JOINT ASSOCIATIONS GROUP (JAG) RELEASE OF RECOMMENDATIONS OF THE JAG SUBJECT MATTER EXPERTS GROUP

INFORMATIONAL WEBINAR

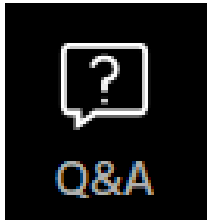
JUNE 12, 2025

JAG NATIONAL ORGANIZATIONS

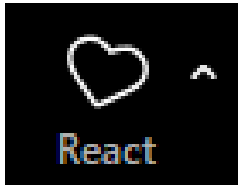
Today’s Agenda

- Welcome & Overview
- Presentation: FAIR Models Presentation
- Panel Discussion
- Wrap Up and Next Steps

Today's Webinar Logistics

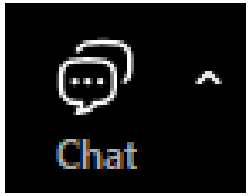


Q&A: Questions asked today will be collected for the 6/17 Town Hall with extended Q&A. You may upvote questions.



Hear something you like? (or don't?)

Use the React feature at anytime to share with the panelists and fellow attendees your reaction.



Use the chat window to relay any technical issues to the panelists.

This session is being recorded and will be shared publicly.

Important Links

- National Organizations Announce Joint Effort to Develop a New Indirect Costs Funding Model (April 2025)
- Indirect Costs Subject Matter Experts Team
- Submit Questions, Feedback, and Inquiries

- Background Materials:
  - F&A Cost Reimbursement Materials (COGR)
  - May 8 and 12 Town Hall Recordings
  - Recording of today's session

- All Media Inquiries Should Be Directed to: public-affairs@aau.edu

https://linktr.ee/JAGTownHall

Today's Presenters:

Dr. Kelvin Droegemeier, Professor of Atmospheric Science and Special Advisor to the Chancellor for Science and Policy at the University of Illinois Urbana-Champaign, and former WH OSTP Director

Dr. Penny Gordon-Larsen, Vice Chancellor for Research, University of North Carolina – Chapel Hill

Dr. Kurt Marek, Chief Research Development Officer, Sanford Burnham Prebys

Dr. Stacey Patterson, Vice President for Research, Florida State University

The Joint Associations Group (JAG) on Indirect Costs

Presentation of Provisional Indirect Costs Models to the Research Community

June 2025

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Subject Matter Expert (SME) Team

- University Senior Research Leadership/Research Administration
- Academic Medical Centers/Hospital Leaders
- University Operations and Finances
- Independent Research Institutes/Medical Centers Operations and Finance
- Private Sector
- Private Foundations
- Former Government/Agency Officials
- University Government Relations
- Research Faculty/Principal Investigators

Kudos to the Community!!

- The Subject Matter Expert (SME) Team received **numerous helpful comments and suggestions** from the research community
- **THANK YOU!!**
- Your **continued engagement** is critical to success

Indirect Costs Inquiry Form

This form is intended to collect from the research community any feedback, questions, or general interest information on indirect costs. A few questions to consider as you submit input:

1. What aspects of the current F&A system (components, rate, reimbursement concept, etc.) do you believe are most effective and should be retained?
2. What aspects of the current F&A system (components, rate, reimbursement concept, etc.) do you believe are least effective and should be modified or replaced? What modifications could address these limitations?
3. How can the current process of reimbursing direct and indirect costs be made more transparent and explainable?
4. Given the confusion that often exists regarding institutional use of indirect costs reimbursement, what actions can be taken to eliminate this confusion?
5. What unnecessary or ineffective administrative activities and/or requirements are associated with the current process for calculating, negotiating, budgeting and charging indirect costs, and what actions can be taken to reduce or eliminate them for institutions and researchers that receive Federal research funding?

