

4/20/00

Faculty Senate Research and Public Service Committee

Subject: Incentives to Increase the Revenue Stream to the University from Indirect Cost Charges on Grants and Contracts

Conclusion: The University of Maine currently does not distribute indirect cost charges generated through research grants back to sub-units of the university in a manner that provides sufficient incentives to the university community to increase flows of indirect research funds to the university.

Summary Recommendation: The faculty senate should pass a motion that reads approximately as follows:

"The faculty senate fully supports the expressed intent of the administration to increase the flow of revenues into the Research and Creativity Fund Account to 50% of all revenues flowing into the university from indirect cost charges on external research grants and contracts submitted through the Office of Research and Sponsored Programs. The UMaine administration indicates that the funds within this account will be distributed among four general pools as discussed below. The faculty senate suggests the addition of a fifth pool. Further, the first funds flowing into the university each year from indirect charges on research grants and contracts should be disbursed immediately to the Research and Creativity Fund and distributed immediately to pools 2, 3 and 5 as indicated through the process indicated below. These funds shall be considered spent or encumbered by the university such that this minimum base level of funding for pools 2, 3 and 5 of the Research and Creativity Fund may be relied upon by the units. Further any funds distributed to pool 2 should be distributed by formula among the college, department and originating investigator as specified below such that identifiable links between research success and substantive administrative support are established on a university-wide basis. Further, the UMaine Administration with the assistance of the Faculty Senate should seek to increase the proportion of indirect cost charges that are returned to the campus from the University of Maine System (UMS) "

Background:

The overall annual university budget receives revenues from essentially three sources: state support, student tuition, and indirect charges on research grants. This document discusses the need to provide incentives to increase campus revenues from the third of these, indirect charges on research grants.

Those faculty who generate indirect cost funds for the university typically receive no directly linked use of those funds for administrative or other support of their research activity. As a result, this university generates a far smaller ratio of indirect charges to overall research funding than most other universities. Not only is there a lack of incentive to generate indirect cost charges but there are substantial disincentives for faculty to increase such funds for the university. If a faculty member triples her indirect revenue to the university, she typically triples the research workload on herself with no increase in the ability to administratively support the increased workload. Many administrative and maintenance expenses incurred by the units in supporting research may not be charged directly to research grants because they are purportedly

covered by the indirect charges. Therefore it makes sense to funnel some of those indirect revenues back to the units. Because no directly linked proportion is returned to the units, there is widespread avoidance of imposing indirect charges on grant and contract work by faculty on this campus. Incentive structures similar to those used at many other leading research universities need to be instituted.

The amount of indirect funds generated from research grants by UMaine faculty reaching the UMaine campus has gone from approximately \$1.5 million in fiscal year (FY) 1993 to \$3.7 million in FY 2000. Yet the amount distributed to the Office of Vice President for Research has gone from \$1.1 million in FY 1993 to 0.9 million in FY 2000 (See Attachment #1). The vast majority of the revenue generated from indirect costs on research now flows into the general university budget to support a host of general purpose needs on campus. There is justification for supporting some general campus needs from revenues flowing in from indirect charges on research grants but it is surely unwise and detrimental to the long term economic well being of the university's research enterprises and to the university as a whole to do so to the extent currently being witnessed.

There is a desire by the UMaine administration and faculty that a larger proportion of indirect costs flowing into the university be placed into the account of the Vice President for Research; that is, the Research and Creativity Fund account. A proposed distribution plan from the Research and Creativity Fund account has already been developed that would allocate funds to four pools: (1) Funds to Support Central Research Administration, (2) Percentage Return of Funds to Units, (3) Funds to Support Scholarship in the Arts, Humanities and Other Academic Areas with Less Opportunity for External Funding Support, and (4) Faculty Research Funds. A fifth pool is further suggested: (5) Funds to Support Research Initiation by New Faculty.

While such plans look promising, similar plans have been promised in the past and the current plan to date has resulted in only minimal funds being distributed. Distributions to pools 2 and 3 have been particularly lacking. Because only a very limited proportion of the funds generated from indirect costs on grants are actually distributed to the Office of the Vice President for Research, those funds must be spent on administration of that office and as matches to grants with little left over.

Recommendations

Reommendation 1. Indirect costs from research grants are justified to funding agencies through indications that the funds are spent on facilities and administrative expenses necessitated by accomplishing research activities for the funding agency at the campus. The Faculty Senate urges that a realistic distribution that would better meet our obligations to funding agencies is that far smaller proportions should be distributed to the UMS system chief financial officer and the UMaine chief financial officer and a far larger proportion should be distributed to the Research and Creativity Fund account in the office of the Vice President for Research. The UMaine administration with the assistance of the Faculty Senate should pursue these overall objectives.

