on their results. Your input on more granular research types and corresponding adjustment factors that could enhance the accuracy and fairness of FAIR Model 1 is appreciated. Additionally, institutions are invited to suggest revisions to the adjustment factors for institution types if the current factors do not adequately reflect their financial realities.

3.1 Data Requirements

Institutions should compile the following essential data points:

- **Federal IDC**: Total federal indirect cost recovery from all federal grant types, excluding outgoing subawards.
- **Federal Direct Expenditures**: Total federal research direct expenditures, excluding outgoing subawards.

Note: The above data should include all federal grant types, including research projects, training grants, and construction grants. The data should exclude outgoing subawards to align with recent guidance from NIH indicating they will be making direct awards to all collaborating institutions in the future.

- **Institution Type**: Clearly identify your institutional classification:
    - Institute of Higher Education
    - Independent Research Institute
    - Hospital
- **Research Type Distribution**: Breakdown of federal research expenditures by research type:
    - **Office and Dry Lab without Human Subjects**: Data-driven and participant-centered work typically conducted in office settings with lower physical lab needs and not requiring specialized equipment. Examples: Computational modeling, theoretical analysis, informatics, data mining, humanities research,

law, arts research, informatics, behavioral economics, survey-based social sciences.

- **Laboratory and Instrumentation-Based Science Labs**: Research conducted in a laboratory or field setting that requires specialized equipment. Examples: Research using animal models, BSL 3 laboratories, fume hoods, specialized tools (e.g. sensors, imaging, high performance computers, high throughput resources), human subjects research, secure data, public health survey data, biomechanics studies, cell editing, radiation-rated facilities for nuclear work, wind tunnels or shock tubes for aerospace work, clean room for semiconductor and material synthesis, longitudinal and long-term follow-up primary data collection.
- **Patient-Centered Clinical and Interventional Trials**: Research involving complex clinical activities, trials, or studies including observations, and testing of pharmaceuticals, medical devices, biologics, or diagnostics in human subjects in clinical settings. Examples: IND trials for new therapeutics (GCP, clinical units, FDA submissions), Phase I-III drug and device trials under FDA regulation, hospital or health center trials, use of GCP, IND/IDE, IRB, DSMB, data systems.

3.2 Data Analysis Instructions

Follow these steps to analyze the potential financial impact of FAIR Model 1:

Step 1. Determine the Adjustment Factor:

- Start with the base adjustment factor according to your institution type:
  - Institute of Higher Education: 25%
  - Independent Research Institute: 40%
  - Hospital: 35%
- Add the research type adjustment factors, weighted by the proportion of each research type:
  - Office and Dry Lab without Human Subjects: 0%
  - Laboratory and Instrumentation-Based Science Labs: 7%
  - Patient-Centered Clinical and Interventional Trials: 7%

Step 2. Calculate the Weighted Research Adjustment Factor:

Research Adjustment = (% Office × 0%) + (% Lab × 7%) + (% Patient × 7%)

Step 3. Determine the Total Adjustment Factor:

Total Adjustment Factor = Institution Adjustment Factor + Research Adjustment

Step 4. Determine the New Total Award Amount:

- Let the new total award amount be represented by X:
- X - (X × Total Adjustment Factor) = Federal Direct Expenditures
- Solve for X.

Step 5. Calculate the Essential Research Support costs:

ERS = New Total Award Amount (X) - Federal Direct Expenditures

Step 6. Determine the Difference:

Difference = Essential Research Support costs - Federal IDC

Step 7. Calculate Percent Difference:

Percent Difference = (Difference / Federal IDC) × 100

Step 8. Repeat the analysis using different institution and research type adjustment factors.

We suggest the following. You do not have to try every combination. Rather use your initial results to guide your testing.

Institution type: 20%, 25%, 30%, 35%, 40%

Research type: 0%, 3%, 5%, 7%, 10%

3.3 Example Analysis

Consider the following example:

- Institution Type: Institute of Higher Education (25%)
- Federal Direct Expenditures: $10,000,000
- Federal IDC: $4,000,000
- Research Type Breakdown:
  - Office: 30%
  - Lab: 50%
  - Patient: 20%

Weighted Research Adjustment Calculation:
(30% × 0%) + (50% × 7%) + (20% × 7%) = 0% + 3.5% + 1.4% = 4.9%

Total Adjustment Factor:
25% + 4.9% = 29.9%

New Total Award Amount:
$X - (X \times 29.9\%) = 10{,}000{,}000 \Rightarrow 0.701X = 10{,}000{,}000 \Rightarrow X \approx 14{,}265{,}335$

Essential Research Support costs:
$14{,}265{,}335 - 10{,}000{,}000 = 4{,}265{,}335$

Difference:
$4{,}265{,}335 - 4{,}000{,}000 = 265{,}335$

Percent Difference:
$(265{,}335 / 4{,}000{,}000) \times 100 = 6.63\%$ (increase)

3.4 Institutional Review and Next Steps

Institutions should utilize this analysis to review the potential financial impact and administrative feasibility of adopting FAIR Model 1, identifying necessary adjustments or considerations for implementation. Input from institutions regarding additional research types, appropriate adjustment factors, and the suitability of current institution adjustment factors will be instrumental in refining FAIR Model 1 for broader implementation. Institutions are encouraged to conduct detailed analyses if possible.