The JAG Effort Moved Quickly

April 8 – Joint Associations Group (JAG) effort **formally announced**

April 14 – Subject Matter Expert (SME) Team **begins work**; numerous virtual meetings

May 3 & 4 – SME Team holds **weekend virtual retreat**

May 8 & 12 – JAG holds two **National Town Halls** to describe model development process

May 12 – June 12 – JAG solicits **community input**

May 17 & 18 – SME Team holds **weekend fly-in retreat** at Chicago O'Hare Airport

May 27 – SME Team presents provisional models to **Association Principals**

May 28 to June 11 – SME Team **continues working** on models; JAG discussions with government officials; overview presentations at association meetings

June 12 & 17 – JAG presents provisional models to the national research community and seeks additional input

Challenges With Today's F&A Model

- Not easily **explained or understood**, even by researchers
- **F&A rate vs F&A component of budget** is confusing
- **Time-consuming and expensive** space/administrative analysis and negotiation involved in Federal process to set the F&A rate
- Federal process for setting the F&A rate is **applied unevenly** across institutions
- **F&A reimbursement concept** and accountability in how funds are spent
- Application of **same F&A rate** to all types of research (humanities, medical)
- Confusion regarding indirect cost rates allowed by **government agencies** and **private foundations**
- Differences between the **negotiated** F&A rate and the **actual** F&A recovery

Key Government Perspectives

- The current F&A system is not sufficiently **transparent and accountable**, leading to questions about taxpayer dollars **not being spent on research**
- Want **more dollars on target**, funding the **explicit** costs of research
- Universities should have F&A rates similar to those allowed by **private foundations**
- The **private sector** should be funding more university research
- More university **endowment funds** should be used to support research
- Federal research dollars should not be used to address **inadequate state appropriations** to public universities

SME Team Charge

- To undertake a rapid and **thorough evaluation** of the current direct/indirect cost model of USG funding to academic research institutions, independent research institutions, research hospitals, and medical centers; and
- To develop a **new model** for funding indirect costs, shared with and discussed by the broad research community, **for consideration by the Federal Government**

Broader Goals for America

- To ensure **American leadership** globally in science and technology research and related development and deployment based upon merit
- To have an indirect costs and research funding system that are **fully accountable to American taxpayers** and **deliver benefits for the public good**
- To help **reinvigorate** the historically successful **research partnership** between the Government and America's collgegs and universities

Key Principles in Developing a New Model

- A **common sense** approach to research indirect costs that ensures transparency, accountability, auditability, simplicity, and reasonableness
  - Fund the **actual costs of research** – accountability and auditability
  - Link costs to **individual projects** – accuracy and transparency
  - Create **efficiency and savings** by reducing **complexity and administrative workload**

Attributes Guiding the Development of a New Model

- **Accountable to taxpayers**
- **Acceptable to the research community and US Government**
- **Simple, clear, efficient, easily explained, and defended**
- **Transparent, trackable and auditable**
- **Based upon the actual cost of research**
- **Fair** to all organizations, accounting for unique differences
- Minimal **administrative burden and maximum efficiency for cost savings**
- Maximize the **ease of transition** from the current model
- **Eliminate uncertainty** regarding funding for research support costs
- Updated **definitions** of costing categories
- **Consistent** with laws and policies, some possibly needing to be changed
- Minimal **changes** to existing data and financial systems
- Stable and **codified** in law
- **Simplify** by all USG organizations using the model
- **Reinvigoration** of the USG/recipient partnership of mutual benefit and trust

Working Together as a Team

- We have taken a **team approach,** coordinating continuously with
  - The national research community
  - The White House
  - Congress on both sides of the aisle
    - House and Senate appropriators and authorizers
    - House and Senate committee staff
    - Individual Members
  - DOGE
  - Other key stakeholder communities

Where We Are Today

- The SME Team has developed two provisional models for consideration – the **Fiscal Accountability in Research (FAIR) Models**
- They represent **“bookends”** by taking notably different approaches
- A **“hybrid”** in between the two models is possible and we want to hear your thoughts (later slides)

