



# A Proactive Approach to Facilities and Administrative (F&A) Funding

9 Imperatives to Communicate Better, Recover More,  
and Invest Smarter

University Research Forum

# Yachts, Bow Ties, and Marble Floors

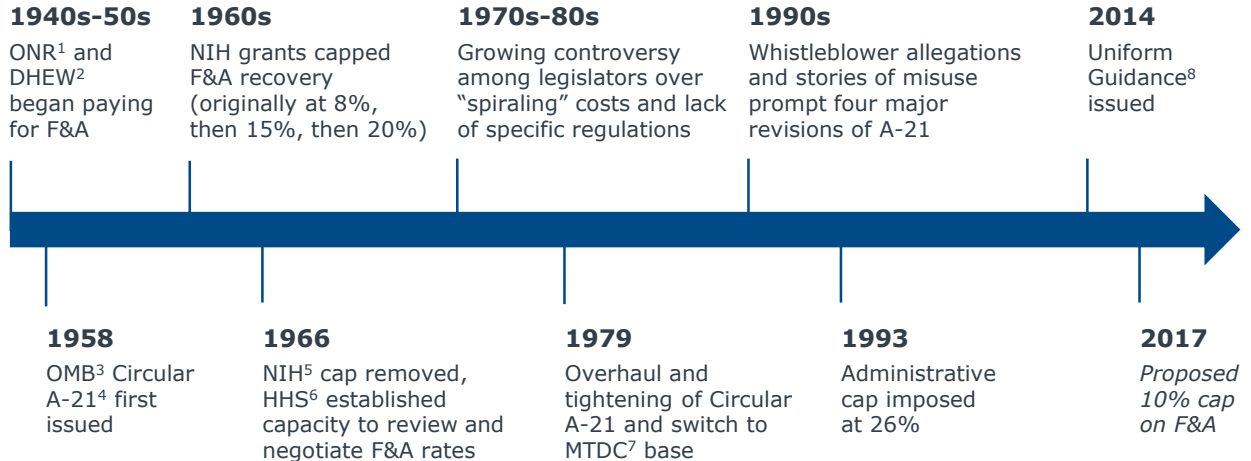
What do These Things Have in Common?



# F&A: Not a New Conversation

## A Brief History of Facilities and Administrative (F&A) Funding

### Evolution of F&A Policies: 1940 to Present



1) Office of Naval Research

2) Department of Health, Education, and Welfare

3) Office of Management and Budget

4) Cost Principles for Educational institutions

5) National Institutes of Health

6) Department of Health and Human Services

7) Modified Total Direct Costs (excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000)

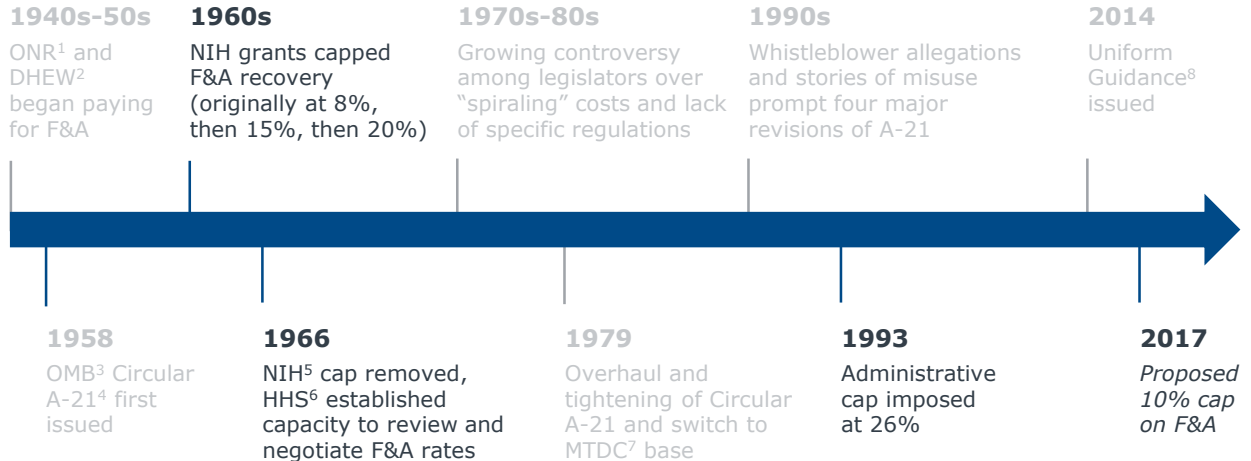
8) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards



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# The Latest Cap Proposal

## Potential Devastation of 10% Cap

**-\$4.6B**

Estimated reduction in FY18 research funding

**-\$92M**

Estimated loss of funding to the University of Michigan

**-\$195M**

Estimated economic impact to the San Diego Region

## Implications for the Research Enterprise



Fewer institutions conduct research



Limits on new award applications



Shrinking research portfolios



Prioritization of less expensive research



Closure of labs and facilities



Staff layoffs

“

“In all, the proposed cap would result in a **staggering blow to the nation’s vital interest**. Universities would be forced to retrench by downscaling a research enterprise that has been a vital force in advancing discovery and human health...The **economic consequences would reverberate across the United States.**”

Ronald J. Daniels, President

JOHNS HOPKINS UNIVERSITY

”

## We Staved Off the Proposed 10% Cap...

- ✓ CROs<sup>1</sup> lobbied on the Hill
- ✓ Professional associations issued statements of opposition and developed F&A resources
- ✓ CROs sent letters to faculty explaining the threat
- ✓ Research experts advocate for F&A in congressional testimonies
- ✓ Key members of Congress articulated support for F&A
- ✓ Congress rejected the Trump administration's proposal in final FY18 budget

## ...But the Threat of Future Policy Changes Loom

### 1 More "Palatable" Rate Cap

- Higher percentage cap (~35%)
- Since current F&A rates vary from 20% to 85%, could create divisions among CROs and prove more difficult to challenge, especially given effective recovery rates

### 2 Implementing Cap at "Smaller" Agency

- Enact rate cap at a federal agency with a smaller budget than NIH (e.g., Department of Agriculture)
- Would establish a precedent for future caps

### 3 Proposed Salary Cap

- 2019 NIH budget proposal
- Only 90% of a PI's<sup>2</sup> total salary could be paid by grants
- Maximum amount of salary payable with NIH grant funds reduced from \$187K to \$152K

1) Chief Research Officer

2) Principal Investigator

# Last Year's Fight Revealed Critical Shortcomings



## Three Shortcomings We Need to Proactively Address to Minimize Future Threats



### Ineffective Communication

- Inconsistent terminology
- Inadequate preparation for legislator inquiries
- Messages don't resonate with stakeholders
- Insufficient faculty education
- Lack of transparency



**We Need to Communicate Better**



### Leaving Dollars on the Table

- Chronic underrecovery
- Inadequate accounting of research space
- Ad hoc policies for industry sponsors and foundations
- Too many waiver approvals



**We Need to Recover More**



### Nonstrategic Allocation Formula

- Distribution models based on F&A returns, not strategic need
- Insufficient data collection and tracking
- Delayed distribution
- Hesitancy to update current model



**We Need to Invest Smarter**



# A Proactive Approach to F&A

## 9 Imperatives for Chief Research Officers

### 1.

#### **Communicate Better**

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- 1) Invest in proactive preparation ahead of federal legislator inquiries
- 2) Launch a multi-dimensional internal communications initiative
- 3) Develop concise and shareable materials to broadly communicate F&A use

### 2.

#### **Recover More**

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- 4) Maximize space audits to improve return rate
- 5) Charge industry sponsors full (uncapped) F&A rate
- 6) Develop and enforce a tiered policy for foundations
- 7) Articulate appropriate circumstances for reduced or waived F&A

### 3.

#### **Invest Smarter**

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- 8) Strategically allocate research support funds to encourage desired behaviors
- 9) Align distribution mechanism with goals and capabilities





# Communicate Better

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COLUMN

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## Fundamental Misunderstanding of F&A

“

About 30 percent of the grant money that goes out is used for indirect expenses, which...means that the money goes for something other than the research that's being done.”

*Tom Price, (Former) Secretary of Health and Human Services*

# Renewed Scrutiny of F&A

## “Fundamental Misunderstanding” Fuels Legislative Concerns

### Four Common Critiques of F&A

#### Inconsistent

A 10% cap “...would bring NIH’s reimbursement rate for indirect costs more in line with the reimbursement rate used by private foundations, such as the Gates Foundation...”

*Trump Administration  
FY18 Budget Proposal*

#### Inefficient

“In a time of tough budgets, when only one out of five research grant proposals are funded, we must look at whether or not those overhead funds are being spent efficiently.”

*Barbara Comstock (R-VA)  
Chair, Research and Technology  
Subcommittee*

#### Inequitable

Indirect costs “would pay for 2,000 more scientific research projects. It raises the question of whether or not we have inadvertently created a system of ‘haves and have nots,’ where wealthy institutions benefit the most.”

*Lamar Smith (R-TX)  
Science Committee Chair*

#### Opaque

“The question is, are the taxpayers paying for these costs in an efficient and transparent manner, or are we unnecessarily subsidizing excess, bureaucracy, and waste?”

*Lamar Smith (R-TX)  
Chair, Science Committee*



# Faculty Not on the Same Page



## Some Common Faculty Perceptions...



F&A is a centrally administered **"tax"** on research that allows universities to **"profit"**



Direct costs are the only "real costs" of research—F&A **diverts dollars away** from supporting actual research



Universities intentionally keep F&A usage secret so they can use dollars as a **"slush fund"** rather than support PIs



Higher F&A rate will **hurt faculty chances** of a grant being funded

## ...Don't Align with Realities of F&A



F&A is a **partial reimbursement** for **costs already incurred** by the university to support research



**F&A costs are real costs**, without which faculty would not be able to conduct any research



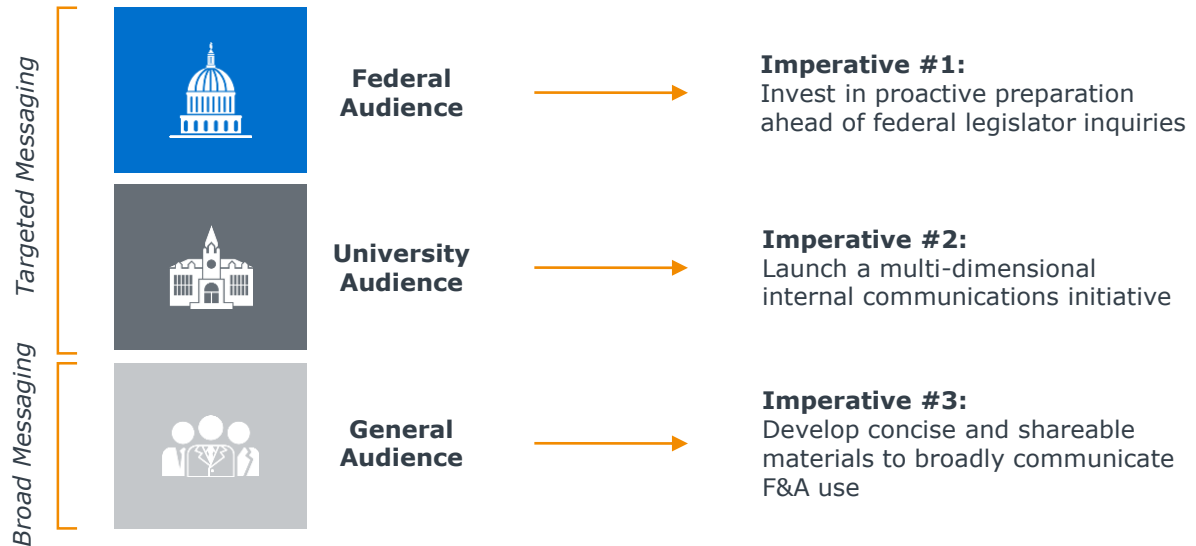
Universities **reinvest** F&A dollars in the research enterprise