Chapter 4: Applying **FAIR** Model 1 to Grant Budgeting

This chapter provides information for institutions on how FAIR Model 1 could be integrated into their grant budgeting processes. It outlines clear steps to calculate and incorporate Essential Research Support using FAIR Model 1's simplified standardized adjustment factors, along with illustrative examples to ensure clarity and practical applicability. In this example, each grant will be assigned only one research type based on the predominant type of research supported by the grant, but this is not the only possible approach.

Note: This is for illustrative purposes only to inform institutions about what it may require to implement FAIR Model 1.

4.1 Steps for Applying FAIR Model 1

Follow these steps to understand how FAIR Model 1 could be incorporated into your grant budgeting:

Step 1: Identify PI-Managed Project Costs
Begin by determining the PI-Managed Project Costs of the research project. These include:

- Personnel salaries
- Equipment
- Materials and supplies
- Travel
- Participant and trainee costs
- Other allowable direct costs

Step 2: Identify Institutional and Research Adjustment Factors
Refer to the defined adjustment factors for your institution and the predominant research type for the grant:

Institution Type Adjustment Factors:

- Institute of Higher Education: 25%
- Independent Research Institute: 40%
- Hospital: 35%

Research Type Adjustment Factors:

- Office and Dry Lab without Human Subjects: 0%
- Laboratory and Instrumentation-Based Science Labs: 7%
- Patient-Centered Clinical and Interventional Trials: 7%

Step 3: Calculate the Total Adjustment Factor
Combine your institutional adjustment factor with the research adjustment factor based on the predominant research type of the project.

Step 4: Calculate the Total Project Budget
Let the total project budget (direct plus Essential Research Support) be represented by X:

- X - (X × Total Adjustment Factor) = PI-Managed Project Costs
- Solve this equation to find X, which represents the total project budget.

Step 5: Determine Essential Research Support costs
Subtract the PI-Managed Project Costs from the total project budget to determine the Essential Research Support:

- Essential Research Support = X - Direct Costs

4.1 Example Budget Calculation

Scenario:

- Institution Type: Institute of Higher Education (25%)
- PI-Managed Project Costs: $500,000
- Predominant Research Type: Wet Lab (7%)

Total Adjustment Factor:
25% + 7% = 32%

Total Project Budget Calculation:
$X - (X \times 32\%) = 500{,}000 \Rightarrow 0.68X = 500{,}000 \Rightarrow X \approx 735{,}294$

Essential Research Support Calculation:
735,294 - 500,000 = 235,294

Thus, the total project budget is approximately $735,294, with Essential Research Support totaling approximately $235,294.

Part 2: FAIR Model 2

Chapter 5: Overview of **FAIR** Model 2

5.1 Core Principles

Transparency: Most research support costs are included as line items in every proposal, directly visible to sponsors and auditors. All federal dollars are placed into restricted cost categories, and expenditures are reported transparently.

Accuracy: Costs are included based on actual usage metrics, such as square footage or FTE allocations. All costs are reimbursed as incurred, following current reimbursement procedures.

Fairness: Institutions with different research structures (e.g., hospitals, Independent Research Institutions) are treated fairly.

Efficiency: Institutions gain clear incentives to streamline operations, and funding agencies gain deeper insight into actual research expenditures.

5.2 Reorganization and Recategorization of Traditional Cost Categories

This section details how **FAIR** Model 2 redefines and redistributes traditional indirect cost components into new, transparent direct cost categories. Historically, institutions grouped research support expenses into broad indirect cost pools such as Facilities, General Administration, Departmental Administration, Library, and Other Sponsored Activities. These were aggregated, averaged, and applied as composite Facilities & Administrative (F&A) rates negotiated with federal agencies. While administratively convenient, this approach often obscured the true distribution and magnitude of research support costs.

FAIR Model 2 addresses these limitations by:

- Identifying discrete functions and listing them as direct line items
- Aligning cost recovery directly with actual usage and specific activities
- Enabling clear tracking, auditing, and benchmarking of expenditures by institutions and funding agencies

To accomplish this, **FAIR** Model 2 includes nine standard cost categories based on the current NIH budget line items and justification. The new categories are:

A. SENIOR KEY PERSONNEL
B. OTHER PERSONNEL
C. EQUIPMENT DESCRIPTION
D. TRAVEL
E. PARTICIPANT/TRAINEE COSTS
F. OTHER PI-MANAGED PROJECT COSTS

PI-Managed Project Costs

G. SAFETY, SECURITY, & REGULATORY COMPLIANCE
H. ESSENTIAL RESEARCH SUPPORT

Project Costs managed by the Institution

I. GENERAL RESEARCH OPERATIONS

The blue (A-H) categories are project-specific costs managed by the Principal Investigator. The green (G) and purple (H) categories are project-specific costs managed by the Institution. The

orange (I) category is small percent of the total project budget to support necessary research operations that cannot easily be assigned to a particular project.

5.3 PI-Managed Project Costs (lines A-F)

These categories are largely unchanged from the existing direct cost categories that institutions, investigators, and the government are accustomed to using with slight revisions to accommodate modern research needs. A new line item called **Shared Research Resources and Services** has been added to category F. OTHER PI-MANAGED PROJECT COSTS. This new line item specifically calls out core research support labs, instrumentation facilities, and other necessary recharge centers established by the institution to support their specific research needs. **ADP/Computer Services** now includes both standard computing and specialized research computing that can be detailed. **Data Management and Sharing** has added to detail the costs associated with this requirement.