Features of Both FAIR Models

- Are applicable to **all Federal agencies**
- Eliminate the periodic **F&A rate negotiation process**, reducing burden & costs
- Gear research support to **project-specific** needs and **actual costs**
- **Simplify** by eliminating multiple rates (on/off campus, training, other spons act)
- Consider **all sizes and types of research institutions**, public, private, independent, hospitals, etc
- Are being **pressure tested** with real data; we are confident in the model frameworks across all institution types, and **additional testing** is forthcoming
- Will need **changes** to Uniform Guidance, agency policy, and possibly laws
- Create an auditable and transparent **reimbursement process** →

FAIR Models Address Reimbursement Questions

- The traditional reimbursement model **ensures transparency only** in setting reimbursement rates through federal negotiation
- The proposed models provide **visibility** into **how institutions spend** these research support funds—advancing both **accountability and public trust**
- We propose a **new requirement in both models** that the funds provided to support historically categorized F&A indirect costs be **spent within specific budget categories** to cover **Essential Research Support (ERS)** costs
  - Enhanced transparency
  - Trackable and Auditable

FAIR Model #1

- Two parts: **Principal Investigator (PI)-Managed Project Costs** and **Essential Research Support (ERS)**
  - **PI-Managed Project Costs** are essentially today's direct costs
  - **ERS** is a **fixed percentage of the total budget** based on **HISTORICAL ACTUAL RECOVERY** from **audited public data** and is assigned separately to IHEs, IRIs, and Hospitals/Medical Centers
- A **simpler version of the ERS concept** was proposed by former Rep. Murtha (D-PA) in the FY08 Defense appropriations bill **(35% of award)** and never implemented; also proposed in FY25 Labor-H bill to not exceed **30% of award** (Sec. 237, H.R. 9029)

FAIR Model #1

- FAIR Model #1 includes project specific **modifiers** for different **research TYPES**, again based on real costs: e.g. “Computational/Theoretical”, “Material/Experimental”, “Human Subject/Fieldwork”
- Uses **artificial intelligence** to determine ERS and modifier percentages
- **Eliminates all aspects of F&A proposal preparation and rate negotiation and gets rid of the F&A rate, saving the Government and institutions time and money**
- Emphasizes **simplicity** and **reasonableness**
- **Reimbursement** is tracked directly to ERS costs and accounts
- Completely **auditable** and can be part of institution’s Single Audit

NOTIONAL Example for FAIR Model #1

PI-Managed Project Costs	
PI salary	$$
Graduate students	$$
Research personnel	$$
Fringe benefits	$$
Travel	$$
Equipment	$$
Supplies	$$
Publishing costs	$$
Essential Research Support	
General research operations	
Grants management and finance	
Research facilities (including O&M)	
Safety, Security and Regulatory Compliance	
Research library materials	

X% of Total Budget

Y is a fixed % of Total Budget

X% + Y% = 100%

NOTIONAL Example for FAIR Model #1

PI-Managed Project Costs	
PI salary	$$
Graduate students	$$
Research personnel	$$
Fringe benefits	$$
Travel	$$
Equipment	$$
Supplies	$$
Publishing costs	$$
Essential Research Support	
General research operations	
Grants management and finance	
Research facilities (including O&M)	
Safety, Security and Regulatory Compliance	
Research library materials	
Specialized research → Modifier	

X% of Total Budget

X% + Y% = 100%

Y is a fixed % of Total Budget + Project-Specfic Modifier

Example of FAIR Model #1

Scenario:

- **Institution Type: Institute of Higher Education (25%)**
- **Predominant Research Type: Human Subjects (5%)**
- **PI-Managed Project Costs: $500,000**

NOTE! The percentages shown here are for ILLUSTRATION ONLY!
Final values will be determined based upon input provided from model testing by the community.

