

The University of Alabama in Huntsville

Budget Committee Meeting

April 1, 2011



BUDGETING

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Research



Basic Research Terminology

A-21	Cost Principles for Educational Institutions, a circular published by the federal Office of Management & Budget (OMB) that establishes the principles for determining the costs applicable to grants and contracts with Universities.
A-133	Audits of states, local governments, and non-profit organizations; a circular published by the federal OMB.
Awards	Funds that have been obligated by a funding agency for a particular project, over a particular period.
Direct Cost	Clearly identifiable costs related to specific project.
Effort	The total activity or work for which an individual is compensated by the University. Expressed as a percentage of the full-time equivalence (FTE).
Indirect Costs	Costs related to expenses incurred in conducting or supporting research but not directly attributable to a specific project. Examples are general administration, sponsored project administration, facilities, library expenses, departmental expenses, and depreciation for building & equipment.
Expenditures	Funds expended over a particular period, usually a fiscal year.



Basic Research Terminology

ICR Rate	Established by negotiation with the federal agency on the basis of the institution's projected costs for the year.
Key Personnel	Personnel considered to be of primary importance to the successful conduct of a research project, usually applies to the senior members of the project staff.
Principal Investigator	The individual responsible for the conduct of research described in a proposal for an award. The PI is responsible for all programmatic and administrative aspects of a project.
Proposal	An application for funding that contains all information necessary to describe project plans, staff capabilities, and funds requested.
Sponsored Research	Research conducted by the University employees using any University space, facilities, materials, equipment, or property, and which is financed by contract payments, grants, or gifts from any source other than University funds.



Components of Organized Research On-Campus F&A Rate (Percent)

	<u>2010-11</u>	<u>2011-12</u>
Building Depreciation	3.3	3.4
Equipment Depreciation	3.7	4.3
Interest	1.5	1.5
Operation/Maintenance of Plant	11.3	11.3
Library	1.5	1.5
Administration	<u>26.0</u>	<u>26.0</u>
Total	47.3	48.0
Off-Campus Rate	26.0	26.0

This rate is negotiated every 4 years with the Department of Health of Human Services (DHHS).



Summary of F&A Distribution (Percent)

General Fund	47.0
VP Research	23.2
Academic Affairs	10.6
Performing Organization	15.2
Principal Investigators	<u>4.0</u>
Total	100.0

**The distribution rate was established internally by the University
More than 15 years ago.**



Example of F&A Calculations

Sponsored Research Awarded **\$1,500,000**

Assuming F&A Rate = 47.3% *

Direct Cost = \$1,500,000 / (1+47.3%) **\$1,018,330**

Indirect Cost (F&A) = 47.3% x \$1,018,330 **\$ 481,670**

F&A Distribution

General Fund **47.0** **\$ 226,385**

VP Research **23.2** **111,747**

Academic Affairs **10.6** **51,057**

Performing Organization **15.2** **73,214**

Principal Investigators **4.0** **19,267**

Total **100.0** **\$ 481,670**



Example of F&A Calculations

Assuming F&A Rate = 47.3% * (only if entire award is funded for personnel & operating)

The actual 3-year average F&A return rate is between 22% – 25% because:

Example:

Key Personnel	\$1,000,000	x	47.3%	\$473,000
Operating	200,000	x	47.3%	94,600
Equipment/Capital	700,000	x	00.0%	0
Tuition	300,000	x	00.0%	0
Off-Campus	500,000	x	26.0%	130,000
Sub-Contract	300,000	x	47.3%	(\$25,000) 11,825
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Total	\$3,000,000	x	F&A	\$709,425

Rate of Return on Research = $\$709,425 / \$3,000,000 = 23.65\%$



Summary of F&A FY 2010-11 Budget \$13.2 Million

	<u>Percent</u>	<u>Amount</u>
General Fund	47.0	6.2 M
VP Research	23.2	3.1 M
Academic Affairs	10.6	1.4 M
Performing Organization	15.2	2.0 M
Principal Investigators	<u>4.0</u>	<u>0.5 M</u>
Total	100.0	13.2 M



Summary of F&A FY 2010-11 Budget \$13.2 Million

General Fund (\$6.2 M)	Incorporated as part of the University unrestricted general fund revenue base (including state appropriations and tuition revenues).
VP Research (\$3.1 M)	Included in VP Research budget base. No restrictions on how VP Research is allowed to spend the money (Must adhere to University spending policy).
Academic Affairs (\$1.4 M)	Original distribution included in Academic Affairs budget base. Subsequently, any adjustment, increase or decrease, is absorbed by unrestricted general fund.
Performing Org. (\$2.0 M)	If no labor is charged, the entire 15.2% is allocated to the fiscally responsible units (Research Centers or Academic Departments). If labor is charged, the 15.2% is allocated to the home labors of the employees being charged.
Principal Investigators (\$0.5 M)	Allocated to the principal investigators. The budget can be used for anything pertaining to University business (Must adhere to University spending policy).



Summary of Research Budget Funded From Unrestricted General Fund (Ledger 2)

	<u>FY 2010-11</u>
F&A Distributions	
VP Research	3.1 M
Performing Organizations (Centers)	1.7 M
State Appropriations Distributions	
VP Research	1.7 M
Performing Organizations (Centers)	2.6 M
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Total Research Budget Funded From Ledger 2	9.1 M *

* The \$9.1 million is operated like any other unrestricted ledger 2 account on campus.



Example of a Center's Budget

Center ABC

Ledger 2: State Appropriation

Salaries	\$ 100,000
Benefits	30,000
Operating	<u>50,000</u>
Total	\$ 180,000

F&A

Salaries	\$ 60,000
Benefits	18,000
Operating	<u>100,000</u>
Total	\$ 178,000

Ledger 5: Sponsored Research (various)

Salaries	\$ 1,000,000
Benefits	300,000
Operating	<u>2,000,000</u>
Total	\$ <u>3,300,000</u>

Total Center ABC

\$ 3,658,000