F. OTHER PI-MANAGED PROJECT COSTS

1. Materials and Supplies (traditional category, already directly charged)
2. **Shared Research Resources and Services** (new category; e.g., core labs, instrumentation facilities, other necessary recharge centers determined by the institution)
3. **ADP/Computer Services** (standard computing and specialized research computing)
4. Consultant Services (traditional category, already directly charged)
5. Contractual Costs (traditional category, already directly charged)
6. Equipment or Facility Rental/User Fees (traditional category, already directly charged)
7. Alterations and Renovations (traditional category, already directly charged)

5.4 Safety, Security, & Regulatory Compliance (line G)

This new category provides explicit detailing of the compliance costs required for the conduct of modern federally funded research. Specific line items include:

G. SAFETY, SECURITY, & REGULATORY COMPLIANCE

1. Environmental Health and Safety (EH&S)
2. Conflict of Interest (COI)
3. Institutional Review Board (IRB), Institutional Animal Care and Use Committee (IACUC), Institutional Biosafety Committee (IBC)
4. Research and Compliance Training
5. Data Management and Sharing (data storage, archiving, curation, and dissemination)
6. Clinical Trials Monitoring
7. FDA Data Package Development and Support
8. Internal Regulatory Audits

These items are project-specific and may be triggered by a Principal Investigator's specific research, but they will be managed by the institution. The Principal Investigator may not reallocate these funds unless a feature of the grant changes in which case it will be done in

coordination with the institution. For example, if a project requires the use of animals, then the institute will ensure the costs of the Institutional Animal Care and Use Committee (IACUC) are included. The Principal Investigator may not unilaterally reallocate these funds, but if the project changes and animals will no longer be used, the institution will remove the costs.

5.5 Essential Research Support (line H)

Essential Research Support includes Project Facilities Support, Grants Management, and Library. These categories are easily identifiable as direct costs and collectively, they constitute the majority of current indirect costs. Detailed components include:

H. ESSENTIAL RESEARCH SUPPORT

1. Project Facilities Support
2. Grants Management
3. Research Information Services

Project Facilities Support: Costs associated with building depreciation, maintenance, utilities, operations, and leases directly attributable to research spaces used by a project.

Grants Management:

- Central Grants Management: Centralized sponsored projects administration functions.
- Departmental Grants Management: Administrative support embedded within research departments.

Research Information Services: Expenses related to scientific journal subscriptions, database access, and institutional repositories (physical and digital) directly supporting research activities.

Note: **FAIR** Model 2 provides guidance for developing clear unit costs, but institutions are expected to document and publicly disclose their methodologies to maintain comparability and transparency. Given institutional variability, methodologies may differ but must remain transparent, justifiable, and auditable.

5.6 General Research Operations (GRO; line I)

General Research Operations encompasses administrative costs that are inherently difficult to allocate directly to individual projects. These expenses will be covered through a percentage applied to the total award amount. We anticipate this GRO percentage will be between 5% and 15% of total award costs, providing a transparent, standardized, and straightforward cost recovery mechanism. Your feedback will help determine this percentage. For the remainder of this chapter, we assume a 10% GRO.

5.7 Standard Essential Research Support Option for Emerging Research Institutions (ERIs) and Other Institutions with Smaller Portfolios

Emerging Research Institutions and other institutions with smaller federal research portfolios may utilize a simplified, standardized approach for Essential Research Support costs. Instead of calculating detailed direct charges for each category that makes up ERS (Research Facilities Support, Grants Management, and Research Information Services), institutions may choose to apply 15% of the total award amount for ERS. Institutions retain the ability to directly charge

costs in F. OTHER PI-MANAGED PROJECT COSTS and G. SAFETY, SECURITY, & REGULATORY COMPLIANCE. Institutions can also apply the General Research Operations percentage (10%). Combined, this yields a total of 25% of the award amount, similar to **FAIR** Model 1. This simplified option significantly reduces administrative burdens and enhances equity, transparency, and simplicity for ERIs and other small institutions with emerging federal research portfolios.

Note: All percentages presented here are for illustrative purposes only. The final percentages will be determined based on feedback from institutions' model testing and are likely to be different from those used here.

Chapter 6: Testing **FAIR** Model 2

This chapter provides detailed guidance for institutions to internally test FAIR Model 2. Institutions will independently gather, validate, and analyze their data using clear instructions provided here, enabling them to assess the practical and financial feasibility of FAIR Model 2 without needing to submit their data externally.

Note: The following process will provide a high-level estimate of how institutions will be affected by FAIR Model 2. Actual implementation of FAIR Model 2 would occur on a grant-by-grant basis and is described further in the next chapter. Institutions may conduct more detailed analyses if desired.

6.1 Basic Data Requirements

Institutions should compile the following essential data from internal records:

- **Federal Direct Expenditures**: Total federal direct research expenditures, excluding outgoing subawards.
- **Federal Indirect Cost Expenditures**: Total current indirect costs from federal grants, excluding outgoing subawards.
- **Total Direct Expenditures**: Total direct research expenditures from all sponsors, federal and non-federal, excluding outgoing subawards.