**Little evidence** that higher F&A rates negatively influence federal award decisions for individual investigators

# Teaching Stakeholders About F&A

## Three Imperatives for Optimizing Education and Advocacy Efforts



# Missing the Mark

## We Think We're Communicating Clearly...

“ F&A **costs are real** and have to be covered. When we can't recover these costs, the **university has to subsidize** research, which leads to deficits in other areas. ”



## ...But Our Messages Aren't Changing Federal Legislators' Perceptions

“ We should provide money to universities only to fund research, not **unrelated things like F&A**. ”

“ If you cap F&A, we would have to **close three labs** on our campus that employ 150 people and **reduce our research**. ”



“ We **already spend billions** of dollars on research and support thousands of researchers. Even with reduced F&A, we **would still support** thousands of researchers. ”

# Talking on the Hill

## Making the Case for F&A at the Federal Level



### Key Strategies for Successful Advocacy



Think about the issue from legislators' perspective



Identify areas of confusion and common misconceptions



Tailor messaging to address points of confusion



Craft arguments that align with legislative priorities



### Case in Brief: University of Oklahoma

- Public, Doctoral University: Highest Research Activity located in Norman, Oklahoma
- \$250M+ in research expenditures in FY2016
- Drawing on experience testifying to the House of Representatives and speaking with policymakers in DC, Vice President for Research identified key areas of disconnect and common false assumptions of federal legislators
- Developed talking points that address confusion and resonate with legislative priorities

# A Look Inside the Lawmaker's Mind

Pinpointing Where Their Confusion (and Frustration) Lie



## Five Things We Have Not Effectively Communicated to Federal Legislators

1

### History & Context



*False Assumption:*

F&A is a recent phenomenon, lacks oversight, and doesn't benefit the federal government or the public

2

### Determining & Charging Rates



*False Assumption:*

Rates are arbitrarily determined and inflated, and universities are simply trying to game the system

3

### Cost Sharing Mechanisms



*False Assumption:*

Universities over-recover F&A and aren't contributing their fair share to the public-private research partnership

4

### Campus Utilization



*False Assumption:*

F&A dollars are a "slush fund" for universities

5

### Policy Impact



*False Assumption:*

Reductions in F&A will not have any substantive impact on research productivity or national competitiveness

**Misunderstanding**

**Lack of Awareness**



# Strengthening Our Response Repertoire

## Talking Points for Addressing the Confusion



### 1

#### History & Context

- Longstanding academic-government partnership has made U.S. research the envy of the world
- Extensive and detailed rules have been added over time

### 2

#### Determining & Charging Rates

- Negotiated through complex, rigorous process
- Variations due to geography, institution type and size, and facilities
- Foundations supplement federal funding and categorize more items as direct costs

### 3

#### Cost Sharing Mechanisms

- Three main cost sharing mechanisms already in place (F&A cap, negotiated rates below actual costs, explicit cost sharing)
- 26% administrative cap applies only to universities

### 4

#### Campus Utilization

- Universities are more efficient performers of research than federal or industrial labs
- CROs need to boost transparency about how F&A reimbursement is used and how F&A is actually tracked

### 5

#### Policy Impact

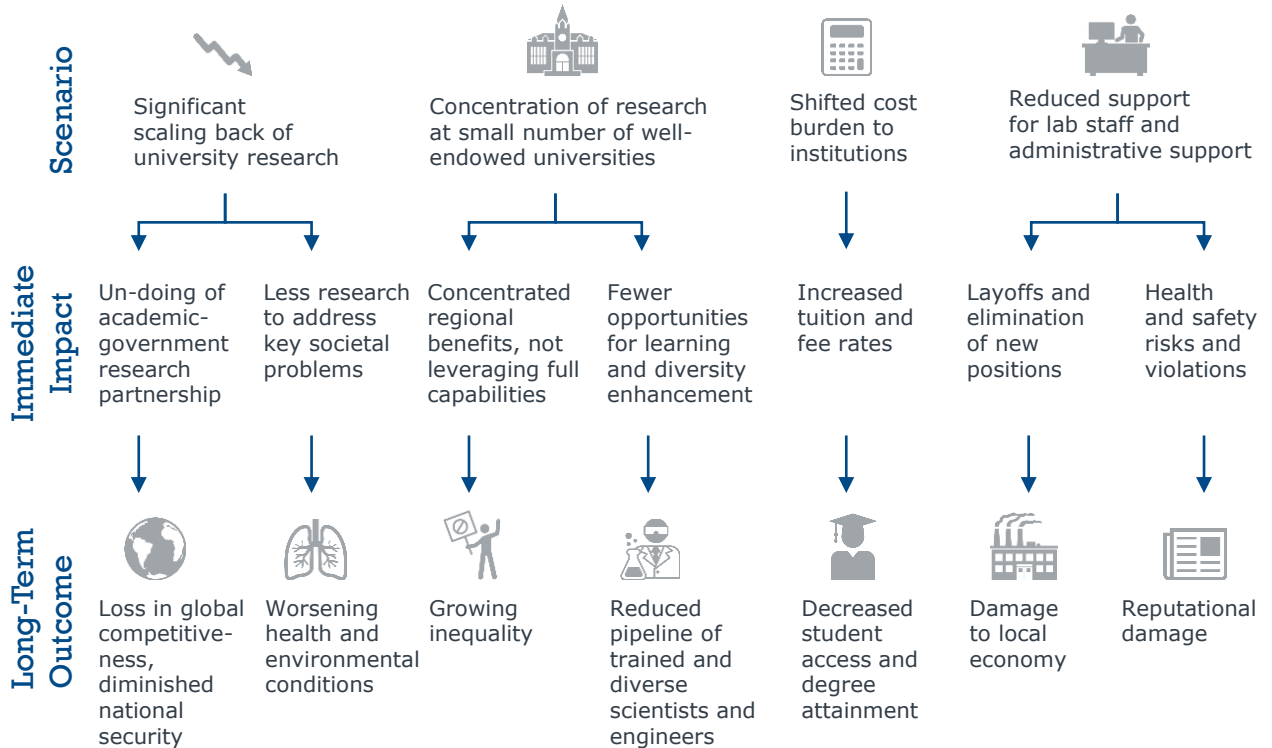
- Overall reduction and increased concentration of research at well-endowed schools
- Loss of diversity in building our workforce
- Reduced support for faculty and staff
- Shifted cost burden to students

### Key Takeaways

- ✓ Illustrate safeguards and restrictions already in place
- ✓ Explain reasoning for different charging policies
- ✓ Show how universities are playing their part
- ✓ Distinguish benefits of university research
- ✓ Acknowledge need for transparency
- ✓ Relate topic to national and legislative priorities

# Relate Policy Impact to Legislative Priorities

## Downstream Effects of Proposed F&A Cap



# Imperative #1: Next Steps

## Getting Out Ahead of Future Federal Proposals

### Five Federal Advocacy Steps for CROs

- 1 Remind legislators of **how important and impactful their support was** in combating the proposed cap in 2017 (when applicable)
- 2 **Identify new legislators** and federal policymakers who may be “tough sells” and begin building relationships
- 3 Develop **education materials** designed for a federal audience
- 4 Keep an ongoing **record of examples** of the importance and impact of F&A on your campus
- 5 Ensure F&A is always discussed **as compensation for costs already incurred** by the university

### Federal Advocacy Avenues



When called upon, lobby on the Hill in-person, specifically focusing on your congressional delegation and relevant committee members



Collaborate with CROs and professional associations to streamline messaging and issue joint statements and reports



Attend conferences and planning sessions with federal agency representatives to develop non-legislative allies



Equip faculty and federal relations team with accurate and shareable materials

# On Your State Legislator's Radar?

Prepare a Unified, Tailored Response to State-Level F&A Policy Changes

## Four Potential Reasons for State Legislative Interest in F&A Dollars

### Flexible Source of Funding

As compared to other funding sources, states can view F&A as unrestricted funding, making it particularly appealing to state legislators looking for malleable revenue sources

### Funding Lever for State Priorities

Since state legislators often don't know how universities use F&A returns, they assume they aren't maximizing their benefits

### Presumed Easy Policy to Change

State legislators may not understand the history and importance of F&A to research, and therefore assume they can make changes without serious impact

### Substitute for State Investment

Given tight budgets and existing investments, state legislators are eager to identify opportunities to reduce their financial burden



# When the Threat Becomes a Reality

## State Auditor Proposes Intervening in F&A Use



### State Inquiry Leads to Unified Report



#### Initial Audit

Legislative audit following up on higher education system's management practices for operation and maintenance



#### Legislative Response

Senate Bill 156, *State Facilities Amendments*, requiring the Board of Regents to examine use of F&A to offset facility operations



#### System Response

USHE issued collaborative report to Infrastructure and General Government Appropriations Subcommittee



### Case in Brief: Utah System of Higher Education (USHE)

- Comprised of Utah's 8 public colleges and universities, including its two research universities: University of Utah and Utah State University
- \$530M+ in research expenditures (system-wide) in FY2016
- In 2016, Utah legislature proposed requiring a set amount or percentage of F&A be dedicated to operation and maintenance (O&M) costs and asked the Utah Board of Regents to examine use of F&A
- USHE generated a report using targeted messages that resonated with state legislators to advocate for continued flexibility in institutions' ability to reinvest F&A dollars in the research enterprise

# A Federal Answer to a State Problem?

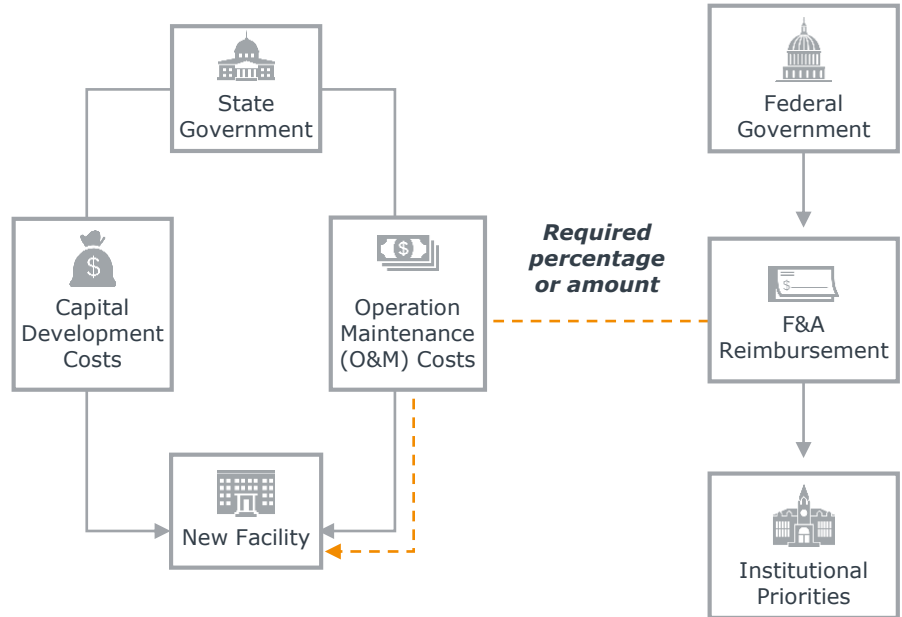
## Legislature Wanted to Leverage F&A to Reduce State Costs