Total ERS:

25% + 5% = 30% or 0.30

Total Project Budget Calculation:

PI-Managed Project Costs/(1.00 – Total ERS) = TOTAL PROJECT COSTS

Example Scenario:

$500,000/(1.00 – 0.30) = $714,285

Advantages of FAIR Model #1

- **Reduced Administrative Burden**: Eliminates lengthy and resource-intensive indirect costs space and administrative assessments and rate negotiations
- **Increased Simplicity**: Eliminates the variation and application of F&A rates and thus confusion between the F&A rate and the portion of the budget associated with F&A costs; simple to implement for all types of institutions
- **Simple Implementation**: easy transition for all types of institutions and for the government
- **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
- **Better Alignment:** Aligns with current proposals for a %-of-budget base rate

Limitations of FAIR Model #1

- **Generalized Approach**: Even with institutional and project-specific modifiers, it is difficult to account for the wide array of research frameworks that now exist
- **Reasonableness**: FAIR Model #1 is built around the concept of reasonableness and average of costs rather than strict accuracy
- **Updating**: A strategy for periodically updating the Essential Research Support and modifier percentages will need to be created

FAIR Model #2

- Costs are structured to reflect **actual resources utilized**
- Utilizes a **simple space assessment** process to set rates for facilities costs
- **Eliminates F&A proposal preparation and rate negotiation process – saving the Government and institutions time and money**
- The remaining **General Research Operations** costs are similar to the "General Administration" in former F&A but at a **small fixed percentage** from national data
- **Makes costing structure for federal grants more like that for private foundation grants**
- Provides **direct visibility** to formerly-termed indirect costs, including to PIs
- **Auditing** is straightforward and can be included in the institution's Single Audit
- **GRO reimbursement will be directly allocated to specific categories of support**
- Has a **"short form"** option for small and emerging institutions
- Emphasizes **accuracy**

NOTIONAL Example for FAIR Model #2

Project Costs Managed by the PI	
Senior Key Personnel (e.g. PIs)	$$
Other Personnel (e.g. grad students)	$$
Equipment	$$
Travel	$$
Participant/Trainee Costs	$$
Other PI-Managed Project Costs	**$$**

Project Costs Managed by the Institution	
Safety, Security, & Regulatory Compliance	$$
Essential Research Support	$$

Direct Costs

General Research Operations (GRO)	**Fixed %**

Other PI-Managed Project Costs includes new and revised line items, including Shared Research Resources and Services

Safety, Security, and Regulatory Compliance includes EH&S, COI, IRB, IACUC, IBC, Research and Training Compliance, Data Management and Sharing, Clinical Trials Monitoring, FDA Data Package Development and Support, Internal Regulatory Audits

Essential Research Support includes Project Facilities (usage, support, depreciation), Research Information Services, and Grants Management

GRO represents supports costs not easily assigned to a project (e.g., payroll, benefits, procurement)

Example of FAIR Model #2
Developing Unit Costs

Research Information Services

Unit of allocation: Cost per federally funded researcher

Recommended steps:

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

Example for illustration purposes only:

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

Example of FAIR Model #2

A. Senior Key Personnel: $20,000
B. Other Personnel: $50,000
C. Permanent Equipment: $0
D. Travel: $5,000
E. Participant/Trainee Costs: $0
F. Other Direct Costs (supplies, services, IT): $100,000
G. Safety, Security, & Regulatory Compliance: $6,400
H. Essential Research Support: $66,000

Project Facilities Support: $50,000

Research Information Services: $9,000

- Researchers involved: 4.5
- Cost per researcher: $2,000
- Total Research Information Services Costs: 4.5 × $2,000 = $9,000

Grants Management: $7,000

A-H: $247,400

I. General Research Operations:

- X = total project cost
- GRO = 20% of X
- X = $247,400 + 0.2X
- X - 0.2X = $247,400
- 0.8X = $247,400
- X ≈ $309,250
- GRO = $309,250 - $247,400 = $61,850

Total Project Cost = 309,250

NOTE! The percentages shown here are for ILLUSTRATION ONLY! Needs community input.