Note: The above data should include all federal grant types, including research projects, training grants, and construction grants. The data should exclude outgoing subawards to align with recent guidance from NIH indicating they will be making direct awards to all collaborating institutions in the future.

6.2 Essential Research Support Data

For institutions that use the Standard Form, Schedule B, extract and organize these data points from Schedule B of your institution's most recent IDC rate proposal:

- **Total Facility Cost:** Costs listed in Organized Research (including building depreciation, equipment, interest, operations & maintenance, utilities).
- **Total Sponsored Projects Administration (SPA) Cost:** Clearly documented under Sponsored Projects Administration.
- **Total Departmental Administration Cost:** Defined clearly under Departmental Administration.
- **Total Library Cost:** Organized Research costs portion of Schedule B.

For institutions that do not use Schedule B (most IRIs, hospitals, and some others), find this information on your Short Form or elsewhere within your IDC proposal. You may have to perform basic manipulations to capture the correct data.

- **Total Facility Cost:** Include building depreciation, equipment depreciation, interest, O&M, and EH&S (if not already in O&M).
- **Total Sponsored Projects Administration (SPA) Cost:** Include the central Office of Sponsored Projects or similar office focused on centralized pre- and post-award grants administration.
- **Total Departmental Administration Cost:** Include Research Accounting or similar office tracking awarded grant budgets, or decentralized administrative costs associated with managing grant budgets.
- **Total Library Cost:** Include library costs such as journal subscriptions.

6.3 Standard Essential Research Support Option

This option will include a standardize 15% of total federal award costs as the Essential Research Support.

Note: We currently envision this option being available to Emerging Research Institutions (ERIs) and other institutions with small federal research portfolios; however, we ask that all institutions test this approach and provide feedback as the information may prove useful.

6.4 Estimating Safety, Security, & Regulatory Compliance and Other Direct Costs

Compile approximate data for the following categories using existing internal budgets and reports. Some of this data may be difficult to parse, but the more accurate you can be, the better. If you face challenges in collecting this data, you can perform the analysis without it and indicate as such in your feedback.

Note: If any of the following are already included in Essential Research Support as part of Operations and Maintenance, Sponsored Project Admin, or Departmental Admin, then exclude them here to avoid double-counting.

Safety, Security, & Regulatory Compliance

- **Environmental Health & Safety (EH&S):** EH&S budgets and space assessments.
- **Conflict of Interest (COI):** Administrative data from COI management systems.
- **IRB, IACUC, IBC:** Reports and logs from IRB and compliance committees.
- **Research and Compliance Training:** Training records from institutional LMS or similar systems.
- **Clinical Trials Monitoring:** Budgets from clinical trials offices and IRB systems.
- **FDA Data Package Development:** Regulatory affairs cost reports.
- **Internal Regulatory Audits:** Reports from internal audit divisions and compliance offices.

Other Direct Costs

- **Shared Research Resources and Services:** Operational budgets and recharge center records.
- **Data Management and Sharing:** Budgets related to data repositories, libraries, and open-access publishing.

6.5 Analysis Instructions

Follow these steps to perform a detailed analysis for **FAIR** Model 2:

1. **Calculate the Total Award Amount:** Add your federal direct expenditures and federal indirect expenditures.
2. **Determine Federal Portion of Total Directs:** Divide your federal direct expenditures by your total direct expenditures.
3. **Calculate Essential Research Support (ERS):** Sum your Essential Research Support costs from facilities, SPA, departmental administration, and library costs.
4. **Allocate ERS to Federal Portion:** Multiply the total ERS by the federal portion calculated in step 2 to find the portion of ERS moved to direct costs.
5. **Estimate Safety, Security, & Regulatory Compliance and Other Direct Costs:** Add the estimated allowable and encouraged direct costs identified above.
6. **Compute New Direct Costs:** Add the ERS allocated to the federal portion (step 4) and the costs from Step 5 to the original federal direct expenditures.
7. **Determine the New Total Award Amount:** Divide the new direct costs (step 6) by 0.90 (accounting for General Research Operations (GRO) of 10%).
8. **Calculate General Research Operations (GRO):** Subtract the new direct costs (step 6) from the new total award amount (step 7) to obtain the GRO amount.
9. **Assess the Financial Difference:** Subtract your previous total award amount (step 1) from the new total award amount (step 7) to identify the financial difference.
10. **Calculate Percent Difference:** Divide the financial difference (step 9) by your original federal indirect expenditures to determine the percentage difference.
11. **Repeat Using Different Percentages for GRO:** We suggest trying 5% and 15%

Follow these steps to analyze the Standard Essential Research Support Option for **FAIR** Model 2:

1. **Standard Essential Research Support (ERS):** Use 15%.

2. **General Research Operations (GRO):** Use 20%.
3. **Compute New Total Award Amount:** Divide Federal Directs by (ERS + GRO)
4. **Determine the Financial Difference:** Subtract your previous total award amount (step 1) from the new total award amount (step 4) to identify the financial difference.
5. **Calculate Percent Difference:** Divide the financial difference (step 5) by your original federal indirect expenditures to determine the percentage difference.
6. **Repeat Using Different Percentages for the standard ERS and GRO:** We suggest trying 10%, 15%, and 20% for the standard ERS and 5% and 10% for GRO.

