Task Force on Sharing of Facilities & Administrative Income Returned to Units

Report and Recommendations 26 February 2008

Overview

During fall 2007, a small task force consisting of OVPR senior administrators and selected unit leaders (including department heads and center/institute directors) discussed facilities & administrative reimbursement (F&A) and how it is distributed and used on the UGA campus to cover research costs. The task force goal was to design a system to replace the *ad hoc* arrangements currently used to support the operation of cross-cutting centers and institutes.

The task force recommends new guidelines for sharing the 20% F&A returned to the generating units, based on the philosophy that the unit that incurs the cost of research support should receive the F&A return needed to cover that cost. Thus, for a research project carried out by a PI who is a member of a center or institute, F&A return should go to the PI's home unit (college or department) to cover costs borne by that unit and should go to the center/institute to cover costs borne by that center/institute.

To implement these new guidelines, a cost accounting must be performed for each research project or each PI associated with more than one unit. A worksheet (Appendix A) was developed to provide a rational framework to support this accounting effort and the results will be approved by unit leaders through the existing OVPR proposal transmittal process. This approval is a recognition of sharing *both* F&A return *and* responsibilities for covering project support costs.

Two detailed examples will help illustrate how these guidelines work (refer to Appendix A). Imagine a faculty member with a home department of Genetics and a membership in the Center for Tropical and Emerging Global Diseases (CTEGD), whose laboratory is in Genetics space, and whose students are in the Genetics graduate program. If this faculty member submits a research proposal through CTEGD, then CTEGD would receive ~20% of the F&A return associated with managing the resulting grant, while Genetics would receive ~45% associated with being responsible for research space + ~15% for providing front office support + ~10% associated with managing a graduate degree program (~70% total). Another faculty member in Cellular Biology who is also a member of CTEGD, and has a research lab in the Coverdell Building (under CTEGD control), might submit a proposal through CTEGD, resulting in CTEGD receiving ~45% of the F&A return (for maintenance of research space) + ~20% associated with managing the grant + ~15% (front office). Meanwhile, Cellular Biology would receive ~10% for administering the graduate degree program of the students. This system provides the flexibility necessary to adapt to the variety of relationships present on campus among colleges, departments, and centers/institutes.

Also, recognizing that PIs are responsible for handling some research expenses that are not covered by direct costs, the task force recommends that 10% of F&A return be provided directly to the PI to help cover these costs. This does not preclude units from distributing additional F&A return to PIs, if desired.

In addition to directing available resources to the units that are responsible for paying the costs, the task force believes that sharing of F&A return with centers/institutes (and PIs) creates an incentive that may lead to increased sponsored research activity, allowing centers and institutes (and PIs) to be more successful. A much better incentive would be to increase the amount of F&A returned to the units when a center/institute is involved, since it is clear to the task force that the current level of F&A return is insufficient to cover existing project support costs, regardless of which unit pays these costs.

Background

Externally funded research at universities is supported by grants/contracts that pay the direct costs of specific research projects, and by Facilities and Administrative reimbursement (F&A) that covers some of the indirect costs associated with supporting infrastructure and administrative effort necessary to provide the environment within which the research is performed. All universities negotiate with federal agencies using cost-accounting standards to set F&A rates that apply to externally funded research. At UGA, different F&A rates apply to different types of sponsored activities, but the most common rate used is the on-campus research rate, currently 47.5% of Modified Total Direct Cost (MTDC).

It is important to understand how this research F&A is used at UGA. About 78% of F&A is mixed with the Resident Instruction (RI) budget, from which some helps support university facilities and operations, some helps build college and department operating budgets, and some goes to support operations of centers and institutes answering to the VPR (i.e., the operating budget for OVPR comes from the RI budget and some of this is used in an *ad hoc* fashion to help support operations of centers and institutes). The remaining 22% of research F&A goes to the UGA Research Foundation (UGARF) and portions of this are used (also in a relatively *ad hoc* fashion) to fund research needs of colleges, departments, centers, and institutes (e.g., research facilities, special programs, gap funding, operations, etc.)

In addition to this general use of budgets containing F&A for the support of research, a component of F&A reimbursement (currently 10% from RI + 10% from UGARF = 20% total) is returned directly to the unit that generated it; we refer to this portion as "F&A Return" in this document. At UGA, until very recently, this unit was identified as the "managing" or "budgetary" unit denoted on a proposal transmittal form, most often (but not always) the home unit (college or department) of the principal investigator. For research associated with the emphasis of a center or institute, any sharing of this F&A Return was handled informally, usually after the fact, by individual *ad hoc* agreements. In 2007, the proposal transmittal form was revised to provide a mechanism for recording these sharing agreements in a more formal way at the time of proposal submission.

Historically, research programs were mainly carried out in academic units (collges or departments) and F&A Return was assigned to those units to handle additional costs of performing research that academic operating budgets could not handle. Centers and institutes have become more important and prevalent in recent years, especially in interdisciplinary areas, but they do not generally receive regular RI-supported operating budgets, even though they often take on a portion of the indirect cost of doing research. UGA has no formal guidelines or policies dealing with how F&A Return could or should be distributed between colleges/departments and centers/institutes. Developing such guidelines is the major goal of this task force and these recommendations.

We note that some UGA institutes (e.g., the Institute of Behavioral Research and the Biomedical and Health Sciences Institute) actually contain centers within the institute. This arrangement is not easily addressed here and so the use of the term "institute" in this document omits reference to institutes with this sort of structure. Our recommendations do, however, apply to the component centers of such institutes.

Guiding Principles

With this background, the task force defined a set of guiding principles used in developing our recommendations:

1. Centers and institutes play an increasingly important and integral role in advancing interdisciplinary research.

2. Disciplinary colleges and departments are fundamentally important and serve as the backbone of the research activities at any institution.