FAIR Model #2 – “Short Form” Option

- Many institutions **do not have** sufficient research support services that will be required to implement and maintain FAIR Model #2
- Those same institutions typically **do not have** the facilities, equipment, and administrative resources required for research that is specialized and often quite expensive
- Consequently, a **“Short Form” Option** for FAIR Model #2 has been developed
- **Eligibility requirements** for taking the Short Form Option need to be developed
- The “Short Form” option would simply charge funders two single line items: **Essential Research Support/Compliance** & **General Research Operations**, thus **reducing administrative burden** by eliminating the periodic space and administrative assessment

Advantages of FAIR Model #2

- **Increased Transparency for Sponsor and Recipient**: Most costs reflect utilization of actual resources for a given research project, increasing understanding of how sponsor funds are used
- **Promotes Efficiency in Space Utilization**: Visibility into the cost of facilities used by specific projects promotes efficiency
- **Similar to Private Foundation Funding Models:** Structuring costs as line items for actual resources utilized leaves a smaller residual as General Research Operations that cannot be directly linked to specific projects
- **Provides Support for Essential Compliance**: Directly and transparently reflects costs for required Federal research compliance
- **Accommodates All Institutions**: The “short form” option accommodates institutions which do not have the resources to develop costing models for facilities and administrative support and/or have non-specialized research

Limitations of FAIR Model #2

- **Funding Recipient Finance and Operations Ramp-Up**: Developing costing structures for research facilities and related research support services will initially require significant resources and time for even large institutions
- **Culture and Structural Change**: FAIR Model #2 represents a significant departure from current processes, practices, and culture for both sponsors and recipients, including institutional tracking and transparency of F&A reimbursement spending
- **Budgeting**: FAIR Model #2 will increase the size of the traditional direct cost category of grant budgets owing to the move of some indirect costs into the direct cost category

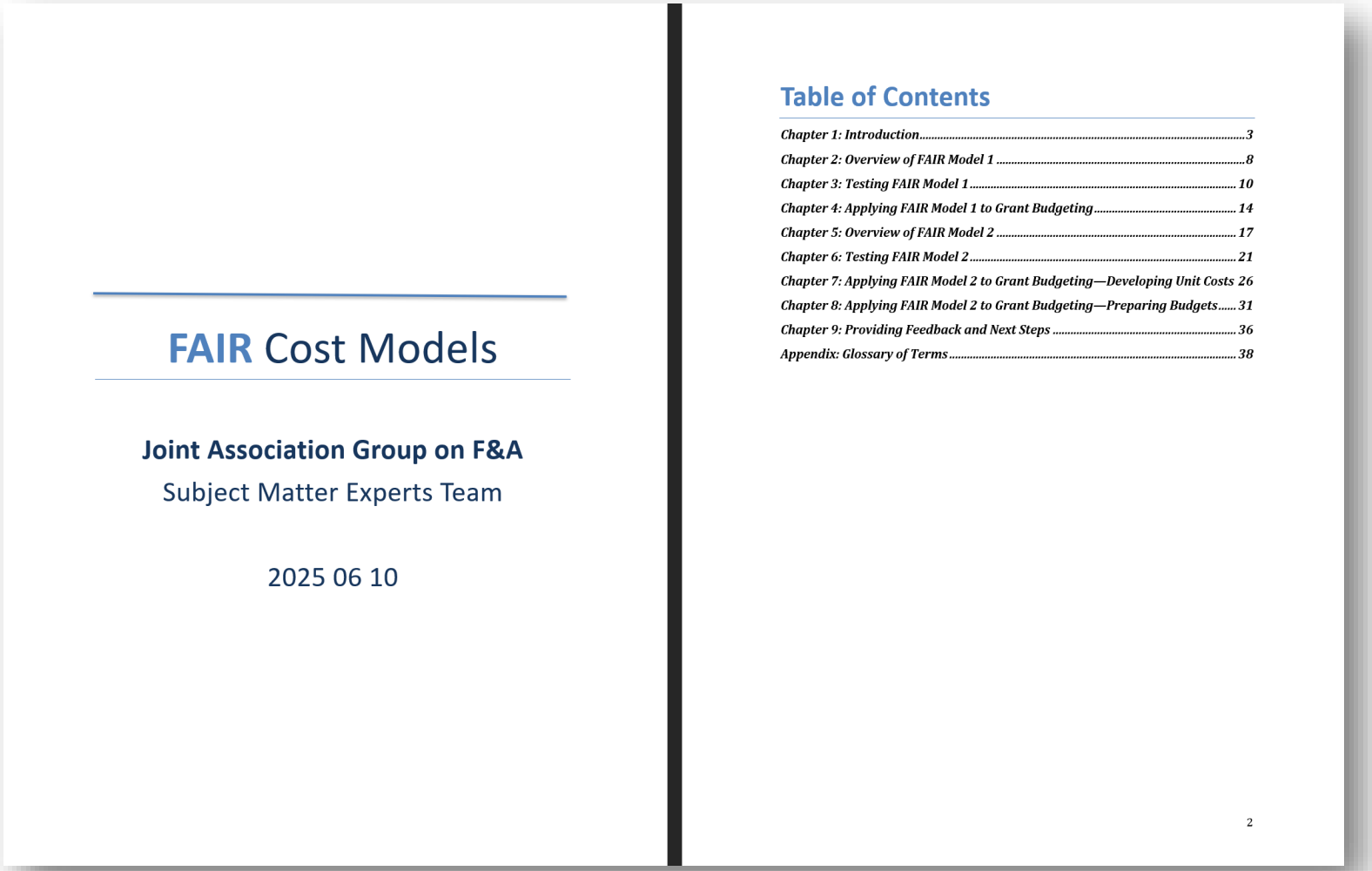
Benefits to the Government of FAIR Models