### Utah Legislature's Interest in F&A

- O&M costs for facilities built using capital development funds require significant ongoing investment from legislature
- Sought ways to leverage other funds to cover current state O&M costs
- Federal research reimbursements looked to be flexible funding source that could be redirected to O&M costs

### Proposed Diversion of F&A to O&M



# Crafting a System-Wide Response

## Utah System Report Tailored to State Legislative Priorities



State Priority



Strategic use of scarce dollars



Reputation of state universities



Economic well-being of the state



Cost efficiency



Student experience



Corresponding Message

*F&A dollars are strategically reinvested to advance the research enterprise—this includes spending 20-25% of F&A on facilities*

*Institutional flexibility in reinvesting F&A dollars has led to significant research growth and improved institutional reputation—these in turn benefit the community*

*The research enterprise has a positive economic impact on the state, and F&A is critical for maintaining that impact*

*USHE is proactively identifying opportunities to share infrastructure and resources and increase efficiency*

*F&A is important for supporting graduate student education*

## Unified System Response...



Sends more powerful message than any single institution could send on its own



Signals to legislators that this will not be an “easy win”



Demonstrates ability of “competing” institutions to collaborate



Prevents institutions from sending contradictory messages



Maximizes efficiency since it eliminated duplicate institutional efforts

## ...Helps Institutions Preserve Flexibility in F&A Use



No policy change was implemented



Institutions are not required to dedicate set portion of F&A to O&M



Legislators recognized that the potential advantages did not outweigh risks



State legislature has not proposed any other changes to F&A policies





## Four Ways to Improve Your Response to State-Level Policy Proposals



### Be Proactive

- Anticipate and prepare for state-level inquiries and critiques
- Develop talking points and educational materials designed specifically for state legislators

### Collaborate with “Competitors”

- Establish processes for organizing cross-institutional working groups
- Develop unified response on critical issues *before* you are asked about them



### Do Your Research

- Identify and track trends in your state legislature’s priorities
- Know which topics and terms resonate with your particular legislators (and which ones don’t)

### Be Transparent (and Engaged)

- Provide state legislators with data on F&A use
- Always ask for a seat at the table for F&A discussions (so data isn’t taken out of context or misinterpreted)



# From the Hill to the Hall

## CROs Haven't Prioritized F&A Education for Faculty and Staff

### CRO Assumptions About Faculty

"It doesn't matter what I say about F&A—faculty are **never going to listen.**"

"Faculty **don't actually want** to understand F&A."

"I can't control what faculty say or do, so **why even try** to educate them on F&A?"

"If I open up the books on F&A it's only going to **make faculty more angry** and my life more difficult."

### Insufficient Internal Education Efforts



Difficult-to-digest official rate agreement posted online



Long-winded official statement in university policy catalog



General info not targeted to address faculty questions



F&A overview frequently left out of faculty orientation

### Results of Ongoing Misunderstanding



More waiver requests



Perpetuation of myths internally



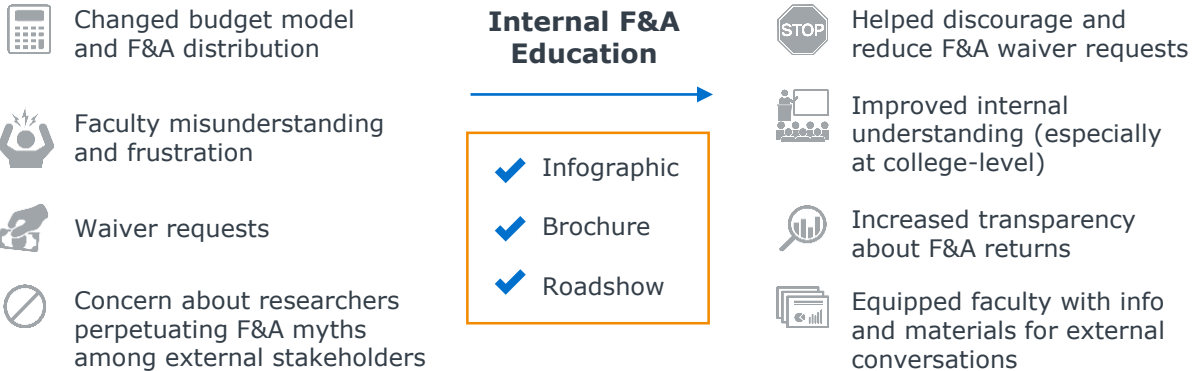
Spread of misinformation externally



Headaches for CROs

# Communicating with a Faculty Focus

## An Evolving Strategy for Internal F&A Education



### Case in Brief: University of Minnesota Twin Cities

- Public, Doctoral University: Highest Research Activity located in Minneapolis, MN
- \$910M+ in research expenditures in FY2016
- Developed portfolio of F&A education materials targeted to internal stakeholders through different mediums and varying levels of specificity
- Included a University of Minnesota-specific F&A infographic, brochure, and tailored roadshow presentations for faculty and staff audiences



# Meeting Your Audience Where They Are



## Different Materials and Mediums for Different Levels of Understanding



UNIVERSITY OF MINNESOTA

### Basic Understanding

**Medium:**  
Infographic

**Target Audience:**  
Any faculty, staff, students,  
external stakeholders

**Purpose:**  
Ultra-simple, streamlined  
graphic designed to  
provide base-level of  
understanding

**Specificity:**  
Low

### Intermediate Understanding

**Medium:**  
Brochure

**Target Audience:**  
All faculty and staff

**Purpose:**  
Shareable one-page  
document designed to  
provide faculty and staff  
with critical info most  
relevant to them

**Specificity:**  
Medium

### Advanced Understanding

**Medium:**  
Roadshow Presentation

**Target Audience:**  
As many faculty and  
staff as possible

**Purpose:**  
In-person presentations  
designed to provide  
faculty and administrators  
with more detailed info  
about F&A

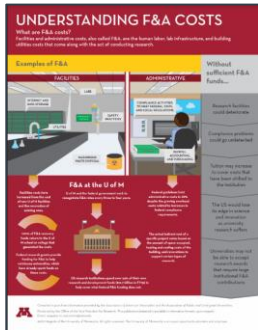
**Specificity:**  
High

# Portfolio of Internal F&A Materials

## Key Features of Each Educational Resource



### 1 Infographic



▶ **“Snap shot” of F&A**

▶ **Includes basic overview:**

- F vs. A
- Notion of reimbursement and negotiation
- Administrative cap

### 2 Brochure



▶ **Addresses common faculty and staff FAQs**

▶ **Includes more details than the infographic:**

- Current rates
- Where rates come from
- Minnesota’s institutional subsidy
- Peer comparison

### 3 Roadshow



▶ **Provides in-depth information tailored either to faculty or staff audience**

▶ **Includes more details than the brochure:**

- History of F&A
- F&A for organized research vs. instruction vs. sponsored activities
- Recovery over time
- Inclusions and exclusions in F&A rate
- Common false misconceptions
- Cost sharing and effect on F&A
- F&A within the university’s budget model
- Instructions for accessing data on F&A generation



Click to download University of Minnesota’s [infographic](#), [brochure](#), and [faculty](#) and [staff](#) presentations.

# Imperative #2: Next Steps

## Developing a Strategy for Educating Faculty and Staff

### F&A Messages to Emphasize



Relatable examples of “F” versus “A” costs



Internal use of F&A dollars



Underrecovery and institutional subsidy



Peer comparisons



Cause of rising F&A rates (not due to rising central admin costs!)



Impact of no (or reduced) F&A on faculty



Common misconceptions (and why they’re inaccurate)

### Checklist of Internal F&A Education Strategies



Take **inventory** of current F&A materials and trainings



Compile list of most common faculty **questions and misperceptions** and develop responses to each



Update **website** and associated resources to address common faculty concerns



Develop simplified **graphic depiction** specific to your campus



Increase F&A’s visibility on campus through **roadshow** presentations



Provide colleges/departments with **shareable education materials**



Incorporate F&A overview into new **faculty orientation**



Provide F&A updates during CRO **quarterly/annual presentations** to faculty senate and board of trustees

# The Missing Link in F&A Education

## Failure to Communicate Internal Utilization Fuels Confusion and Criticism

### Communication and Education Efforts Tend to Focus on:

- ✓ Basic definition
- ✓ Negotiation process
- ✓ Actual calculations
- ✓ Differences across institutions
- ✓ Underrecovery and effective F&A rates
- ✓ F&A as real costs



Connection between use of F&A dollars and internal allocation of research support funds

### Critical Stakeholder Sticking Points:

#### Lack of Transparency

- Faculty see that their awards generate F&A, but not what those dollars finance
- Faculty don't understand how individual PIs, colleges, departments, and/or units benefit from F&A returns
- Legislators assume F&A returns are being used as a "slush fund"

#### Unfair Allocation and Use

- Despite bringing in F&A through grants, faculty don't control (or understand) use of returns
- Faculty hear about differences in distribution and returns from peers in other colleges and/or departments, perpetuating perceptions of inequality and politically-charged allocation



# Filling a Communications Void

## Proposed Cap Prompted Creation of One-Pager for All Audiences



### New Threat to F&A

Proposed 10% cap on F&A for NIH grants elevated the issue in 2017



### Lack of F&A Materials

Hadn't updated or shared F&A-specific communications materials in previous seven years



### Stakeholder Questions

Needed to address stakeholder questions, many of which related to F&A use



### Accessible One-Pager

Created simple one-pager, strategically including and excluding certain information



### Case in Brief: University of North Carolina at Chapel Hill

- Public, Doctoral University: Highest Research Activity located in Chapel Hill, North Carolina
- \$1B+ in research expenditures in FY2016
- Recognized that F&A communications did not include information about internal distribution and use of F&A dollars, which is a key concern for faculty and state legislators
- Developed publicly accessible one-pager that visually represents how each research dollar is used to cover direct costs versus facilities and administrative costs, and then breaks down the proportion that goes to each F&A sub-category
- Designed to provide broad group of stakeholders with a basic understanding of F&A—the one-pager can be customized for the intended audience, as needed



# Visually Representing a “Research Dollar”

## Creating a Clear and Compelling One-Pager

### Key Features

#### Definition

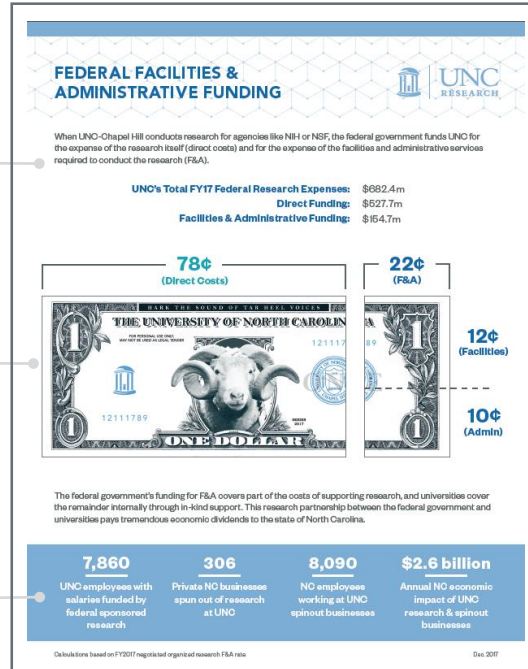
Distinguishes between costs of research itself and cost of facilities and administrative services required to conduct research

#### Visual Representation

Using a dollar and visually dissecting it into categories of research costs makes abstract concept more concrete and digestible

#### Research Impact

Highlighting the tangible community and economic impact of research reminds audience of positive outcomes of funding and reinvesting in research



Click to download UNC Chapel Hill's [one-pager](#).

