





Memorandum

To: R. Michael Banish  
President, Faculty Senate

From: Robert A. Altenkirch   
President

Christine W. Curtis   
Provost and Executive Vice President for Academic Affairs

Subject: Faculty Senate Resolution 17-18-10 Modification of Indirect Cost Recovery

Date: September 4, 2018

Faculty Senate Resolution 17-18-10, "Modification of Indirect Cost Recovery, requests "a review of the existing ICR distribution scheme" by the relevant UAH officer(s) of The University of Alabama in Huntsville; that the "Administration works directly with the Finance Committee of the Faculty Senate to evaluate the current ICR distribution scheme...to define any real or perceived imbalances of cost share distributions as viewed across academic and center-directed research units and to propose effective and realizable modifications as needed to address such imbalances in positive ways for both units; and that a report summarizing the findings of this review be submitted to the Faculty Senate no later than 3 months following passage of this bill." The resolution further states that the review should include one or more of the following: a) a plan, including schedule, to implement the Proposed Distribution; b) a proposal for another ICR distribution scheme consistent with the approach employed at UA (Tuscaloosa) and its corresponding percentage distributions to college/center, department, and PI; or c) an explanation as to why a change should not be implemented, including an analysis of the effectiveness of the existing ICR distribution." Please note that Resolution 17-18-10 as passed did not include a "Proposed Distribution" so item a will not be addressed."

As you are aware, indirect cost recovery or F&A (Facilities and Administration) costs are a recovery of real costs that are associated with providing support for contracts and grants by the university including such costs as research administration, Office of Proposal Development, Office of Sponsored Programs and Contract and Grants Accounting, purchasing, internet access, library services, utilities, space, and maintenance. The calculation of indirect costs is conducted on a regular basis and then submitted to the federal agency that is the indirect cost agency for a given university. UAH's indirect cost governing agency during our last review in 2015 was the Department of Health and Human Services. The indirect cost recovery percentage is then set by that agency and is invariably set a lower rate than the actual indirect costs

so that the indirect costs are not fully recovered. Therefore, other sources, such as tuition, fees, and state appropriations, must cover the shortfall. The University decides the actual distribution of the indirect cost recovery to its various units. Consequently, if indirect cost recovery is used for purposes other than that for which it is intended, and for which it was negotiated, that change in purpose dictates, in part, how tuition and state funds are allocated in addition to covering the shortfall. The indirect costs are real and are needed to pay for the support given to research contracts and grants and must be covered. So, if the indirect cost is utilized for other purposes, then funds from other sources must be redirected. Recovered indirect cost is not a revenue stream that can be distributed in a manner that is far from its intended purpose. There is no ownership by investigators whose projects incur indirect costs that must be covered, only in part, by recovered indirect costs. Recovered indirect cost is part of an overall financial system such that a change in its distribution will demand a change in distributions from other revenue streams. It is a zero sum game!

A study of the distribution of indirect recovery was conducted by President Altenkirch shortly after his arrival at UAH. He found that the distribution currently in place to a large part followed the indirect costs that were incurred at that time. We agree with the Faculty Senate that it is time again to review the indirect cost recovery distribution to determine if any changes are needed in the distribution to cover the indirect costs of operations. We shall initiate a review of the indirect cost recovery at the beginning of fall semester 2018. The analysis will include analyses of the current indirect costs for extramural research, the correspondence of the current distribution of indirect costs recovery to the actual costs, and proposed distribution for future fiscal years.

The Indirect Cost Recovery Task Group will include the President, Provost and Executive Vice President for Academic Affairs, Vice President for Research and Economic Development, Vice President for Finance and Administration, an academic dean, one research center director, the Faculty Senate Finance Committee Chair, and the President of the Staff Senate or designee. We will provide updates to the members of the Faculty Senate Finance Committee and the Staff Senate Executive Committee as we conduct the analysis. We will report back to the Faculty Senate and Staff Senate when the analysis is complete.

Cc: Todd Barré, Vice President of Finance and Administration  
Robert Lindquist, Interim Vice President of Research and Economic Development  
Marsha Adams, Dean, College of Nursing  
David Berkowitz, Dean, Graduate School  
Sundar Christopher, Dean, College of Science  
Karen Clanton, Dean, College of Professional and Continuing Studies,  
Jason Greene, Dean, College of Business  
Sean Lane, Dean, College of Arts, Humanities and Social Sciences  
Shankar Mahalingam, Dean, College of Engineering  
Beth Quick, Dean, College of Education  
William Wilkerson, Dean, Honors College  
Fathia Hardy, President, Staff Senate