- Reduces **administrative costs** and federal administrative **burden**
- Funds the **actual costs** of each project transparently
- Creates models that are **easy** to understand and explain how dollars are spent
- Provides greater **accountability** and **auditability**
- Incentivizes **efficiency** in institutional use of space and facilities
- Implements as a **Single structure** for all Federal programs
- Moves costing structure closer to that used by **private foundations**
- Asserts that research institutions **still** provide substantial resources

Benefits to Research Institutions of FAIR Models

- Reduces administrative **costs** and institutional administrative **burden**
- Funds the **actual costs** of research transparently
- Creates models that are **easy** to understand and explain how dollars are spent
- Harmonizes all federal agency requirements with a **single structure** for all types of sponsored activity
- Incentivizes **efficiency** in institutional use of space and facilities
- Supports actual **research compliance costs** which currently exceed allowable limits

Community Testing of the FAIR Models



FAIR Cost Models

Joint Association Group on F&A

Subject Matter Experts Team

2025 06 10

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FAIR Model Testing Guide

- High-level **descriptions** of each model
- Detailed **instructions** to:
  - Estimate the impact of each model
  - Estimate the impact of several permutations of each model
- Description of **how** the models **COULD be implemented**
- Information on how to **provide feedback**
- **Glossary** of terms

Actions for the Community

- Visit the QR code shown here to access
  - **Slides and video** from the June 12 webinar describing the provisional indirect costs models and the June 17 town hall discussion session
  - The model **Testing Guide**
  - The model testing results **feedback form**
  - A form to **submit questions** that arise as you test the models with your institutional data

Summary

- The JAG has presented **two "bookend" provisional indirect costs models** for consideration by the national research community
  - A **"hybrid"** version of the two models is possible and we want to hear from you!
- Although **no model is perfect**, your input will help get the research community to the best place
- **We ask that research institutions…**
  - **Test the models** with their own data and report the results to the JAG
  - **Suggest a hybrid** of the two provisional models if desired
- The SME Team will **continue testing** using community results
- The JAG will **continue coordinating** with government officials

Next Steps – Provisional Timeline

- **June 12 and 17**
  - JAG holds community webinar and town hall meetings to solicit community input on provisional models
- **June 13 - 22**
  - **Community tests provisional models and provides input**
- **June 22 - 26**
  - The SME Team processes input from the community
- **June 27**
  - Deliver final model

PANEL DISCUSSION

QUESTIONS, COMMENTS & MORE INFORMATION

https://linktr.ee/JAGTownHall