# Breaking a “Research Dollar” Down into Cents



## Three Levels of Increasing Specificity



### Key Categories

#### Direct Costs vs. F&A

Illustrates how vast majority of every dollar goes to direct research costs, addressing a common faculty concern

#### Facilities vs. Administrative

Shows breakdown of F&A into two parts, with more being allocated to facilities—this may surprise many stakeholders

#### Subcategories of F&A

Explains F&A subcategories and allocation to each—helps faculty make connections between F&A and actual services and resources they benefit from as researchers

Click to download UNC Chapel Hill's [one-pager](#).

# Tempered Transparency

Carefully Select What to Emphasize and/or Deemphasize



## Strategic Exclusions

## Rationale



Institutional subsidy



Avoids creating misimpression that research is a poor investment because university shares in costs



Actual F&A rate



Avoids confusing audience with counterintuitive, difficult-to-explain F&A rate-setting process



Notion of reimbursement



Avoids creating state legislator confusion around the term "reimbursement"



Non-federal F&A recovery



Avoids creating unnecessary noise and confusing stakeholders about different rates and recovery

## Message Customization

- Excluded info can be added to the one-pager as needed, depending on the audience
- Much of the excluded info is shared verbally in one-on-one conversations
- Strategic exclusion allows UNC to address some issues on a case-by-case, less formal basis
- Prevents "information overload," especially for external stakeholders

# Deciding to Open Up the Books



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## Transparency Helps Demystify F&A Use



### Numerous Challenges and Risks...



Disconnect between research accounting and allocation data



Difficulty calibrating message given multiple issues and audiences



Opens the institution and research office up to critique, both internally and externally



Difficult questions and new pressures to reallocate or cut costs

### ...But Benefits of Strategic Transparency Outweigh Them



**Addresses key stakeholder concerns** by providing faculty and legislators with basic understanding of F&A use



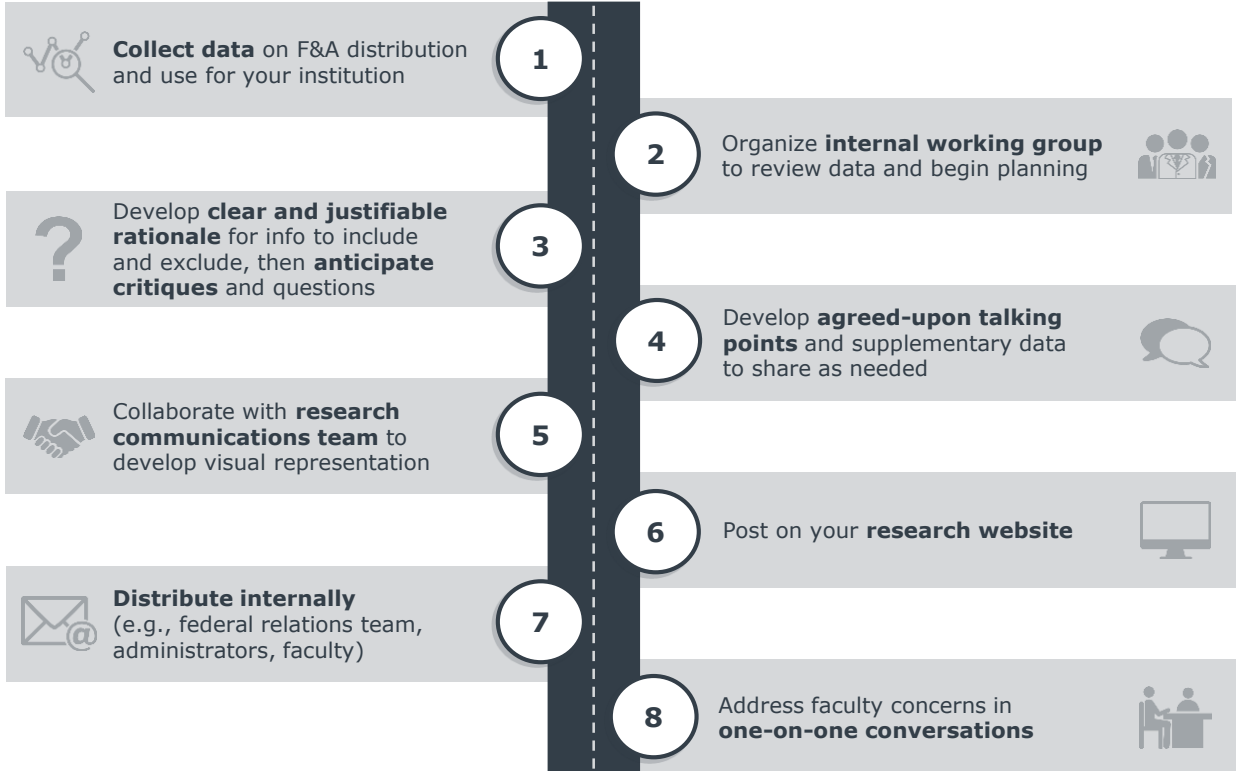
**Helps debunk commonly held myths** about central institutional spending of F&A, which minimizes rumors and ensures conversations are based in fact



**Moves the conversation forward** by providing stakeholders with info needed to ask informed questions and engage in more productive dialogue

# Imperative #3: Next Steps

## Roadmap for Developing Your Own One-Pager





# Recover More

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# New Funding Sources, New F&A Challenges

## We're Getting More Funding from Industry and Foundations...

**28.7%**

Increase in business funding from FY12 to FY16



## ...But We're Not Getting Full F&A...

Reasons Industry Doesn't Pay Full F&A:

- Focused on the bottom line
- Not interested in "extraneous costs"
- Offer business to "lowest bidder"



Reasons Foundations Don't Pay Full F&A:

- Genuine nonprofit mission
- May not have available resources

**14.6%**

Increase in nonprofit funding from FY12 to FY16

## ...Which Contributes to Substantial Underrecovery

**\$5B+**

Total F&A not recovered by all doctoral institutions in FY16

**30.5%**

Percent of total F&A not recovered by all doctoral institutions in FY16

# Checking Boxes, but Leaving Money on the Table

## Improved Negotiation Yields Better Rates, but Underrecovery Still Prevalent



### Getting Better on the Negotiated Side...

- Smarter space accounting practices better capture full scope of research across campus and boost negotiated rates
- Staggered rate increases help recover more while dampening faculty concerns about competitiveness
- Better survey tools and data collection methods yield more defensible space and administrative use data
- More comprehensive accounting systems better track (and confirm) spending on research support



### ...But Effective Rates Remain Low



Fear of **diminished competitiveness** causes faculty not to include F&A in federal proposals



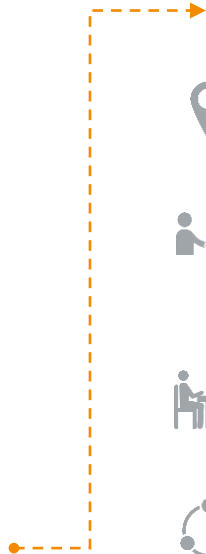
Prioritization of **partnerships over recovery** causes institutions to conduct industry-sponsored research without charging F&A



Uncertainty about **direct and indirect charges** for foundations and non-profits causes confusion among faculty



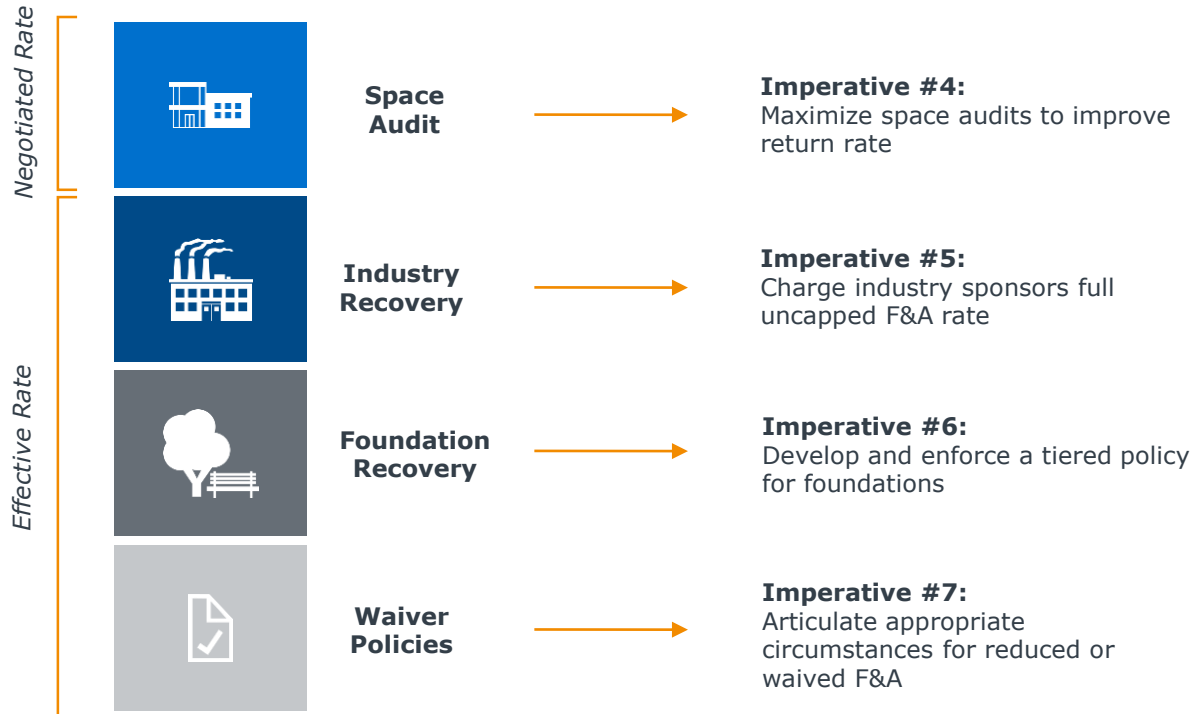
**Haphazard enforcement** of F&A waiver policies causes faculty to ask for (and receive) more reduced rates and waivers





