TOPIC:

Funding of Research Activities Going Forward

CONTEXT:

This is one of the four key issues regarding the allocation of revenues and costs going forward under budget restructuring. The others are the sharing of tuition and subsidy, fee authorizations, and space charges.

In FY 2000, the total budget for the Office of Research was $26.5 million, including $7.8 million in Research Challenge funds. Indirect cost recoveries have been increasing for the last several years with a projected increase of $7.2 million from FY 2000 to FY 2001.

The Office of Research has prepared a report on “Office of Research Budget Restructuring Issues.” It contains working recommendations and is attached as Appendix A.

What follows are the Budget Advisory Committee’s recommendations. These are based on the Office of Research report and several meetings with Brad Moore, Keith Alley, and Susan Erskine. The Budget Advisory Committee recommendations are also guided by the following general principles.

GENERAL PRINCIPLES:

Nearly all of the principles articulated in the November 15, 1999 document on “University Goals in Resource Allocation” are applicable. Those that are most relevant include:

- The allocation of resources should be mission driven.
- In a large, complex organization, decentralized decision-making works best.
• A significant portion of revenues should be explicitly linked to the generating units, specifically the colleges.
• A portion of all revenues should be dedicated to the support of University-wide goals.
• Costs should also be explicitly linked to the generating college or vice presidential areas.
• Appropriate oversight and accountability should be provided by the University’s governance and administrative structure.
• A carefully thought out transition is essential to the ultimate success of any changes in the budget system.

GENERAL RECOMMENDATIONS:

Marginal changes in the budgets of administrative operations provided by the Office of Research that serve many colleges should be funded by the central tax. Marginal changes in the budgets of research support operations and academic centers reporting to the Office of Research should be funded through the research assessment.

Marginal changes in indirect cost recoveries should be returned to the colleges except for the portion associated with the Libraries and, in most cases, the component related to building and improvement use.

Since associated marginal costs will also be the responsibility of the colleges, marginal increases in IDCs will not be subject to the central tax.

Research Challenge funds should continue to be held centrally and used to support the goals of the Academic Plan and to encourage multidisciplinary activity.

The portion of the Special Research budget that was previously allocated annually as cash to colleges, departments and centers as CDRS and DDRS should be transferred as continuing funding directly to colleges, departments and centers to support their research activities. This will result in a permanent decrease in the base budget of the Office of Research.

ISSUES:
1. What are the funding sources for marginal changes in costs of centrally-provided research support?

DISCUSSION: There are three different funding sources for marginal changes in centrally-provided research support: the central tax, the research assessment, and direct charges to the benefiting units.

RECOMMENDATION: The central tax is recommended as the funding source for marginal changes in the budgets of centrally-supported activities that benefit all types of research. Marginal changes in the budgets of centrally-provided activities that support sponsored research should be charged to all sponsored research by a special research assessment on Modified Total Direct Cost expenditures. Direct charges to benefiting units are recommended for other types of research support.

2. Should the administrative component of the Office of Research budget be a part of the research assessment or part of the central tax?

DISCUSSION: In the base budget scenario the administrative component of the Office of Research budget is part of the research assessment. Included in the administrative component are the salaries and benefits of the vice president for research and staff members in 208 Bricker Hall. Also included are benefits for all administrative units reporting to the Office of Research. However, the functions performed by the vice president for research and the staff in 208 Bricker Hall benefit all research and scholarly activity on campus, not just sponsored research.

RECOMMENDATION: Going forward, marginal changes in the administrative component of the Office of Research budget should be included as part of the central tax. However, benefits for administrative units reporting to the Office of Research should be associated with the budgets of those units.

3. Should the Office of Research Risks Protection and the Offices of Technology Partnerships and Technology Licensing be covered under the research assessment or be treated as part of the central tax?
DISCUSSION: The Office of Research Risks Protection (ORRP) monitors research risks, deals with conflicts of interest involving research issues, and advises on compliance issues. These activities relate not only to extramurally funded research but also to graduate education and non-sponsored research activity. These are university-wide responsibilities. The Office of Technology Partnerships also serves a central function in that it facilitates collaboration with business and industry as a means of connecting faculty research results with community needs. The Office of Technology Licensing assists with the filing of patent applications and licenses. The goal is for the Office of Technology Licensing to cover the major portion of its operations through royalties.