Recommendation 2. For indirect costs received on research grants generated by UMaine faculty, a formula automatically diverts so much money to the University of Maine System and so much to the University of Maine campus. A similar formula should be applied to the amount arriving at the University of Maine campus so that a certain proportion is automatically placed in the Research and Creativity Fund account and the remainder (up to a capped limit) would apply to the amount flowing to the general university budget. Thus, a certain proportion of indirect revenues coming into the university would not be pooled with the other general income streams.

Recommendation 3. Of the amount of indirect revenues received by the University of Maine, the UMaine administration has expressed a desire to increase the distribution to the Research and Creativity Fund in the Office of Vice President for Research to the following amounts over the next five years: 25% - 2001, 30% - 2002, 35% - 2003, 40% - 2004, 50% - 2005. The Faculty Senate fully and strongly supports this plan.

The recommended five pools within the Research and Creativity Fund are as follows:

(1) Funds to Support Central Research Administration

These funds are used to support the administration and various needed functions of the Office of Vice President for Research.

(2) Percentage Return of Funds to Units

The purpose of these funds is (a) to provide a directly linked incentive to increase research funding, particularly funding that carries indirect cost returns, and (b) to help support the expenses of those units that have increased administrative needs due to their successes in generating funded research work.

(3) Funds to Support Scholarship in the Arts, Humanities and Other Academic Areas with Less Opportunity for External Funding Support

Some academic areas have far less opportunity for external funding support than others. The purpose of this pool of funds is to support a campus funded program of scholarly research in those academic areas lacking substantial opportunities for external funding, such as the traditional arts and humanities. Some funds would be used to support actual research while other funds might be used for "seed grants" to support the writing of proposals for externally funded grants.

(4) Faculty Research Funds

The purpose of this pool is to provide matching funds for those research proposals to external agencies that require matches or for those proposals that are much more likely to be funded if they have a match.

(5) Funds to Support Research Initiation by New Faculty

The purpose of this pool is to support research initiation efforts on a competitive campus-wide basis for tenure-track pre-tenure faculty in their first three years.

Minimum Funding Levels: Although we strongly support this five pool plan, similar plans have failed previously. Therefore, in order to ensure at least minimal incentives to faculty to continually increase external research grant funding and indirect revenues, the first funds flowing into the university each year from indirect charges on research grants and contracts should be disbursed immediately to the Research and Creativity Fund and distributed as follows:

- a. as an absolute minimum and regardless of other formulaic distributions, 10% of the indirect costs generated by a researcher from externally funded research grants should be placed in

pool 2 and then immediately placed under the control of that individual researcher in order to allow that individual to accommodate increased administrative and support expenses at the individual researcher level (Example: In fiscal year 2000, this would have resulted in a minimum allocation of \$368,1901 to the spending control of the individual researchers responsible for originally generating the funds),

b. as an absolute minimum and regardless of other formulaic distributions, \$150,000 should be placed in the Research and Creativity Fund to support pool number 3 as indicated above.

c. as an absolute minimum and regardless of other formulaic distributions, \$70,000 should be placed in the Research and Creativity Fund to support pool number 5 as indicated above.

These absolute minimum level funds shall be considered spent or encumbered by the university such that this minimum base level of funding for pools 2, 3 and 5 of the Research and Creativity Fund may be relied upon by the units.

Recommendation 4. The UMaine administration has proposed that funds disseminated through the second pool (i.e. Percentage Return of Funds to Units) should be distributed in entirety to college deans and the method by which these funds would be spent would be determined in entirety at the college level. The Research and Public Service Committee of the Faculty Senate believes these funds, beyond the minimum funding level specified above, should be distributed by the following formula: Office of College Dean - 33%, Department Office - 33%, Originating Investigator - 33%. This distribution would provide consistency across the entire campus and would provide much higher incentives for all investigators to generate research funds. This distribution far better ensures that revenue flows from research funds will grow rapidly over time on a campus-wide basis and that such incentives and benefits will accrue to the entire campus community. (Note: In the event that operating budgets for departments on the UMaine campus are raised to much higher levels (i.e. reasonable levels), moving to a split of Dean - 40%, Department - 30%, and Investigator - 30% might then be reasonable.)

Summary

The faculty and administration have been highly effective in dramatically increasing the flow of revenues from indirect charges on research grants to the university over the past several years. We need to keep this trend moving upward so that the entire university benefits from these increased revenues. To do so, the faculty needs far greater "local" rather than "central" control over how the increased income streams they are generating from indirect charges are spent. We in fact may start to see decreases in indirect revenues and decreases in the recent research funding expansion if the situation isn't corrected soon.

