Memo

To: Northern Arizona University Faculty, Staff, and Administrators
From: Laura Foster Huenneke, Vice President for Research

CC: Laura F. Huenneke

Date: 8/9/2011
Re: Pilot Program for Allocating Increased Indirect Cost Recovery (F&A) Funds to Address Campus Priorities – FY 2012 and FY2013

Background: A Task Force met during AY10-11 under the direction of VP for Research Laura Huenneke to explore policies and practices related to the recovery and use of indirect cost (Facilities and Administrative) funds. The group recommended changes to policy strengthening the institution’s ability to insist upon the inclusion of F&A in grant and contract budgets. The group also identified some key issues constraining the university’s ability to increase its research portfolio (especially funded research), where indirect cost dollars might provide an important infusion of resources: administrative support for sponsored projects in the academic units and centers, facilities and equipment (e.g., maintenance and service contracts), and research-related resources in Cline Library.

Current distribution: Currently 30% of the indirect cost dollars recovered on a project are returned to the unit and the principal investigator, and 70% are retained centrally. The 30% has been essential to the provision of startup packages, faculty development activities, and other research-related expenditures by deans, department chairs and investigators. (It has also supported the development of infrastructure within centers and institutes; a sub-group of the Task Force explored options for establishing, funding, and reviewing performance of centers and institutes.) The 70% central funds currently cover salaries and ERE’s for staff in the Office of Sponsored Projects, the Office of Regulatory Compliance, the Office of Grant and Contract Services, Research Services (services and facilities offered by the Office of the Vice President for Research), and for Hooper Undergraduate Research awards. As the campus community has become more successful in budgeting indirect cost recovery into grants and contracts, it is anticipated that indirect revenues will increase over the amount needed to cover current central university commitments. Rather than all of this being retained by default in a central university account or reserve, we proposed that the majority of the “overage” be directed to investments in research capacity, in a manner that would be managed with transparency and accountability by the Vice President for Research and subject to change if future conditions (amount of indirect cost recovery, availability of alternative sources of
investment) change. The President has agreed to implement such a plan as a pilot program over the next two fiscal years (FY12 and FY13), with examination near the end of the program to determine if it has achieved its objective of increasing research capacity with effective use of indirect cost funds (and also to assess any changes in the availability of indirect cost funds recovered by the institution).

Outline of Pilot Program: Indirect cost dollars (central portion) received in excess of amounts needed to maintain current central commitments will flow to a new “Research Investment” account under the Office of the Vice President for Research. The VPR shall establish a clear policy for the use of those funds, to be shared with the campus community by September 1, 2011; this policy shall be responsive to the priorities identified by the Indirect Cost Task Force during 2010-11 (administrative support in units for the submission and management of grant proposals and projects; facilities and equipment maintenance and improvements; research capacity in Cline Library) as well as addressing the increased research infrastructure needs of the institution (Internet 2 subscription, grant software subscriptions). The VPR’s policy shall also include provisions for incentives to units to increase their collection of indirect costs (e.g., supporting administrative staff in those units generating significant amounts of ICR). The VPR shall report expenditures from this Research Investment account each year to the President and to the campus. The VPR shall also review the staffing and other commitments covered by indirect cost funds, and the amount being generated for the Research Investment account based on actual indirect cost recovery, on an annual basis for the President and others involved with budget planning, so that the central commitments, the amounts needed for staffing research-related offices, and other aspects of this distribution could be adjusted if necessary.

Near the end of the two-year pilot period, the Vice President for Research and the University Budget Office shall review the revenues received, the expenditures from the fund, and the outcomes or return on investment from those expenditures (documented by increases in grant proposal submissions and awards by units receiving administrative or facilities support, success of projects with cost-share or matching from the VPR, use of Cline Library research resources supported by the fund, and/or further increases in indirect cost recovery). The review will be shared with campus as well as with the President.

The pilot program achieves the following:
- maintains the current level of investment in salaries and other research-related expenditures, and current level of indirect cost moving to central university funds to assist with central “overhead” expenses;
- creates a very visible “Research Investment Fund” that can be used to address the highest priority opportunities for building sponsored research;
- creates a stream of dollars going into research support (facilities, library, administrative support) that will help to increase our calculated indirect cost rate;
- allows for preservation of university reserves and flexibility;
- creates obvious and visible incentives for the campus community to continue recent success in proposing and receiving indirect cost recovery;
- allows the university to modify the central commitments, the sharing, or other aspects of this policy if needed to respond to changes in the university’s financial position or in the availability and amount of indirect cost recovery.