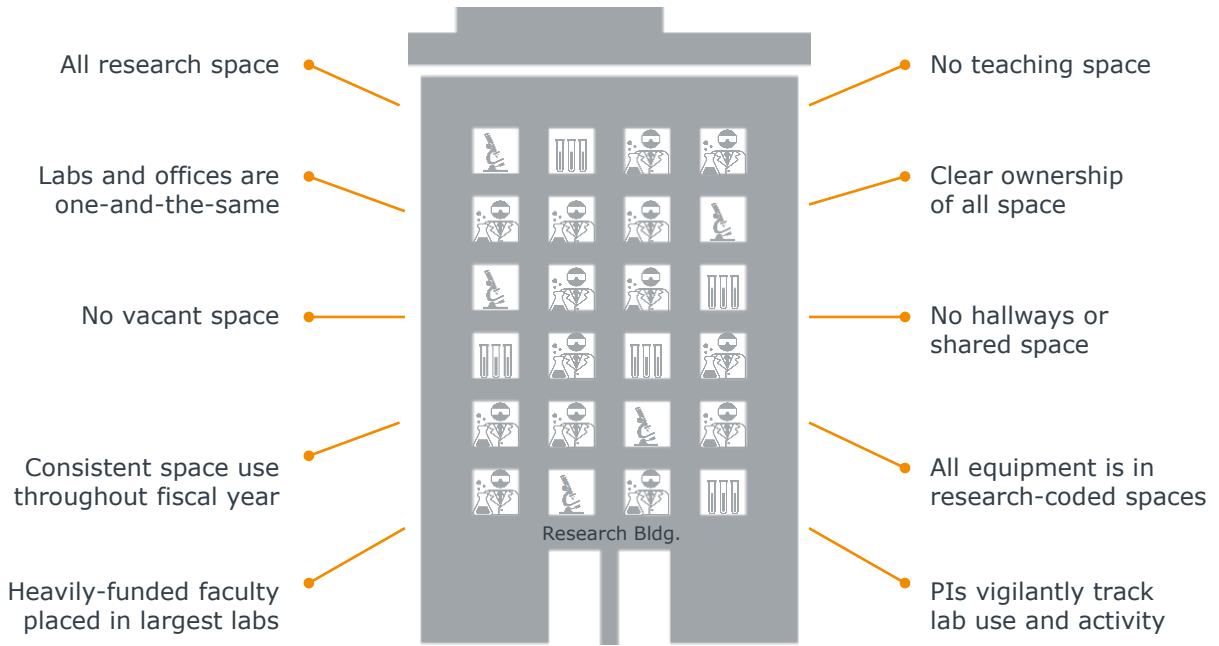
# A Problem of Policy and Enforcement

## Four Imperatives for Streamlining F&A Policies to Maximize Recovery



# The Myth of the Fully-Recoverable Building

## Campus Design with F&A in Mind, Not a Feasible Reality



# Space Survey Drives the “F” in F&A

Despite Importance, Institutions Struggle with Optimization

## Strategic Importance of Space Survey



Facilities portion of F&A is uncapped



Facilities pools have biggest impact on overall F&A rate



Space survey is the main driver of 4 of the 5 facilities pools



Accurate space accounting critical for F&A rate growth

## Operational Challenges



Space survey requires collaboration and coordination across units



Difficult to ensure consistent methodology across units



Time-consuming and expensive process



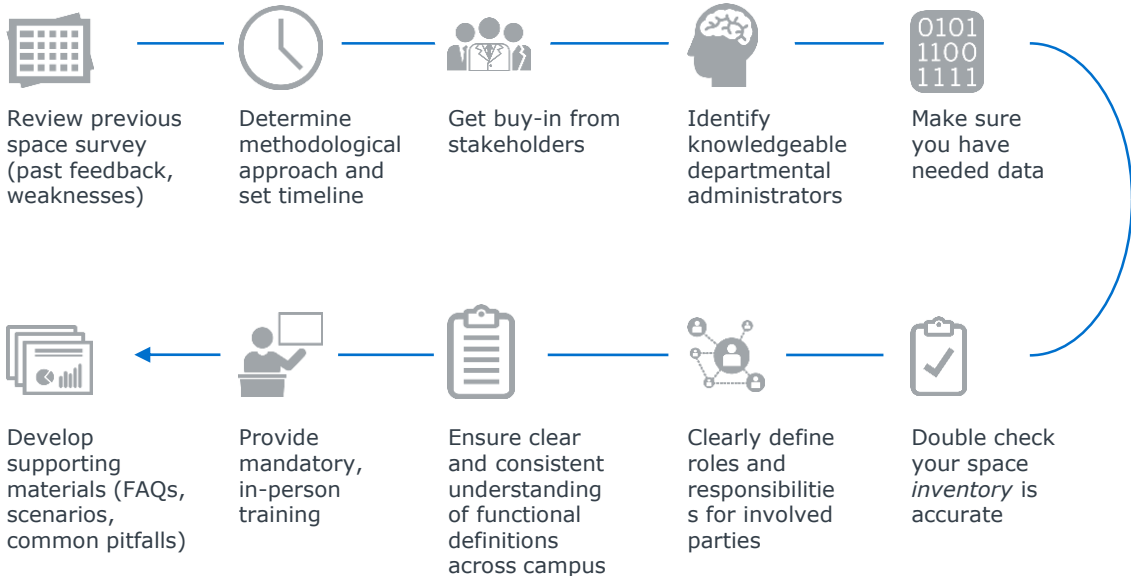
Depends heavily on accurate and accessible data

**Underrecovery due to poor accounting for space used for research purposes**

# On the Front End: Do Your Homework

Adequate Planning and Preparation Is Critical for Survey Success

## Critical Components of Pre-Survey Planning









# On the Back End: Check It Twice

## Strategies for Catching Errors and Getting Out Ahead of Federal Audits

### Questions Guiding Government Audits

- 1 Were processes and policies for conducting the survey adequate and enforced?
- 2 Were the surveyors appropriately designated (e.g., first-hand knowledge of space use)?
- 3 Did the institution provide surveyors with adequate training?
- 4 Did the institution ensure consistency across departments and campus?
- 5 Are there any red flags in the survey results?

### Warning Signs to Recognize

-  Rooms designated 100% OR<sup>1</sup>
-  Overgeneralized pattern designations<sup>2</sup>
-  Mismatched space and base<sup>3</sup>
-  Unfunded occupants, unpaid students, volunteers
-  Visiting professors or emeritus faculty
-  Start-up, bridge, and/or seed funding

1) Organized Research

2) For example repeatedly designating spaces as 95% Organized Research and 5% Instruction/Departmental Research

3) When the space designation (e.g., Organized Research) doesn't align with the nature of the financial accounts associated with the space

# Invest in Quality Assurance

## Answer These Questions When Reviewing Survey Results

Data Validation Checklist			
1	Does room usage total 100%?	11	Are there any situations where PIs were not paid from any accounts listed in the lab?
2	Are there room occupants assigned for all rooms coded OR <sup>1</sup> ?	12	Has OR space been confused with IDR or OSA space?
3	Does the room type seem reasonable given its use?	13	Are lab service areas functionalized the same way as surrounding lab space?
4	Do any room types have different functional usages than expected?	14	Are hallways providing exclusive service to private rooms assigned same functional use as the rooms they serve?
5	Are accounts/funding assigned for all rooms coded OR and OSA <sup>2</sup> ?	15	Are any rooms designated 100% OR? Is there strong evidence to support this?
6	Are all large, on-campus awards associated with a room?	16	Are there any over-generalized patterns in functionalization?
7	Are there any rooms with no/low OR pay but high OR use percentage?	17	Has space been used by visiting professors or emeritus faculty been coded properly (typically OIA <sup>4</sup> not OR)?
8	Are there any occupants with no IDR <sup>3</sup> pay but low OR use percentage for the room?	18	Has space used by students been properly coded? Have the appropriate accounts been designated?
9	Are there any situations where OR pay sources of occupants are not listed as accounts in the lab?	19	Are there any rooms that have an ASF <sup>5</sup> "plug" (e.g., 1 sq. ft.)?
10	Are there any accounts listed in the lab but no record of occupants paid from those accounts?	20	Have spaces funded via start-up, bridge, and/or seed funding been properly coded (typically IDR not OR)?

- 1) Organized Research
- 2) Other Sponsored Activities
- 3) Instruction/Departmental Research
- 4) Other Institutional Activity
- 5) Assignable Square Foot

# Imperative #4: Next Steps

CROs May Not Own the Survey Process, but They Need to Support It

## Three To-Dos for CROs

### Engage

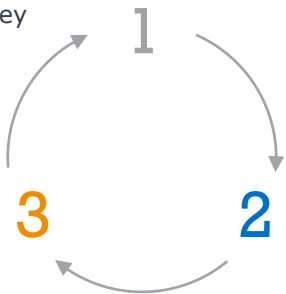
- ✓ **Familiarize yourself** with space survey process, terminology, and past results
- ✓ **Touch base** with the space team on campus responsible for the survey

### Support

- ✓ **Review OR<sup>1</sup> and OSP<sup>2</sup> definitions** to ensure accuracy and alignment
- ✓ **Participate in the space team's** survey planning process
- ✓ Work with space team to **develop validation checklist** and list of **FAQs** for departmental administrators
- ✓ **Support communications to colleges and departments** about importance of space survey

### Strategize

- ✓ Engage in larger conversations with space team about **space allocation on campus** (and its effects on F&A)
- ✓ Consider whether investing in external **consulting services** for space survey would be worthwhile



1) Organized Research  
2) Other Sponsored Programs

# Haggling Over the Bill

## Industry Dislike for F&A Stems from Misunderstanding

### What Industry Expects When Sponsoring Research



Quick contract turnaround



Customized output specific to their scope



Market-sensitive project completion timeline



Minimum cost for maximum return

### Arguments Industry Uses to Resist Paying F&A

#### “Double Dip”

Corporate partners believe that, since F&A supports costs already incurred, universities are attempting to get reimbursed twice for the same expenses.

#### “Everything Is Negotiable”

In the private sector, nearly any component of a contract can be negotiated. The same extensions do not always apply in higher education, especially with for-profit entities.

#### “Better Rate with Your Competitor”

Companies like to play universities against each other to get a better rate, especially around F&A and intellectual property.