6.6 Analysis Example

- Federal Direct Expenditures: $10,000,000
- Federal Indirect Expenditures: $4,000,000
- Total Direct Expenditures: $15,000,000
- ERS: $4,500,000
- Compliance and Other Costs: $500,000

Calculations:

- Step 1: Total Award Amount = $10,000,000 + $4,000,000 = $14,000,000
- Step 2: Federal Portion = $10,000,000 / $15,000,000 ≈ 66.67%
- Step 3: ERS = $4,500,000
- Step 4: ERS to Federal = $4,500,000 × 66.67% ≈ $3,000,150
- Step 5: Compliance and Other Costs = $500,000
- Step 6: New Direct Costs = $10,000,000 + $3,000,150 + $500,000 = $13,500,150
- Step 7: New Total Award Amount = $13,500,150 / 0.90 ≈ $15,000,167
- Step 8: GRO = $15,000,167 - $13,500,150 ≈ $1,500,017
- Step 9: Financial Difference = $15,000,167 - $14,000,000 ≈ $1,000,167
- Step 10: Percent Difference = $1,000,167 / $4,000,000 ≈ 25.00% increase

Standard ERS Option Scenario:

- Total Award Amount: ($10,000,000) / 0.7 ≈ $14,285,714 (20% ERS + 10% GRO)
- ERS = 20% × $14,285,714 ≈ $2,857,143
- GRO = 10% × $14,285,714 ≈ $1,428,571
- New Total Award Amount ≈ $14,285,714
- Financial Difference = $14,285,714 - $14,000,000 ≈ $285,714
- Percent Difference = $285,714 / $4,000,000 ≈ 7.14% increase

Chapter 7: Applying **FAIR** Model 2 to Grant Budgeting—Developing Unit Costs

Purpose

This chapter provides practical guidance for institutions to develop and apply standardized unit costs within the **FAIR** Model 2. Unit costs enable research support expenses to be transparently and consistently included as direct charges on grant budgets based on actual usage. The goal is to avoid estimating project-specific expenses individually and instead rely on standardized, institutionally documented costs.

Note: This is for illustrative purposes only to inform institutions about what it may require to implement **FAIR** Model 2.

7.1 Overview of the Unit Cost Development Process

To develop **FAIR**-aligned budget structures, institutions should:

1. Define the Activity – Clearly identify what is being costed (e.g., square footage, number of researchers, sponsored projects).
2. Identify Cost Components – Specify personnel, equipment, systems, and materials supporting the activity.
3. Select a Unit of Measure – Choose metrics aligned with usage or demand (e.g., $/sqft/year, $/researcher, $/project).
4. Calculate Annual Total Cost – Aggregate fully-loaded annual costs for the identified activity.
5. Divide by Total Units – Calculate the cost per unit.
6. Document the Methodology – Clearly outline assumptions, inclusions, exclusions, and logic behind cost allocations.

7.2 Project Facilities Support

Unit of allocation: Cost per square foot of research space

Recommended steps:

1. Aggregate total annual facilities costs from Schedule B (building depreciation, equipment depreciation, interest, operations and maintenance, utilities).
2. Categorize total institutional research square footage by type (wet lab, dry lab, clinical).
3. Apply industry-standard ratios for research space:
   - Wet lab: 1.5x baseline cost per square foot
   - Clinical research space: 1.2x baseline cost per square foot
   - Dry lab: 1.0x baseline cost per square foot
4. Calculate adjusted square footage for each research type using these ratios.

5. Sum adjusted square footage totals.
6. Divide total annual facilities costs by the total adjusted square footage to derive a baseline cost per adjusted square foot.
7. Determine specific per-square-foot costs for each type of research space by applying the ratios to the baseline.
8. Apply the research space type unit costs to each department's actual space makeup.

Example Calculation:

- Total annual facility costs: $5,000,000
- Square footage: Wet lab (20,000 sq ft), Dry lab (30,000 sq ft), Clinical (10,000 sq ft)
- Adjusted square footage:
    - Wet lab: 20,000 sq ft × 1.5 = 30,000 sq ft
    - Dry lab: 30,000 sq ft × 1.0 = 30,000 sq ft
    - Clinical: 10,000 sq ft × 1.2 = 12,000 sq ft
- Total adjusted square footage = 72,000 sq ft
- Baseline cost per adjusted square foot = $5,000,000 / 72,000 sq ft = $69.44
- Specific per-type costs:
    - Wet lab: $69.44 × 1.5 = $104.16 per sq ft
    - Dry lab: $69.44 × 1.0 = $69.44 per sq ft
    - Clinical: $69.44 × 1.2 = $83.33 per sq ft

Apply to Each Department:

- Cancer Center:
    - Wet lab: 12,000 sq ft × $104.16 = $1,249,920
    - Clinical: 8,000 sq ft × $83.33 = $666,640
    - Total: $1,916,560 / 20,000 sq ft = $95.83 per sq ft
- Math Department:
    - Dry lab: 15,000 sq ft × $69.44 = $1,041,600
    - Total: $1,041,600 / 15,000 sq ft = $69.44 per sq ft

7.3 Research Information Services

Unit of allocation: Cost per federally funded researcher

Recommended steps:

1. Extract total annual library costs from Schedule B.
2. Identify total federally funded researchers at the institution.
3. Divide total library costs by total federally funded researchers.