RECOMMENDATION: Marginal changes in the budget for ORRP and the Office of Technology Partnerships should be covered under the central tax going forward. The Office of Technology Licensing should submit a plan for becoming self-sufficient within 5 years; until then, marginal changes in its budget should be part of the research assessment.

4. Six academic centers report to the Office of Research. These are Byrd Polar Research Center, Center for Mapping, Center for Cognitive Science, Center for Materials Research, Center for Lake Erie Area Research, and Center for Molecular Environmental Health. How should their budgets be treated under budget restructuring?

DISCUSSION: In the base budget model, the budgets for these six multidisciplinary centers were funded through the research assessment. As such, any growth in the budgets of these centers going forward would be funded through the research assessment that is levied across all colleges proportional to their modified total direct research expenditures. These centers would then be in a special position relative to other centers that report to a dean. On the other hand, centers that support interdisciplinary research and engage routinely in multi-college initiatives are critical to the Academic Plan’s goal of becoming a ‘great research university.’

RECOMMENDATION: Fund marginal changes in the budgets for these multi-college academic centers through the research assessment. Require each academic center to develop a strategic plan that sets forth its
academic goals and includes a budget to support that plan. The budget plan must clearly articulate how the center intends to increase its revenues to support its current and planned activities and how it intends to move toward greater self-sufficiency. Unlike support centers with an earnings capability, it is unrealistic to expect all academic centers to be completely self-sufficient in the next five years, but self-sufficiency should be a long-range goal. Academic centers must submit their annual plan and associated budgets to the Office of Research and must be subject to review including periodic external evaluation.

5. Several central research support facilities such as University Lab Animal Resources (ULAR) and Campus Chemical Instrumentation Center (CCIC) report to the Office of Research. How should marginal changes in their budgets be funded going forward?

DISCUSSION: These research support facilities provide high-end equipment or services to faculty and were attributed to the research assessment in the base budget model.

RECOMMENDATION: Fund any marginal increase in budgets for central research support facilities through the research assessment and, where possible, incorporate such expenses into the university’s FY 03 negotiations to establish the FY 04 IDC rates. Require that such facilities develop and implement plans to close the gap between actual costs and user fees.

6. How should marginal changes in the OSURF budget be funded in the future?

DISCUSSION: OSURF provides grants management for principal investigators in order to assure uniform compliance with federal and state statutes and proper reporting to funding agencies. In the base budget scenario, OSURF is funded through the research assessment.

RECOMMENDATION: Marginal changes in the OSURF budget should be attributed to the research assessment. When base budgets for all support areas are reviewed as part of the rebasing process, it will be important to assess how closely aligned the budget for OSURF is with the portion of IDCs attributable to OSURF services.
7. How should marginal changes in indirect cost recoveries for sponsored research be distributed going forward?

DISCUSSION: Indirect cost recoveries were included as part of college base budgets in the FY 2000 model. Discussion of the distribution of IDCs going forward relates only to the marginal change in IDCs.

RECOMMENDATION: Revenues and costs should be explicitly linked to the generating colleges and vice presidential areas. Marginal changes in IDCs should therefore be distributed to the colleges and vice presidential areas, except for those portions that are associated with support of university-wide activities. In addition, since these are cost recoveries, marginal changes in IDCs should not be subject to the central tax.

8. How should the indirect cost recovery components for building and improvement use and for the Libraries be allocated?

DISCUSSION: Components of the IDCs that serve a university-wide need are the building and improvement use allowance of the facilities component and the Libraries component. In FY 02 for grants receiving full cost recoveries of 47%, the building and improvement use component was 3.5% and the Libraries component was 1.30%.

RECOMMENDATION: The University currently has a backlog of deferred maintenance and a shortage of quality research space. Therefore, marginal increases in IDCs corresponding to the building and improvement use allowance should be managed by the Office of Research and used for renovation and rehabilitation of sponsored research space, including bonding for construction. An exception should be granted, however, for units requesting major capital projects that involve sponsored research space. Such units are now required to establish endowments for deferred maintenance. Increases in the building and improvement use allowance associated with sponsored research to be performed in the new or renovated facility should be used to establish a deferred maintenance reserve for that facility. Any increases in the portion of the IDCs associated with the Libraries should also be retained centrally for use by the Libraries.