3. It is not only appropriate, but desirable that centers/institutes and colleges/departments share F&A Return that they have contributed to generating so that they are both able to support their research activities.

4. Given that F&A (including F&A Return) is provided to offset the indirect costs of doing research, the sharing "split" of F&A Return should reflect the "split" in the services provided and costs incurred by the contributing units (centers/institutes, colleges/departments).

5. Indirect costs of research continue to increase for all units and are not completely covered by RI or UGARF portions of F&A. Current levels of F&A Return are also not sufficient to meet these costs, regardless of which units pay for these costs.

6. Since there are indirect costs currently borne by PIs, it is appropriate that there be a mechanism for PIs to share in F&A Return that they contributed to generating. This has the added benefit of providing a potential incentive to keep faculty fully engaged in UGA's research mission.

Task Force Activities

Under guiding principle 4, the task force conducted a survey of many unit leaders (mostly department heads and center/institute directors) across several colleges to compile a list of the types of indirect costs currently being paid for via F&A Return. The purpose was to identify the ways in which the responsibility for handling each type of indirect cost shifted from the college or department to a center or institute when the PI of a research project is a member of the center or institute. We defined categories of indirect costs that could be associated with types of activities carried out by either the PI's college or department or by the PI's center or institute.

For example, there are indirect costs that are incurred by the unit responsible for maintaining the research space used by the PI (facilities maintenance costs like support of shared equipment, desktop and network support, office furniture, physical plant work orders, etc.). If the research is conducted in a laboratory assigned to the PI's college or department, then the costs are incurred by that unit. If the PI's laboratory is in space assigned to a center or institute, then this unit incurs these costs.

Other examples include: administrative costs associated with a unit-operated "front office", which could include office supplies, seminar programs, office staff, faculty recruitment, and supplemental support for faculty activities; costs associated with management of grants and contracts, including accounting staff, personnel and payroll activities, etc.; costs associated with operating a graduate degree program or training grant, including graduate recruitment, stipend supplements, program administrative staff, etc.; indirect costs increasingly borne by PIs as we improve our rigor in applying cost-accounting principles (e.g., Circular A-21) to define direct vs. indirect costs. More details are provided in Appendix A.

With an objective of crafting a relatively simple system for determining F&A Return distribution between units, we then developed estimates of the fraction of total costs spent by the "average" unit on each of the major cost categories we had identified. Although these percentages will not precisely reflect cost distribution in all cases, we believe they represent a good starting point for defining sharing arrangements. We believe on average, F&A Return is spent approximately in the following way: 45% on supplemental facilities maintenance (as a result of maintaining research space); 20% administrative costs of managing grants and contracts; 15% administrative costs of managing a front office; 10% administrative costs of operating a graduate degree program; 10% PI-associated indirect costs (see Appendix A).

Recommendation

This task force recommends that the guiding principles and cost analysis provided herein should be used as guidelines to define the distribution of F&A Return to the units (colleges, departments, centers, and institutes) that incur the indirect costs of research on each externally funded research project. Specifically, for each proposal submitted by a PI associated with more than one unit (e.g., a home college/department and a center/institute, two departments, etc.), an explicit identification of which unit is responsible for which categories of costs will be used to define how the F&A Return from the funded proposal will be shared.

The obvious implication of these guidelines is that sharing of F&A Return between two units based on this cost analysis must be reflected in the same distribution of responsibility to pay for the associated costs. For example, an agreement that the ~45% F&A Return associated with research space used for a project should go to a PI's center implies that the costs of supporting the research space must be borne by the center and not by the PI's home unit (college or department).

The major goal of this recommendation is to distribute F&A Return to the units and individual researchers that incur the related indirect costs. However, we also believe that these guidelines will start to remove a significant disincentive to the creation and growth of centers and institutes, which we believe are crucial to the expansion of interdisciplinary research at UGA. The definition of a share of F&A Return for the PI of each grant/contract can also be considered an incentive for more faculty to compete for more external funding.

However, the task force strongly believes that a much better incentive for the creation and growth of centers and institutes would be to define an *additional* component of F&A returned for proposals submitted by members of centers/institutes. This would also help avoid some of the "competition" between colleges/departments and centers/institutes that sharing the already limited resource of F&A Return engenders. While we believe the proposed redistribution described above better reflects obligations, any redistribution of limited revenue may be construed by some as creating a system of "winners" and "losers". This task force believes that, over time, the proposed redistribution will result in increased sponsored project activity, since the incentives involved will encourage more proposals and more interdisciplinary proposals. This will generate additional F&A Return so that all units and PIs will benefit.

Implementation

We recommend an implementation of these new guidelines that is as simple as possible while recognizing the need for approval of sharing arrangements by PI's and all unit leaders. The implementation also has to provide enough flexibility to reflect the different distribution of responsibilities for research costs across all UGA units. It is also a reality that not all faculty with membership in a given center/institute have the same distribution of indirect cost responsibilities. For example, some center members may have their research lab in a building assigned to the center, while other members conduct research in space assigned to their home unit (college or department). Some faculty may have graduate students through a graduate program associated with an institute; others will have only students from a college or department graduate program. Each center/institute may have an entire spectrum of such distributions.

Appendix A contains a draft worksheet for implementation of these new guidelines. Each faculty member associated with a center/institute (or with a joint appointment between colleges or departments) will use this worksheet to help define F&A Return distribution among the center/institute and any colleges or departments with which he/she is affiliated. Final approval by the unit leaders is already required as part of the proposal transmittal form at UGA, onto which the results of this worksheet should routinely be entered. Implementing these distributions as new proposal transmittal forms are generated will dictate a gradual shift to this new philosophy of sharing resources and responsibilities.