Example:

1. Research Information Services costs: $800,000
2. Federally funded researchers: 400
3. Cost per researcher: $800,000 / 400 = $2,000 per researcher

7.4 Grants Management

Central Grants Management:

Unit of allocation: Cost per active sponsored project

Recommended steps:

1. Extract annual Sponsored Projects Administration (SPA) costs from Schedule
2. Count total active federally funded sponsored projects.
3. Divide total SPA costs by total active sponsored projects.

Example:

1. Total SPA costs: $2,400,000
2. Active federally funded sponsored projects: 600
3. Cost per project: $2,400,000 / 600 = $4,000 per project

Departmental Grants Management:

Unit of allocation: Cost per active sponsored project or per grant-active faculty member

Recommended steps:

1. Extract total annual departmental administration and research-related general administration costs from Schedule B.
2. Determine total active federally funded sponsored projects or total grant-active faculty members.
3. Divide combined administrative costs by chosen unit.

Example:

- Departmental administration costs: $1,200,000
- Research-related general administration: $600,000
- Total: $1,800,000
- Active projects: 600
- Cost per project: $1,800,000 / 600 = $3,000 per project

7.5 Environmental Health and Safety (EH&S)

Unit of allocation: Cost per square foot

Recommended steps:

1. Aggregate total annual EH&S costs.
2. Identify total institutional research square footage.
3. Divide total EH&S costs by total research square footage to derive the per-square-foot cost.

Example:

- Total EH&S costs: $500,000

- Institutional research square footage: 100,000 sq ft
- Cost per sq ft: $500,000 / 100,000 sq ft = $5 per sq ft

7.6 Conflict of Interest (COI)

Unit of allocation: Cost per federally funded investigator

Recommended steps:

1. Aggregate total annual COI administrative costs.
2. Count total federally funded investigators.
3. Divide total COI costs by number of investigators.

Example:

- Total COI administrative costs: $200,000
- Federally funded investigators: 100
- Cost per investigator: $200,000 / 100 = $2,000 per investigator

7.7 Shared Research Resources and Services

Unit of allocation: Fully loaded recharge rates per usage unit

Institutions must ensure recharge rates for shared resources are fully loaded, accurately reflecting operational costs without subsidies. Examples include core laboratories, animal care facilities, imaging centers, and specialized instrumentation facilities.

7.8 ADP/Computer Services

Unit of allocation: Cost per federally funded investigator

Recommended steps:

1. Aggregate total annual ADP/computer services costs.
2. Count total federally funded investigators.
3. Divide total ADP/computer services costs by total investigators.

Example:

- ADP/computer services costs: $400,000
- Federally funded investigators: 100
- Cost per investigator: $400,000 / 100 = $4,000 per investigator

7.9 Data Management and Sharing

Unit of allocation: Clearly defined price lists per service

Institutions should create and document transparent pricing for data management services, including data storage, dataset curation, and data publication support, ensuring full cost recovery.

7.10 General Research Operations (GRO)

General Research Operations will be allocated as a standardized percentage of the total award, ranging approximately from 5% to 15%, covering administrative support costs difficult to allocate directly.

Chapter 8: Applying **FAIR** Model 2 to Grant Budgeting—Preparing Budgets

This chapter demonstrates how the unit costs developed in Chapter 3 can be practically applied to grant budgeting under the **FAIR** Model 2 in two distinct scenarios: a mathematics researcher in the Math Department (at an Emerging Research Institution [ERI]) and a cancer researcher in the Cancer Center at a large research university. Each scenario begins with a detailed description of the research project, personnel involved, and any special considerations such as animal research or clinical trials. Following these descriptions, we will present example budgets and budget justifications formatted according to NIH guidelines but structured explicitly with the **FAIR** Model 2 budget categories.

Note: This is for illustrative purposes only to inform institutions about what may be required to implement **FAIR** Model 2.

The budget categories used in these examples are as follows:

A. SENIOR KEY PERSONNEL
B. OTHER PERSONNEL
C. EQUIPMENT DESCRIPTION
D. TRAVEL
E. PARTICIPANT/TRAINEE COSTS
F. OTHER PI-MANAGED PROJECT COSTS

1. Materials and Supplies (traditional category, already directly charged)
2. **Shared Research Resources and Services** (new category; e.g., core labs, instrumentation facilities, other necessary recharge centers determined by the institution)
3. **ADP/Computer Services** (standard computing and specialized research computing)
4. Consultant Services (traditional category, already directly charged)
5. Contractual Costs (traditional category, already directly charged)
6. Equipment or Facility Rental/User Fees (traditional category, already directly charged)
7. Alterations and Renovations (traditional category, already directly charged)

G. SAFETY, SECURITY, & REGULATORY COMPLIANCE

1. Environmental Health and Safety (EH&S)
2. Conflict of Interest (COI)
3. Institutional Review Board (IRB), Institutional Animal Care and Use Committee (IACUC), Institutional Biosafety Committee (IBC)
4. Research and Compliance Training
5. Data Management and Sharing (data storage, archiving, curation, and dissemination)

6. Clinical Trials Monitoring
7. FDA Data Package Development and Support
8. Internal Regulatory Audits

H. ESSENTIAL RESEARCH SUPPORT
1. Project Facilities Support
2. Grants Management
3. Research Information Services

I. GENERAL RESEARCH OPERATIONS

Scenario 1: Mathematics Researcher (Emerging Research Institution)

Research Project Description:

The mathematics researcher is leading a project in theoretical mathematics, focusing on algebraic topology and its potential applications in cryptography. The team consists of the principal investigator, two postdoctoral researchers, three graduate students, and one undergraduate researcher. No special facilities beyond standard dry lab computational and office space are required. The project does not involve human subjects, animal research, or clinical activities. Since this is an Emerging Research Institution, they will take a standard 20% for Essential Research Support.

