Dear colleagues,

I thought it would be helpful to the Aspire 2020 discussions if you were provided with a summary of how the VPR Office invests Indirect Costs (formally known as Facilities and Administrative costs, or F&A), recovered from external grants and contracts, to support research and creative activity on the Norman Campus (including Norman Campus programs at OU-Tulsa). When our new VPR web site is complete, this sort of information will be posted in detail on a yearly basis.

The starting point for understanding this investment is the fact that that external grants and contracts involve two types of costs: direct costs and indirect costs (or F&A).

Direct costs are those which can be identified with relative ease and a high degree of accuracy including salaries and benefits, equipment, supplies and services, and travel.

Indirect costs, or F&A, represent costs associated with providing facilities and administrative support for the conduct of research and other sponsored activities. Facility costs include space, depreciation, utilities, janitorial services, grounds, equipment, etc. Administrative costs include personnel, payroll, financial support services, research services, student services (e.g., for graduate student research), etc.

Because it is difficult to assign F&A costs to a specific project owing to the shared nature of facilities and administrative services and spaces, the costs are averaged over all research performed and charged to grants as a percentage of the modified total direct costs (direct costs minus certain items such as tuition). At the present time, OU’s F&A rate, determined via negotiation with the US Department of Health and Human Services, is 50%. Thus, for a proposal having $100,000 of direct costs, the total budget would be $150,000. F&A recoveries represent unrestricted discretionary revenues of the University. They are allocated in support of the University’s general education budget and in support of various research and sponsored program support activities.

In FY 2009 (1 July 2008 – 30 June 2009, the last period for which a complete fiscal year’s worth of data are available), the Norman Campus recovered $13.47 million in F&A. That money was used to support the following: Office of Research Services, Office of the VP for Research including the Vice President for Research’s salary, Microscopy Lab, Research Council (including Summer Faculty Fellowships), Faculty Travel Assistance Program, George Lynn Cross Professorships, Electron Microprobe Lab, Strategic Research Initiatives, University Strategic Organizations, E&G Funding of Central Budget Components Related to Research, Stephenson Research and Technology Center, Research Equipment, Grant Proposal Cost Sharing, Faculty Start-Up, Faculty Retention, Emergency and Miscellaneous Needs, and.

Additionally, $2.53 million was distributed in FY09 as Sponsored Research Incentive (SRI). The SRI program was established nearly 35 years ago at a time when most University programs did not perform significant externally sponsored research, and when the Office of Research Services, as we know it today, did not exist. Thus, SRI was “intended to provide some money to colleges and departments in which the faculty did significant sponsored research to defray the costs which the colleges and departments incurred because of this added workload. It was felt that these costs were difficult to predict, and that additions to departmental or college budgets because of them would be hard to justify, put that the costs were real and would have to be borne out of regular budgets unless other money was provided.” Additionally, SRI was “intended to recognize the efforts of faculty or
staff who bring sponsored research and training programs into the University by making available to their colleges and departments, and sometimes to the faculty themselves, money to use as the colleges, departments and individuals see fit.”

Today, the Vice President for Research sets aside internal funds that are distributed as SRI based upon the academic appointment of the principal investigator(s). The University policy on SRI funds provides for the distribution of an amount equal to 20% of the indirect cost recovered by the Norman Campus research enterprise to the generating organization in the proportion of 90% to the department or unit and 10% to the appropriate dean/administrator. The amount of indirect costs used to determine each year's distribution is based on the net indirect costs generated the preceding year. For example, SRI distributed in FY10 (usually around September) was based upon expenditures from FY09.

Finally, to make clear the plans for FY10 SRI distribution as explained in my memo of 12 April, we expect to have about $3 million available in SRI for FY10 compared to $2.53 million last year (FY09). In order to make progress paying down existing obligations for faculty research support in the form of grant match, equipment, start-up and similar costs, we need to hold back $0.5 million in SRI. Consequently, the amount of SRI available for distribution in FY10 will be reduced from approximately $3 million to approximately $2.53 million, or in other words will be virtually identical to that in FY09. It is important to note that the University’s central administration is contributing nearly $1 million to these obligations as well. By working together in this manner, we can both pay for existing obligations as well as make the necessary new ones to keep moving forward. Additionally, Aspire 2020 affords an opportunity to develop bold new ideas and initiatives in which the University can invest, and which will position us for significant external funding.

Kelvin Droegemeier
30 April 2010