# Not Always Black and White

Reasons Not to Charge Full Rate Vary by Institution Size and Strategy



## What's a University To Do?

### Charge Full Rate



#### Rationale:

- Officially, the university can't offer a for-profit entity a better deal on research than the federal government
- Companies can afford the overhead costs
- There are other negotiation levers the university can use

### Negotiate As Needed



#### Rationale:

- The company is too small or too important to risk "overcharging" them
- The company can reimburse the university through other fees for their work
- So long as the university uses non-federal funds to make up for the lost F&A dollars, there's not a problem

# If Not F&A, What Else?

## Identifying Other Points of Leverage in Industry Negotiations

### Intellectual Property (IP)



#### Upfront Terms

Universities can allow companies to reserve the IP resulting from sponsored work at the onset of the project



#### Backend Terms

Universities can also offer more favorable terms to sponsors at the end to cover F&A costs incurred during the process



#### “Try and Buy”

Universities can offer discounted trial periods of licenses and products

### Facility Sharing



#### Access to Cores

Universities can offer access to facilities and equipment that companies might not have



#### Shared Working Space

Universities can offer access to collaborative working spaces that connect industry scientists with academic researchers



#### Meeting/Retreat Space

Universities can offer preferred access to meeting or retreat spaces on campus

### Personnel Access



#### Executive Time

Universities can offer company executives face time with their presidents



#### Faculty Consultations

Universities can propose specific faculty technical consultations or speaking arrangements



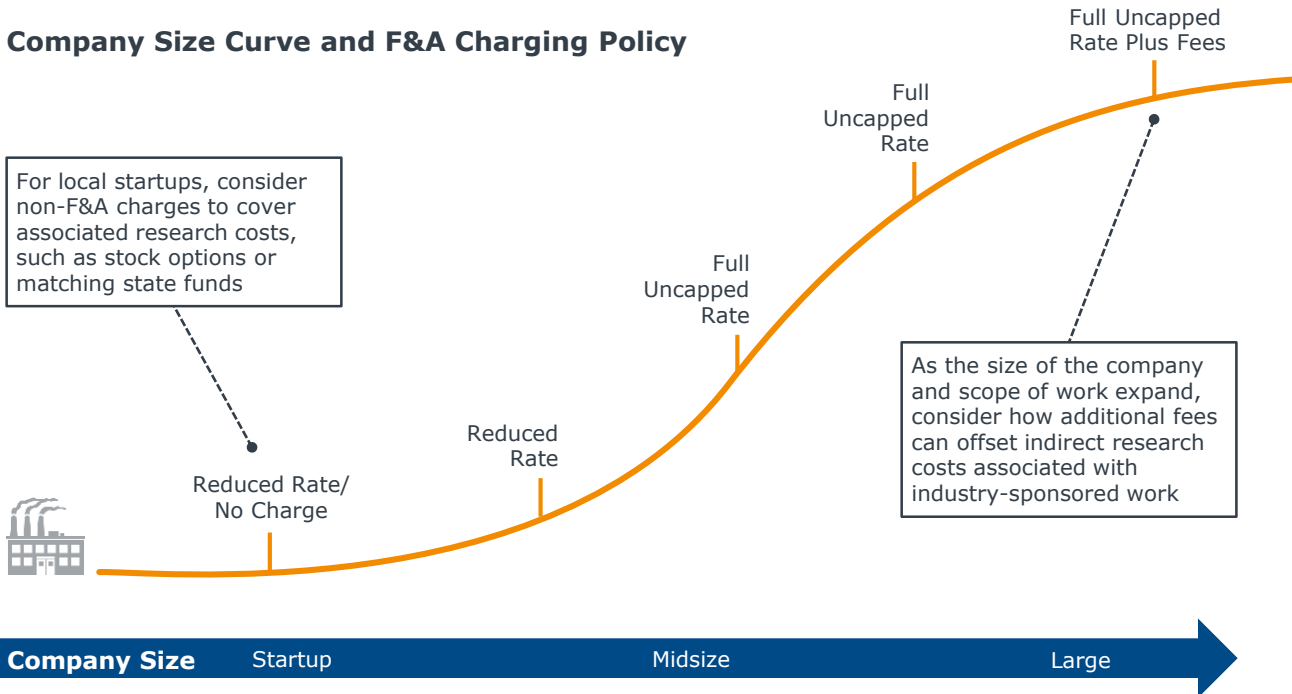
#### Student Recruitment

Universities can offer preferred placement at career fair and recruiting events

# Imperative #5: Next Steps





## Making a Commitment to Being Intentional

### Company Size Curve and F&A Charging Policy







# F&A Sours University-Foundation Relations







## Typical Foundation Policies on F&A

-  Pay less than the full federally-negotiated rate
-  Don't have a published rate
-  Don't specify what can be charged directly
-  Use ambiguous language (e.g., "will pay up to...", "...case-by-case basis")

## Implications for Institutions

-  Ad hoc institutional policies and processes
-  PIs don't ask foundations about F&A or include it in their proposals
-  Underrecovery (and increased institutional subsidy)
-  Federal concerns about subsidizing foundation research

## Funding from Foundations: Pros and Cons

- |   |   |
|---|---|
|  PIs need research support (especially from alternative sources like foundations) |  Pressure to increase effective recovery rate                              |
|  Foundations are reliable and easy to work with                                   |  Financial disincentive to accept foundation grants                        |
|  Valid philosophical reasons to not charge foundations F&A                        |  Waived/reduced F&A for one sponsor frustrates and confuses other sponsors |

# But Mission Alignment Outweighs F&A Loss

## Three Reasons Why We Accept Reduced F&A from Foundations

### TYPE OF RESEARCH



More philanthropic



Less lab-based (and often less expensive)



Fewer infrastructural investments and requirements



More narrowly-focused



Supplements existing research

### COST ACCOUNTING



Not held to same standards as federal government



Greater flexibility



Allow for more items to be direct charged

COGR report showed 50% F&A rate for NIH-sponsored project and 10% rate for foundation-sponsored project were almost equal in terms of percentage of total funding

### PORTFOLIO SHARE



Only ~6% of academic R&D funding



Lower rate has fewer effects due to small share of research portfolio

**A Reminder for the Federal Government:** OMB rules require institutions to calculate F&A rate by allocating costs across all research (not just federally-sponsored)—this ensures the federal government doesn't subsidize research sponsored by private foundations



# Move Away from “One-Size-Fits-All”

## Developing a Tiered Policy for Foundations

### Published Policy

Foundations with published rate and clear policy for direct charging

#### Policy

- Use foundation’s published rate
- PIs not required to submit waiver request

### Existing Relationship

Foundations your institution has worked and established a rate with in the past

#### Policy

- Use institution’s established rate
- PIs not required to submit waiver request

### Strategic Partner

Foundations without a clear and published policy but that are strategically important to your institution

#### Policy

- PIs required to inquire about policy (rate and allowable direct charges)
- PIs required to submit waiver request for rates below federally-negotiated
- Research office facilitates negotiation with foundation

### Ambiguous Policy

Foundations with no published rate or clear policy

#### Policy

- PIs required to inquire about policy (rate and allowable direct charges)
- PIs required to submit waiver request for rates below federally-negotiated
- Research office assesses whether the project warrants a waiver (depending on nature of the work, size of project)

*Reduced Rate:  
Automatically Approved*

*Reduced Rate:  
Less Frequently Approved*

# Start Revising Your Current Policy



## Four Initial Steps for Updating Your Policy for Foundations



# Imperative #6: Next Steps

## Benefits of a Tiered Policy for Foundations

- ✓ Reduces ambiguity
- ✓ Addresses common faculty questions
- ✓ Reduces waiver burden on PIs and staff
- ✓ Still allows some flexibility

## Strategies to Optimize Policy Effectiveness



### Communicate Policy Broadly

- Update your website
- Send internal memo to stakeholders
- Host open forum and campus presentations to address questions
- Curate a publicly-accessible list of rates/policies



### Track Policy Patterns

- Keep a record of reduced rates you approve for foundation awards
- Crosscheck faculty waiver requests for foundation awards with records to ensure they match previous rates



### Enforce Policy Compliance

- Require units to cover any difference between the policy-approved rate and the actual rate PIs receive
- Reduce F&A returns if units recover less than permitted





# A Minor Exception Treated Like a Loophole

## Overly Liberal Waiver Allowance Leads to Overutilization, Underrecovery

### Where Most Waiver Policies Fall Short



#### **Lack of Appropriate Waiver Use Examples**

Policies topline process for completing a waiver request, but without articulating when to request a waiver



#### **Little Distinction Between When to Reduce vs. When to Waive**

Policies articulate an “all or nothing” position when there are circumstances that require reductions versus waivers



#### **Infrequently Stated Repercussions for Misuse**

Most policies fail to codify which office or department must make up for waiver abuse or F&A shortfalls



#### **Minimal Articulation of Underrecovery Harm**

Policies may articulate benefits of F&A but do not describe impact of underrecovery on university research

## Three Circumstances Every Waiver Policy Needs to Address



### When Reduced/ Waived F&A Is Appropriate

#### Be Specific and Include Examples

Although it adds length to the policy, concrete examples help PIs better understand when they should request a waiver



#### Arizona State University's F&A Wizard

Available publicly on their website, it allows PIs to plug in their specific project type and receive the exact rate they should be applying to their proposal



### When Reduced/ Waived F&A Is Not Appropriate

#### Debunk Common Myths in Inappropriate Examples

Highlighting specific instances when PIs should include F&A but fail to do so promotes future inclusion



UNIVERSITY OF MINNESOTA

#### University of Minnesota's Acceptable/Unacceptable Waiver Rationales

The policy details scenarios when a waiver is appropriate as well as when a requested waiver is not approved



### Who Pays When Waiver Policies Are Not Followed

#### Detail Who Picks Up the Bill and Downstream Impacts

Policies should articulate which individuals pay for underrecovery and how it impacts all researchers



#### Boston University's Unrealized F&A Procedure

The policy explicitly states that the dean or department chair that approved a waiver without proper rationale can be required to pay the difference

# Taking Waiver Policies from Paper to Practice

## Crucial CRO Talking Points for Key Campus Audiences

### Deans

✘ “You have absolute authority over F&A”

↳ **Instead:**

“Underrecovery is not a victimless crime”

Deans need to understand that their actions (and those of their department chairs and PIs) impact research services across the university

To do this, CROs should:

- Share recovery and underrecovery data
- Develop strategies to improve recovery
- Help deans prioritize F&A spending on strategic priorities

### Department Chairs

✘ “The deans or central will take care of it”

↳ **Instead:**

“You break it, you (might have to) buy it”

Department chairs often have waiver sign-off authority but little reason to evaluate requests thoroughly

To help them understand their role, CROs should:

- Articulate appropriate and inappropriate waiver request scenarios in F&A policies
- Centralize (and publicize) waiver FAQs
- Reinforce that departments may have to reimburse the institution for inappropriate waiver approval or use

### Faculty

✘ “F&A is important, you should care”

↳ **Instead:**

“Intellectual rigor is more important than the budget”

Faculty often believe that including F&A in their proposals makes them less competitive

To help debunk this myth, CROs should:

- Highlight agency statements that say F&A does not influence proposal success
- Share the impact of underrecovery at the individual PI level
- Reinforce that departments and colleges may have to reimburse the institution for inappropriate waiver approval or use

# Imperative #7: Next Steps

## Track Waiver Policy Use and Deploy Data Strategically

### Collect ▶

0101  
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#### Data Points to Collect

- Total underrecovery in a fiscal year (dollars and percent of recovery)
- Number of reductions and/or waiver requests by PI, department, center or institute, and college
- Required support for research office and services
- Investments required for long-term strategic research initiatives

### Deploy ▶

#### 1 →

##### Rally Cabinet Members

Highlight opportunities for improved recovery and the danger of continued underrecovery

#### 2 →

##### Open the Books to Deans

Show deans how their departments perform and where there is room for improvement

#### 3 →

##### Create Short- and Long-Term F&A Strategies

In collaboration with the cabinet and the deans, interweave F&A recovery into the university's strategic goals

### Support ▶



#### Services to Offer

- Conduct 1:1 consultations with deans about improving recovery
- Outline a strategic research vision for each college and highlight the role F&A plays in achieving that vision
- Conduct (bi)annual check-ins with deans on recovery progress
- Promote successful practices from peer institutions on strategic F&A deployment



# Invest Smarter

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COLUMN

3

# A Separation of Ideas and Dollars

## Rethinking “F&A Distribution” for Strategic Research Investments

### F&A Returns

- Earmarked to offset future research operating costs
- Policies articulate prioritization for varying administrative and facilities costs
- Communication of use is reimbursement for costs already incurred



### “Strategic Research Investments”

- Sourced from various unrestricted university funds
- Distributed based on formula of current and desired research activity levels
- Communication of use is advancement of research strategic goals

# Final Frontier or Third Rail?

## F&A Returns: The Final "Income" Source Not Aligned with Strategy



### **Decentralized Tuition Return**

Universities move towards responsibility/performance-based budgeting models to create more unit-based responsibility for covering costs.



