Research funding

External research funding consists of two elements:

- Direct research expenditures from contracts and grants, and
- Indirect Cost Recovery (ICR - also referred to as Facilities and Administrative Recovery or F&A Recovery).

Direct research funding goes toward the documented costs of conducting the research supported by external sponsors—it is restricted by the terms of the sponsored research agreement. Indirect Cost Recovery rates are negotiated or specified by the awarding agency. These rates acknowledge and represent reimbursement to the University for infrastructure costs associated with the conduct of sponsored research.

The Federal ICR or F&A rate is divided in two portions, Facilities and Administrative. The University currently returns a portion of the F&A rate as RCR (Research Cost Recovery) to the units that generate the research activity. In the latest year, approximately 34% of total F&A recovery was returned to the units under RCR.

Under ABB, 100% of ICR will be distributed to the units that generate it; ICR will also be subject to a central tax, which reflects the centrally funded share of general administrative and facilities cost.

ABB Principles

- Support, not determine, University missions and goals
- Provide incentive for positive behaviors, innovation and operational efficiencies
- Be transparent
- Be as simple as possible to understand, administer and implement
- Assign revenues to the units responsible for the activity that generates those revenues
- Account for all central revenues
- Recognize the importance of maintaining current funding levels or phasing-in funding reductions

Decision Statement

- All indirect cost recoveries will be taxed at a rate of 65%.
- Distribution of ICR will be calculated in the April before the budget year begins based on the most recent 12 months of actual ICR receipts.
- The calculation will be based on the negotiated rate—that is, the F&A recovery actually received on the unit’s grants.
Any unit that generates Indirect Cost Recovery (including central units) will receive the portion of ICR under this formula.

ICR related to the American Recovery and Reinvestment Act (ARRA) will be separately allocated using the ABB distribution model.

Rationale

- Returns a portion of the ICR to units that corresponds to the general level of departmental support cost, but uses a simpler methodology.
- Reflects the fact that under the ABB initially, central administrative units will continue to have responsibility for facilities costs and as well as other institutional-wide administrative services such as institutional pre- and post-award support, payroll, and purchasing. As a result, a tax on ICR is needed to cover these centrally supported costs.
- Does not create excessive burdens on programs like training grants which are important to the University’s mission but receive low rates of indirect cost recovery.

Supporting documents