Personnel and Effort:

- Principal Investigator: 20% effort ($20,000)
- Postdoctoral Researchers (2): Each 50% effort ($25,000 each, total $50,000)
- Graduate Students (3): One at 100% effort ($30,000), one at 50% effort ($15,000), and one at 25% effort ($7,500)
- Undergraduate Research Assistant: 25% effort ($2,500)

Budget Categories:

A. Senior Key Personnel: PI salary (20% effort) – $20,000

B. Other Personnel:

- Postdoctoral researchers (2 at 50%) – $50,000
- Graduate students (one 100%, one 50%, one 25%) – $52,500
- Undergraduate assistant (25%) – $2,500
- Total Other Personnel: $105,000

C. Equipment Description: No major equipment required – $0

D. Travel: Conference travel funds requested – $5,000

E. Participant/Trainee Costs: Not applicable – $0

F. Other PI-Managed Project Costs: Not applicable – $0

G. Safety, Security, & Regulatory Compliance: $6,400

Subtotal Direct Costs (A-G): $136,400

- To calculate Essential Research Support and General Research Operations:
- Let the total project cost = X.
- Essential Research Support = 20% of X.
- General Research Operations = 10% of X.
- Subtotal:
    - Direct Costs (A-G): $136,400
    - Subtotal: $136,400

Thus:

- X = Direct Subtotal ($136,400) + Essential Research Support (20% X) + General Research Operations (10% X)
- X = $136,400 + 0.2X + 0.1X
- X - 0.3X = $136,400
- 0.7X = $136,400
- X = $136,400 / 0.7
- X ≈ $194,857

H. Essential Research Support (20% of total project cost): $38,971

I. General Research Operations (10% of total project cost): $19,486

Final Total Project Cost: approximately $194,857

Scenario 2: Cancer Researcher (Detailed Essential Research Support Calculation)

Research Project Description:

The cancer researcher is leading a project focused on novel immunotherapies for breast cancer. The research involves wet lab experiments, animal studies, and early-stage clinical trials. The team consists of the principal investigator, one postdoctoral researcher, two graduate students, and one clinical research coordinator. Since this project is being conducted at a large research university, they will detail their Essential Research Support costs.

Personnel and Effort:

- Principal Investigator: 30% effort ($45,000)
- Postdoctoral Researcher: 100% effort ($50,000)
- Graduate Students (2): Each at 100% effort ($30,000 each, total $60,000)
- Clinical Research Coordinator: 100% effort ($40,000)

- Total FTE on this project: 4.3

Total lab personnel (including those on other projects): 7 FTE

Budget Categories:

A. Senior Key Personnel: PI – $45,000

B. Other Personnel:

- Postdoctoral researcher – $50,000
- Graduate students (2) – $60,000
- Clinical Research Coordinator – $40,000
- Total Other Personnel: $150,000

C. Equipment Description: Lab equipment – $20,000

D. Travel: Conference attendance and collaboration travel – $8,000

E. Participant/Trainee Costs: Not applicable – $0

F. Other PI-Managed Project Costs

1. Materials and Supplies: $20,000
2. Shared Research Resources and Services: $18,000
3. ADP/Computer Services (5 investigators at $4,000 each): $20,000
4. Consultant Services: $12,000
5. Contractual Costs: $15,000
6. Equipment/Facility Rental/User Fees: $5,000
7. Alterations and Renovations: $0

Subtotal (A-F): $463,000

G. Safety, Security, & Regulatory Compliance:

1. Environmental Health and Safety (allocated by sq ft, proportional): (4.3/7 × 1,500 sq ft × $5/sq ft) = $4,607
2. Conflict of Interest (5 investigators at $2,000 each) – $10,000
3. IRB/IACUC/IBC: $4,000
4. Research and Compliance Training: $2,000
5. Clinical Trials Monitoring: $8,000
6. FDA Data Package Development and Support: $6,000
7. Internal Regulatory Audits: $3,000

Subtotal (G): $37,607

H. Essential Research Support (Detailed Calculation):

1. Project Facilities Support:

- Total Cancer Center lab space cost (from Chapter 7 example): $95.83 per sq ft, total lab space: 1,500 sq ft
- Total lab annual facilities cost: 1,500 sq ft × $95.83 = $143,745
- Proportional facilities cost based on project FTE: (4.3/7) × $143,745 = $88,287

2. Research Information Services:

- Researchers involved: 5
- Cost per researcher: $2,000
- Total Research Information Services Costs: 5 × $2,000 = $10,000

3. Central Grants Management:

- Per project unit cost: $4,000

4. Departmental Grants Management:

- Per project unit cost: $3,000

Subtotal (H) = $105,287

I. General Research Operations:

- Let the total project cost = X.
- GRO = 10% of X.
- Thus, X = $605,894 + 0.1X
- X - 0.1X = $605,894
- 0.9X = $605,894
- X ≈ $674,216

I. General Research Operations (10% of total project cost): $67,422

Final Total Project Cost: approximately $674,216

Chapter 9: Providing Feedback and Next Steps

Your feedback is essential to the refinement and successful implementation of the FAIR Models. Institutions are encouraged to thoroughly test both models, documenting all assumptions, calculations, and outcomes clearly.