### **Strategic Fundraising Campaigns**

University development efforts increasingly focus on a smaller subset of priorities to fund through targeted, coordinated campaign efforts.



### **Strategic Research Investments**

At current, universities provide strategic research investments based on the proxy of F&A return rates, not areas of desired growth and expansion.

# Fake News: F&A Edition



## Outliers Drive the Internal Narrative

### What Stakeholders Think We Use F&A For:



**“Administrative bloat”** across campus



### Reality Check:

#### Partially True

F&A dollars do fund administrative support—centrally, that support is research-specific



**“Marble floors”** and non-research related construction and maintenance



#### Mostly False

F&A dollars do fund facilities but only in so far as those facilities are for research purposes



**“Lavish events”** for executives, trustees, and donors



#### Pants on Fire

Although F&A dollars can be used discretionarily when assigned to general cost pools, most universities are careful to not over-spend on social events



# A Dose of University Budgeting Reality

Distribution Policies Being Warped by External, Internal Budget Pressures



## Funding Shifts and Portfolio Balancing

- Flat-line funding from high F&A returning agencies
- Increase in funding from lower F&A returning agencies
- Influx of funding from non-federal sources without established F&A policies



## Enrollment Shifts and Budget Balancing

- Fluctuating student pipelines cause uncertain tuition returns
- Declining state and local funding
- Unequal distribution of graduate program revenues

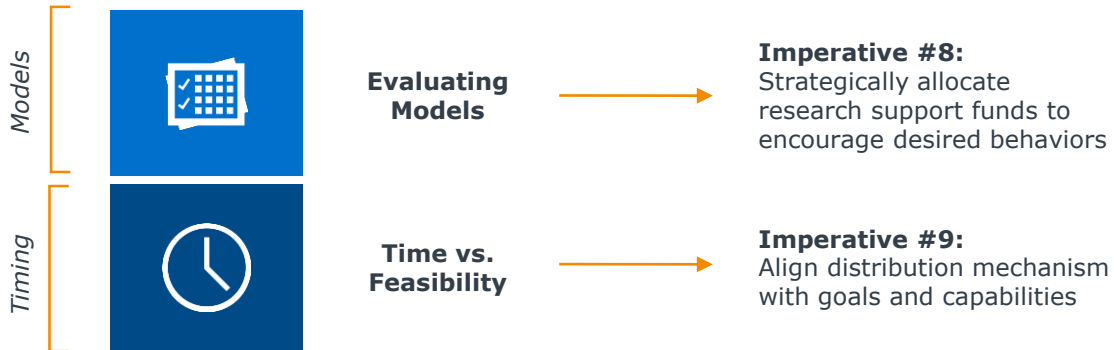
External Pressures

Strategic  
Research  
Investment  
Policy

Internal Pressures

# Being Smarter About Incentive Investments

## Two Imperatives for Grounding Research Support Policies in Strategy





# The Myths and Legends of Research Incentives

## How F&A (Allegedly) Solves All Problems and/or Creates More Problems



### PIs Get 25%+

#### Perception:

- Increase research activity
- Encourage PIs to go after bigger grants with higher F&A returns
- Get PIs to stop asking for additional funding

### Deans Get 100%

#### Perception:

- Balance college's immediate funding needs with strategic future investments
- Get deans to stop asking for additional funding



### Central Gets 100%

#### Perception:

- Better fund strategic research initiatives, equipment, and support services
- Develop a reserve for leaner years to support unit activity

### Everyone Gets Something

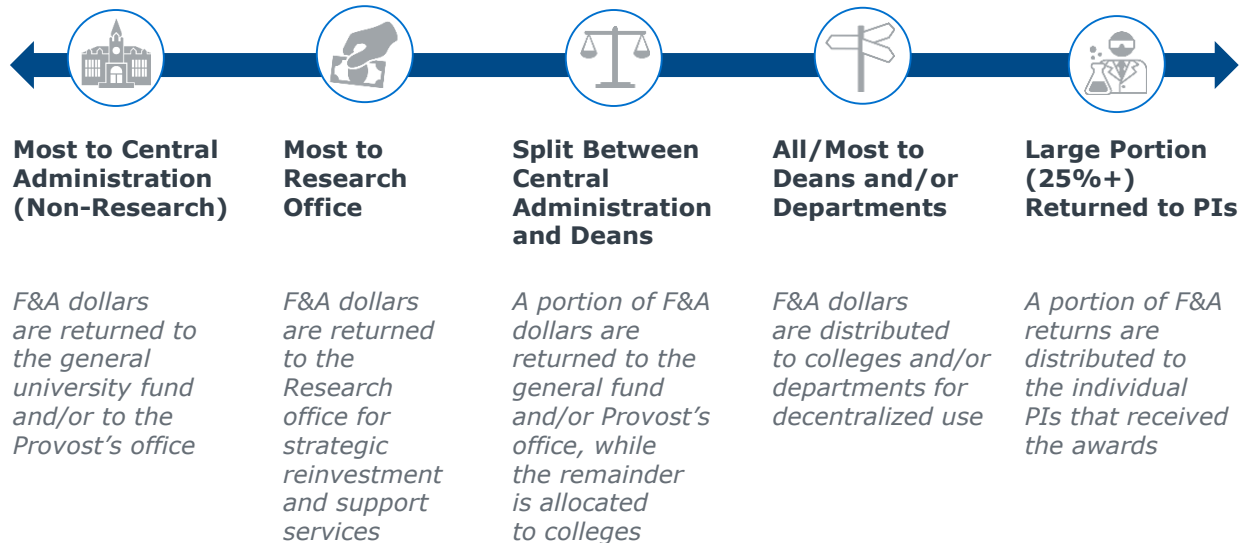
#### Perception:

- Reward each participant for their role in securing funding
- Give spending discretion to stakeholders who best understand their funding needs
- Prevent recipients from asking for additional funding



# Plenty of Distribution Options...

Spectrum of Approaches, Each with Pros and Cons



**Most to Central Administration (Non-Research)**

*F&A dollars are returned to the general university fund and/or to the Provost's office*

**Most to Research Office**

*F&A dollars are returned to the Research office for strategic reinvestment and support services*

**Split Between Central Administration and Deans**

*A portion of F&A dollars are returned to the general fund and/or Provost's office, while the remainder is allocated to colleges*

**All/Most to Deans and/or Departments**

*F&A dollars are distributed to colleges and/or departments for decentralized use*

**Large Portion (25%+) Returned to PIs**

*A portion of F&A returns are distributed to the individual PIs that received the awards*

# #1: It All Goes to the Central Pot



## Pros

- Centrally managed
- Removes pressure on CRO to make allocation decisions
- Complaints directed to central administrators (in theory)
- Better alignment with university strategy

## Cons

- Limits CRO control and ability to leverage funds to advance research enterprise
- Research may not be top priority for reinvestment
- More likely to be used to cover budget deficits
- Dollars are often distributed multiple times, making tracking difficult

## #2: A CRO's Dream (or Nightmare?)



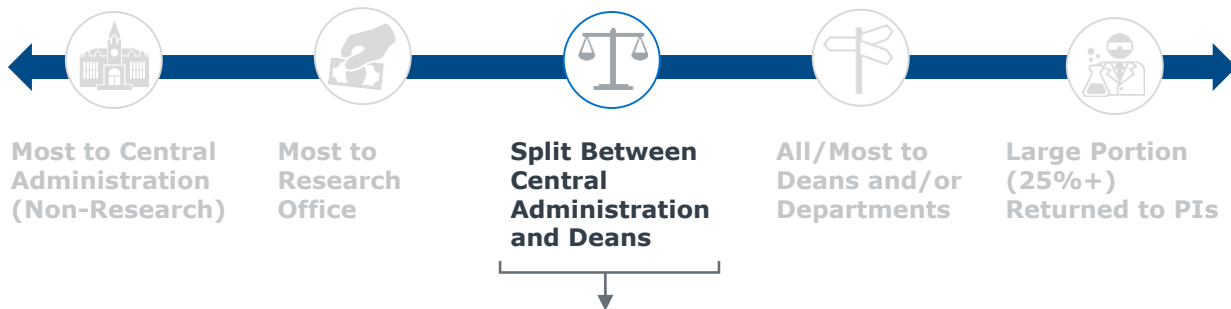
### Pros

- Allows for significant reinvestment in research enterprise
- Provides CRO with powerful lever to make targeted investments and incentivize faculty to buy into strategic vision

### Cons

- Pressure on CRO to make decisions about (and be accountable for) allocation and use
- Faculty complaints directed at research office

# #3: Sharing, but not with the Research Office



## Pros

- Removes pressure on CRO to make allocation decisions
- Complaints directed to central administrators and deans (in theory)

## Cons

- Limits CRO control and ability to leverage funds to advance research enterprise
- Research may not be top priority for investment
- Deans lack experience budgeting and managing F&A dollars
- Difficult for research office to track use

# #4: Units Brought It In, Units Get It Back



## Pros

- Removes pressure on CRO to make allocation decisions
- Complaints directed to deans and department chairs (in theory)
- Provides incentive since money flows back to most productive units

## Cons

- Limits CRO control and ability to leverage funds to advance research enterprise
- Deans lack experience budgeting and managing F&A dollars
- Inconsistent distribution within colleges and/or departments frustrates faculty and perpetuates perceptions of inequality
- Difficult for research office to track use



# #5: Making Faculty Happy (and Productive)



## Pros

- Provides direct incentive to faculty to conduct research and win grants
- Can reduce faculty critiques of F&A
- Can reduce faculty requests for additional funding (in theory)
- Gives PIs flexible source of funding to cover costs that couldn't be charged to their grants (e.g., conference travel)

## Cons

- Overall, provides a minimal incentive—some return is good but too much isn't efficient
- Limits CRO control and ability to leverage funds to advance research enterprise and get buy-in for strategic vision
- Typically still administered through deans and/or department chairs, who lack experience budgeting and managing F&A dollars
- Difficult for research office to track use

# A Simple Maturity Curve for Distribution Models



74

## Increasing Activity

Incentive policy prioritizes **funding for active investigators**, whether through central or unit budget.

Low activity and expenditures

## Strategic Allocation

Incentive policy prioritizes **available central funds for strategic research initiatives** aimed at increasing multidisciplinary and larger-scale research across campus. These dollars reside with the Provost's office and/or Research office.

