FLORIDA INTERNATIONAL UNIVERSITY
Research

MEMORANDUM

To: University Community

From: Andrés G. Gil, Vice President for Research

Date: February 12, 2014

Re: Facilities and Administrative (F&A) Funds (i.e., overhead or indirect funds)

This message describes Facilities and Administrative (F&A) costs on grants and contracts, and provides a summary of the recent use of F&A funds at FIU.

F&A, often referred to as indirects or overhead, are real costs that the institution incurs in support of extramural research activities. Essentially, F&A funds are reimbursements for research-related costs that the University has incurred. Currently, FIU's F&A rates are 26% for off-campus projects and 45% for on-campus projects.

In addition to federal regulations on F&A costs, State of Florida statutes prescribe the use of F&A funds. *Florida Statute 1004.22(5)-Divisions of sponsored research at state universities* states that "moneys received for overhead or indirect costs and other moneys not required for the payment of direct costs shall be applied to the cost of operating the division of sponsored research. Any surplus moneys shall be used to support other research or sponsored training programs in any area of the University." Note that this applies to F&A as well as fixed costs projects.

Distribution of F&A at FIU

Annually, the Division of Research (DOR) distributes 45%-50% of all F&A throughout the University through a combination of: 1) direct payments to colleges (15% of F&A), 2) direct payments to Principal Investigators (5% of F&A), 3) positions in the Division of Human Resources, 4) positions at the Controller's Office, 5) support for Environmental Health and Safety, 6) positions in various grants throughout the University as part of cost-sharing, 7) subsidizing various core facilities such as the Animal Care Facilities and the Advanced Materials Engineering Research Institute, 8) cost sharing for specific programs (e.g., 50% of required cost match for NSF Major Research Instrumentation (MRI) program, cost matching for the Long-Term Ecological Research (LTER) grant, cost matching for the National Institute of Minority Health & Health Disparities P20 Center, cost matching for the NSF's Bridge to the Doctorate and NIH's Research Initiative for Scientific Enhancement (RISE), 9) support for new faculty start-ups, 10) specific facilities' maintenance needs throughout the University, and 11) write-offs from deficits on grants and contracts in which the sponsor does not pay all or some of the invoiced amounts. On the last item (#11), there is a University policy (2350.005: "Close Out of Sponsored Projects"), which requires the colleges to split with DOR (50/50) the cost of these loses if there is no fault on the part of the PI, College or DOR, or if it is due to the fault of the PI or the College. DOR is supposed to cover 100% of the cost if it is due to DOR errors or actions. However, DOR has been covering 100% of the cost regardless of which party is at fault (~$3M between 2008 and 2012).

Specific Uses of F&A by DOR during the Past Three Years

- $1.7M invested in the 5th floor of AHC4.
- $1.7M invested in the construction of labs at AHC4.
- $2M invested in the construction of the new Behavioral Research lab at AHC5.

- Thus far, DOR has dedicated $737,690.61 to the setup of labs at AHC4 for three research teams that are in the process of moving into the building. These costs have also included furniture for postdocs, and phones for research lab corridors.
- DOR expects to spend another $2M to finalize the Biomedical Engineering labs at AHC4, and to address various needs in the Ecotoxicology Lab at BBC.
- DOR provided $12,447,326.21 to the colleges and $1,427,540 directly to PIs. The latter includes the recent distribution of accumulated F&A to PIs, which had been delayed as a result of problems in the transition to the new payroll system.

Two Specific Examples of F&A Investments in Colleges & Departments during the Past 3 Years.
Generally, due to investments of F&A and other University resources, colleges and departments receive more resources to support research than what they produce through F&A. **Below are two illustrative examples from the past three years**; one a college and the other a department from a different college.

1. **Department A:**
   - ***Summary:*** *In the past three years, Department A generated $1.7M in F&A. However, the Department received more research support investments from DOR and the University than the F&A generated by its grants. Specifically, Department A received over $4.5M in support, and the College received distributions of $627K through a combination of F&A to the college and to centers related to the department. Thus, the College and centers related to Department A received direct distributions of F&A that constituted 37% of the total F&A generated by Department A; plus the additional investment of $4.5M.*
     - *Department A* produced $1,731,775 in F&A funds.
     - The college of which *Department A* is a member directly received $246,310 in *Department A-related* F&A, and centers related to the *Department A* received an additional $381,035.
     - DOR has provided $4,454,899 to *Department A* in the following ways:
       - DOR purchased $125,000 worth of equipment for *Department A* in FY 12-13.
       - DOR pays for various core facility needs that *Department A* covered in the past.
       - *Department A* received $4,249,450 in new faculty startup funds for the past three years (this included F&A and E&G sources).
       - Cost matching for *Department A* grants has been $80,449.
2. **College A:**
   - ***Summary:*** *College A generated $7.4M in F&A and received $8.3M in support and F&A distribution.*
     - *College A* produced $7,413,846 in F&A funds.
     - *College A* directly received $1,163,852 of F&A distributions (16% of college-generated F&A). Additionally, PIs in *College A* received 5% of the F&A expenditures they generated.
     - DOR has provided an additional $7,169,264 to *College A,* invested as follows:
       - Startup funding for new faculty hires: $2,689,264.
       - Lab construction: $2,000,000.
       - Support for a major core lab: $480,000.
       - Upcoming expenditures at AHC4 for the college will be at least $2,000,000.
       - There have been other investments not included here, such as cost matching in grants and programs for faculty in College A.

The purpose of this message is to keep the FIU Community informed about the manner in which F&A funds are invested in the research enterprise. The two examples provided (Department A and College A) illustrate the typical circumstance of greater funds dedicated to the support of the research enterprise than what is produced by any specific College or Department. Such disparity is not unusual for a research university. During the past five years, FIU has made unprecedented investments in research facilities through new facilities and renovation of existing laboratories. As we continue to grow FIU's research enterprise within the context of reduced research and development investments in the U.S., we will need to be smart about our investments in terms of core research facilities and start-up costs for new faculty. Return on investment will be a critical factor in making such considerations. As illustrated in the 2012 NSF Higher Education Research and Development Survey, 66% of all universities had declines in extramural research expenditures. Our efforts to maintain FIU's upward trend in research growth will require strategic focus and consistent efforts in research development. I am optimistic that we will continue to be successful in this arena.