What Feedback to Provide

Please consider providing feedback on the following:

- **Financial Impact:** What is your calculated percent difference compared to the current IDC system?
- **Adjustment Factors:** Are the current institution-type and research-type adjustment factors appropriate and sufficient? If not, please suggest specific alternatives.
- **Allowable and Encouraged Direct Cost Categories:** Will it be feasible to clearly allocate costs to these categories? Provide suggestions if certain categories were particularly challenging.
- **Standardized Essential Research Support Option:** If you used the simplified Essential Research Support calculation for Emerging Research Institutions, was it adequate? What adjustments, if any, would you recommend?
- **Practicality:** How practical will the models be to implement at your institution? Please document anticipated financial and human resource needs. How long would the transition to the new model take?
- **Other:** Provide any other information you think would help us understand your feedback or further refinement of either model.

How to Submit Feedback

Please submit your feedback using the following form:

Feedback Form

Next Steps

Your input will be carefully reviewed by the SME team. It will directly inform ongoing refinements to enhance the clarity, accuracy, and feasibility of the models for broad implementation across various institution types and research settings.

We are working to develop and refine a single model to present to Congress and the administration. We anticipate this model will be a 'hybrid' of the two described in this document.

Thank you for your valuable contributions to shaping the future of federal research cost reimbursement.

Appendix: Glossary of Terms

Adjustment Factors (Model 1 only): Standardized percentages applied to total research project budgets based on institution type and research type, to accurately allocate costs.

Essential Research Support (ERS): Costs that directly support research activities, explicitly budgeted and directly charged to the projects.

- In FAIR Model 1: ERS is calculated as a standardized percentage combining institutional and research-type adjustments.
- In FAIR Model 2: ERS consists of clearly identified direct costs for project facilities support, grants management, and research information services, individually allocated based on actual usage.

Facilities and Administrative (F&A) Costs (Indirect Costs) (Current system only): Under the current system, these are costs incurred by institutions for common or joint objectives that cannot be identified readily and specifically with a particular sponsored project. Historically, administrative costs have been capped by federal guidelines.

FAIR Model 1: A simplified approach using standardized percentages based on institution and research types to calculate Essential Research Support costs, eliminating the need for complex indirect cost negotiations.

FAIR Model 2: A detailed, direct-cost-driven approach explicitly budgeting project-specific research support functions such as facilities, grants management, and regulatory compliance as direct costs, leaving minimal residual administrative costs.

General Research Operations (GRO) (Model 2 only): A category covering administrative and operational costs inherently difficult to directly allocate to individual projects, charged as a fixed percentage of total project costs.

Grants Management (Model 2 only): Administrative activities required to oversee sponsored research projects.

- Central Grants Management: Centralized functions such as pre- and post-award administration managed by institutional offices.
- Departmental Grants Management: Administrative support embedded within research departments, focused on grant-specific oversight and management.

Institution Types (Model 1 only):

- **Hospital:** Institutions primarily providing healthcare services and conducting clinical and medical research.
- **Independent Research Institute:** Specialized research institutions typically not affiliated with a university or hospital.
- **Institute of Higher Education:** Universities and colleges conducting research and education.

Research Information Services (Model 2 only): Costs related to resources like scientific journals, database subscriptions, and institutional repositories directly supporting research.

Research Types (Model 1 only):

- **Laboratory and Instrumentation-Based Science Labs:** Research involving specialized laboratory equipment, instrumentation, or facilities. Examples include animal models, biosafety level 3 (BSL-3) laboratories, imaging facilities, radiation-rated facilities, and high-performance computing.
- **Office and Dry Lab without Human Subjects:** Research conducted in office environments or computational settings not requiring specialized equipment. Examples include computational modeling, theoretical analysis, informatics, data mining, humanities research, law, arts research, behavioral economics, and survey-based social sciences.
- **Patient-Centered Clinical and Interventional Trials:** Research involving human participants undergoing clinical interventions, typically requiring specialized compliance, monitoring, and regulatory oversight. Examples include clinical trials for pharmaceuticals, medical devices, biologics, diagnostics, and interventional trials regulated by the FDA.

Safety, Security, & Regulatory Compliance (Model 2 only): Explicit project-specific costs covering institutional responsibilities for regulatory compliance, including environmental health and safety, IRB, IACUC, and data management.

Shared Research Resources and Services (Model 2 only): Facilities or services such as core laboratories or specialized instrumentation shared by multiple research projects, billed directly based on usage.

Standard Essential Research Support Option (Model 2 only): A simplified method allowing smaller or emerging research institutions to apply a standard percentage of total project costs to cover essential research support, reducing administrative complexity.