Growing activity and expenditures

## Unit-Level Empowerment

Incentive policy prioritizes **unit-level strategic allocation of dollars**. This allows deans and department chairs to determine the right balance between further distributing dollars to PIs versus allocating funds to uncovered research costs (e.g., facilities, startup packages, seed funding).

This model also assumes that an amount of money will remain available to the Research office for continued investment in strategic initiatives.

High activity and expenditures

# But Does It Meet Our Needs?

## Critical Considerations When Evaluating Different Distribution Models



### Does It “Offset” Research Costs?

Incentive dollars should support the underlying costs of the research enterprise not fully funded by F&A



### Does It Align Dollars with Research Strategy?

Incentive dollars should be distributed to the areas most important for growing desired research strengths



### Does It Incentivize Faculty?

Especially in the absence of other financial awards and rewards, incentive dollars should acknowledge faculty success



### Does It Align with Institutional Budget and Strategy?

Beyond strategy, incentive dollars can help lessen the blow of unforeseen funding changes



### Four Critical Considerations, Two Underlying Questions

- What are our research goals as an institution?
- How can our strategic research funds help us achieve them?

# Final Grades Are In, and There's No 4.0

## Distribution Model Report Card for "EAB University"

Distribution Model	Cover Research Costs?	Align Dollars with Research Strategy?	Incentivize Faculty?	Align with Institutional Budget and Strategy?	Overall Grade
Most to Central Administration (Non-Research)	B-	B	C-	A+	B
Most to Research Office	A+	A	C-	C	B
Split Between Central Administration and Colleges	B	C+	B-	C-	C+
All/Most to Colleges and/or Departments	C-	B-	B+	D+	C
Large Portion (25%+) Returned to PIs	D	B-	A+	D	C



## Anticipate Questions About Allocation and Spending Plans



### Recurring F&A funding priorities

- Current cost pools
- Fluctuating costs within administrative and facilities cost pools



### If central is receiving more incentive dollars than before...

- Strategic priorities for allocation
- How discretionary funds will be made available to units



### Larger, one-off funding priorities

- Future initiatives requiring upfront investments
- Expected impact and effectiveness at each level of the university
- Other funds supporting these initiatives



### If the units are receiving more incentive dollars than before...

- Amount each unit will receive
- Level of discretion deans will have over funding allocations
- Carve outs/"taxes" that will support central services



## Articulate Goals and Expected Outcomes



### Short-term goals of new research incentive model

- Current areas of underrecovery that new policy will address
- Immediate priorities that new model will fund



### Long-term goals of new research incentive model

- Increasing and maintaining research activity
- Hiring more (and better) candidates through increased available startup funding
- Anticipated benefits to each stakeholder group

# Imperative #8: Next Steps

## Ten Critical Points in the Change Management Process



Familiarize yourself with all the options



Forecast implications of changing models



Solicit feedback from key internal stakeholders



Build allies and garner buy-in



Develop implementation timeline and communication strategy

1

4

5

8

9

2

3

6

7

10



Collect allocation and spending data



Assess current model using four critical considerations



Identify key leaders and stakeholders you need to convince



Craft your argument by anticipating questions and concerns



Establish formal review process and set precedent for future changes

# Talk Is Cheap, Money Speaks

## Distribution Mechanism Fuels Frustration

### Common Stakeholder Complaints About Time Lag in Distribution

"I finished that research project months ago and yet I still haven't even seen my F&A returns.  
**How long do I have to wait?"**

"How am I supposed to **cover unallowable costs like conference travel** when I haven't gotten my F&A returns?"

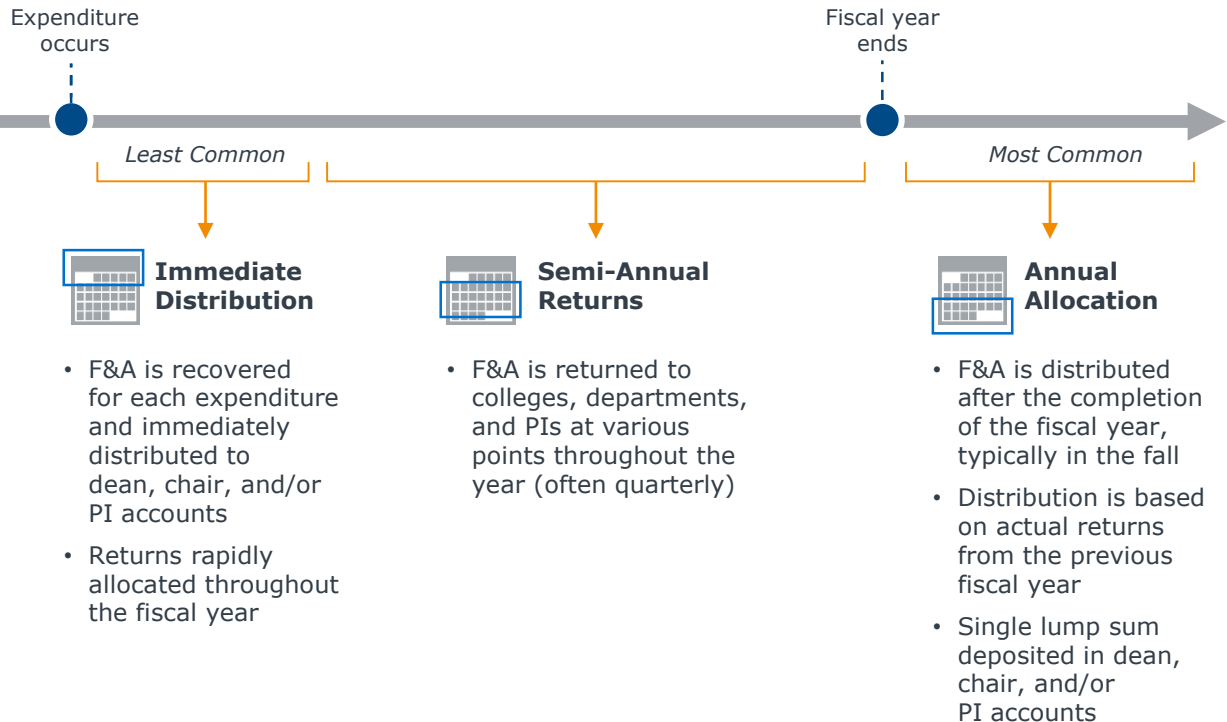
"You keep saying we're going to get some F&A back but it's been a year and I haven't gotten anything—this was **just another lie** on the part of the administration."



"I know my F&A returns are **sitting in my dean's account**, but they don't seem to be in any hurry to transfer them to my account."

# Doing Out the Dollars

## Spectrum of Distribution Timelines





# Two Ends of the Spectrum

## No "Correct" Timing for Distribution

### Immediate Distribution



Advantages

- ✓ Eliminates lag between behavior and corresponding incentive
- ✓ Provides PIs with recurring dollars throughout the year
- ✓ Can incentivize stakeholders to spend returns in timely manner
- ✓ May reduce requests for funding from central office

Disadvantages

- ✗ Dollars still may not be allocated quickly at unit level
- ✗ Requires costly and time consuming changes (especially to fiscal system)
- ✗ Deans/departments have to forecast what they will recoup
- ✗ No incentive for long-term budget planning
- ✗ Adjustments to grants during the year can result in incorrect distribution

### Annual Allocation



- ✓ Guaranteed not to over- or under-distribute (since based on actual recovery from previous fiscal year)
- ✓ Departments always accurately know their budget for the next fiscal year
- ✓ Less ongoing admin burden for central office

- ✗ Stakeholder frustration
- ✗ Lag time between behavior and corresponding incentive
- ✗ PIs don't receive dollars throughout the course of project and therefore may request more money from central office

# Imperative #9: Next Steps

## Evaluate Current Mechanism, Weigh Potential Options

### Three Initial Steps for CROs

- 1 Make sure you have a clear policy statement explaining current mechanism and timeline
- 2 Task a deputy or team with reviewing your current distribution mechanism (and those of your peers)
- 3 Collect feedback from internal stakeholders (both administrators and unit recipients)

### Questions to Consider



Is your current approach **aligned** with goals and stakeholder needs?



Are your policies explaining the distribution mechanism and timeline **clear and transparent**?



Are **stakeholders satisfied** with the current mechanism? If not, what changes do they want?



How much **time and investment** would it take to change the current distribution mechanism?



Do you have a policy for **how and when returned dollars must be spent** (and what happens if they aren't used in that time)?



# Concluding Thoughts

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# Building Consensus Around Advocacy Strategy



## Lack of Awareness and Agreement Hinder Progress

### Differences in CRO Prioritization and Approach

#### Preserve the Status Quo?



"We should just try to keep things as is. We can't afford risking any other changes right now."

*-Vice President for Research and Economic Development, R1 Public Institution*

#### Negotiate Direct Charging?



"We should collectively decide what items could be charged directly and then negotiate with the federal government to allow for those to be classified as direct costs."

*-Vice Provost for Research, R3 Private Institution*

#### Increase Total Funding?



"We need to increase the amount of money available for F&A to cover the actual cost of increased regulatory burden."

*-Vice President for Research, R2 Public Institution*

#### Overhaul the System?

















"We need to rethink our entire system of accounting for the costs of research. If we don't play an active role in this, Congress will do it for us – and I guarantee we won't like the results."

*-Vice President for Research, R1 Private Institution*

# No Silver Bullet

## Range of Federal F&A Policy Options, None Satisfactory

Flat Rate	Multiple Rates	Percentage Caps	Rate Caps	Exceptions	Agency-Specific Rates	Individual PI Negotiation
 <p>Requires no negotiation, saving time and money</p>	 <p>F&amp;A tied to project types instead of using average</p>	 <p>Addresses short-term budget limits without changing fundamental structure</p>	 <p>Useful for controlling F&amp;A costs</p>	 <p>Flexible since exceptions granted based on project</p>	 <p>Addresses different costs associated with different types of research</p>	 <p>Customizable since PIs negotiate components</p>
 <p>Inequitable and doesn't account for variation</p>	 <p>Difficult to determine rates and implement</p>	 <p>Increased under-recovery</p>	 <p>Increased under-recovery</p>	 <p>Could create un-level playing field</p>	 <p>Difficult to implement in practice</p>	 <p>Process too onerous to be feasible</p>

## Eight Next Steps for CROs and Their Teams

- 1 **Talk with your peers** (e.g., brainstorm and/or debate alternatives to the current F&A model, ask about their policies and models)
- 2 Solicit faculty and staff **feedback** on current F&A policies and processes, then decide on top **priorities for improvement**
- 3 Meet with your **research communications team** to review, update, and create education and advocacy materials
- 4 Prepare campus-specific examples of **how F&A supports impactful research** to share with legislators if called upon
- 5 Meet with your **chief business officer and facilities leadership** to develop plan for maximizing your negotiated rate
- 6 Review your F&A **charging and waiver policies**, then identify opportunities to revise and/or clarify them
- 7 **Assess your current research support funding model** and whether it is strategically-aligned with institutional and research goals
- 8 **Collect data** on F&A usage to increase transparency and guide future strategy

# University Research Forum

## Project Director

Jon Barnhart

## Contributing Consultants

Ingrid Lund, PhD

Brooke Thayer

Aliza Conway

## Design Consultant

Kelsey Stoneham

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