Other universities have addressed this problem by providing substantial incentives to increase research funding and indirect cost revenues on their campuses. By example, at the University of South Carolina an amount is set aside in each year's budget equal to 100% of the indirect charges generated on research grants in the preceding year. This amount is distributed in equal proportions in budget allocations to the Office of Vice President for Research and to the college responsible for generating the indirect funds (i.e. 50% each). The typical College Dean retains 5% of the amount distributed to it and the remainder is distributed to the Department accounts. A typical Department grants the person responsible for generating the indirect costs discretion on how 50% of the funds delivered to it will be spent. While the near term goal at the University of

Maine is to increase the flow of revenues into the Research and Creativity Fund Account to 50% of all revenues flowing into the university from indirect cost charges on external research grants and contracts submitted through the Office of Research and Sponsored Programs, we believe the long term goal of the University of Maine should be much higher and should be similar to that of other universities seeking to substantially increase their external research funding. Thus a cap on the amount of indirect funds flowing into the general university budget is specified in the motion below.

The Research and Public Service Committee recommends that the Faculty Senate pass the following motion:

- The faculty senate fully supports the expressed intent of the administration to increase the flow of revenues into the Research and Creativity Fund Account to 50% of all revenues flowing into the university from indirect charges on research grants and contracts. The funds within this account should be distributed among five general pools as discussed in this document.
- Further, a specified minimum level of funds flowing into the university each year from indirect charges on research grants and contracts should be disbursed immediately to the Research and Creativity Fund and distributed immediately to pools 2, 3 and 5 as indicated through the minimum distribution process discussed above (i.e., a minimum return of 10% to the researchers responsible for generating the indirect revenues, a minimum of \$150,000 for the "Funds to Support Scholarship in the Arts, Humanities and Other Academic Areas with Less Opportunity for External Funding Support" and a minimum of \$70,000 for the "Fund to Support Research Initiation by New Faculty.") These funds shall be considered spent or encumbered by the university such that these minimum base levels of funding for pools 2, 3 and 5 of the Research and Creativity Fund may be relied upon by the units.
- Further any funds distributed to pool 2 should be distributed by formula among the college, department and originating investigator as specified above (i.e. equally, subject to the minimum level for investigators) such that identifiable links between research success and substantive administrative support are established.
- Although 50% is the eventual standard amount that should be allowed to flow into the overall campus budget from indirect research grant revenues, this 50% amount should be capped at \$3 million. Any further amounts should be distributed exclusively to the Research and Creativity Fund Account and distributed by the means discussed above.

This motion is made in the spirit of seeking highly productive approaches for maintaining increased flows of revenues from indirect charges on research grants in the years ahead. We need the "pie" to grow bigger so that all segments of the University may be nourished from it.

The faculty senate requests within 30 days a response to the individual points made in this motion as well as responses to the more fully articulated recommendations in the body of this document.

Respectfully submitted: Research and Public Service Committee

ATTACHMENT 1

1 Year	2 Recovered Amount (RA)	3 Distribution of RA to UMS	% of RA to UMS	4 Distribution of RA to UMaine	5 Retention of RA by CFO of UMaine for General Budget	% of RA for General Budget	6 Distribution of RA to VP for Research	% of RA to VP for Research
FY00	\$4,279,897	<\$597,990	14>	\$3,681,907	<\$2,788,422	65>	<\$893,485	21>
FY99	\$3,482,931	<\$518,293	15>	\$2,964,638	<\$2,196,153	63>	<\$673,404	24>
FY97	\$2,503,971	<\$420,397	17>	\$2,083,574	<\$1,610,170	64>	<\$473,404	19>
FY96	\$2,474,449	<\$417,445	17>	\$2,057,004	<\$1,323,427	53>	<\$733,577	30>
FY95	\$2,192,631	<\$389,263	18>	\$1,803,368	<\$946,827	43>	<\$856,541	39>
FY94	\$2,008,292	<\$370,829	18>	\$1,637,463	<\$676,679	34>	<\$960,784	48>
FY93	\$1,821,654	<\$352,165	19>	\$1,469,489	<\$441,313	24>	<\$1,028,176	56>

ATTACHMENT #2

Distribution of Indirect Cost Formulas and Policies at Other Universities

Typical Distributions (some permutations exist depending on specific conditions)

University of South Carolina

- 0% General University Budget
- 50% V.P. Research
- 5% College
- 22.5% Department
- 22.5% Principal Investigator

University of Massachusetts - Amherst

- 70% General University Budget
- 0% V.P. Research
- 10% College
- 10% Department
- 10% Principal Investigator (Individual Research Trust Accounts)

University of Rhode Island

- 10.5% General University Budget
- 46% V.P. Research (central research administration)
- 22% College
- 11% Department
- 0% Principal Investigator
- 10.5% Partnership Research Program (similar to proposed UMaine Research and Creativity Fund)

University of New Hampshire

- 42% General University Budget
- 0% V.P. Research
- 45% Research Units

0%	College
0%	Department
13%	Principal Investigator
University of Vermont	
100%	General University Budget
(30%)	Exception for the Medical School which brings in significant funding