9. How should IDCs be distributed to academic centers?
DISCUSSION: There are many academic centers on campus; some report to deans whereas others report to vice presidents. Academic centers are frequently involved in multidisciplinary research that transcends traditional departmental and college boundaries. Centers provide support for sponsored research such as administrative support and office and lab space.

RECOMMENDATION: A portion of the indirect cost recoveries should be returned to academic centers. Centers will negotiate the portion to be returned with participating entities. The principle governing the sharing of IDCs is that those involved in and benefiting from the research projects will share both the marginal changes in revenues and the marginal changes in costs.

10. How should Research Challenge funds be allocated in the future?

DISCUSSION: Research Challenge funds come to the University from the Board of Regents with the mandate that they be used as a strategic investment to support the development of new research initiatives with the potential of enhancing the state’s share of federal research dollars. Research Challenge funds are currently managed by the Office of Research. However, since the magnitude of the allocation is tied to the size of the university’s extramural research support, another option would be to distribute the Research Challenge funds directly to the colleges.

RECOMMENDATION: Continue to manage the Research Challenge funds from the Office of Research. These funds should be used in support of the goals of the Academic Plan and to foster multidisciplinary research, particularly across college boundaries. The annual report to the Board of Regents on the use of the funds should be shared within the university and should include some measure of the return on investment.

11. How should the Special Research budget be treated in the future?

DISCUSSION: The Special Research budget has been used to support programs from the Office of Research such as CDRS, DDRS, College Base Allocations, a portion of the seed grants, faculty start-up,
Distinguished Scholar awards, the undergraduate research forum and seminars, and the graduate research forum. Initially, the Special Research budget was tied to IDCs but now there is no direct connection between the Special Research budget and growth in IDCs. Recently, the CDRS and DDRS programs were suspended and the funds were used instead to encourage multidisciplinary activities, a focus of the Academic Plan. As a result, colleges and departments had fewer funds locally to use in support of research.

RECOMMENDATION: Allocate as annual rate funds previously used for CDRS and DDRS directly to the colleges, departments, and centers. Retain the remaining portion of the Special Research budget for programs run by the Office of Research in support of the Academic Plan.

12. Will the Office of Research continue to offer fee authorizations for GRAs appointed from extramural funds that carry the full indirect cost rate of 47%?

DISCUSSION: Currently, fee authorizations are provided for GRAs appointed on sponsored research grants that recover full indirect costs. These fee authorizations are charged against the IDC pool.

RECOMMENDATION: Since the recommendation is that marginal changes in IDCs be returned to the colleges, the responsibility for increases in the number of these fee authorizations going forward should revert to the colleges. This is consistent with the Budget Advisory Committee recommendation that, going forward, fee authorization budgets be decentralized to the colleges. It is important to note, however, that the current level of General Fund fee authorizations is fully funded in the colleges’ base budgets, and this includes fee authorizations for GRAs on sponsored research grants with full indirect cost recoveries. Consistent with the BAC recommendation that the out-of-state surcharge on fee authorizations be allocated through the student services allocation, GRA fee authorizations funded directly from grant awards will also have the out-of-state surcharge funded through the student services allocation.

13. Currently, the Office of Research is charged rent for off-campus facilities that are used for sponsored research activities. Should this practice continue?
DISCUSSION: Research rent for off-campus sponsored research activities is currently charged to the Office of Research and is paid for from the indirect cost recoveries held centrally. These facilities provide the space needed to perform grant-related activities and are rented when suitable space is not available on campus. As such, units with off-campus research space are treated the same as units receiving on-campus research space and are not penalized by a shortage of research space.

RECOMMENDATION: Since colleges will be receiving the IDCs going forward, colleges should be responsible for covering off-campus research rent. This will hold units benefiting from having the rental space responsible for the costs of the space and will encourage units anticipating the need for off-campus research rental space to write the rent in as a direct charge to their grants. However, units currently in off-campus research rental space should have their current level of rent support included as part of the base budget for space. As a result, these units will not be hurt by earlier decisions to occupy rental space.

14. Many of these recommendations represent changes in policies and operating procedures. Who will monitor the changes for unintended consequences?

RECOMMENDATION: Ask the University Research Committee, in consultation with the Office of Research, to monitor changes for unintended consequences and to report back to back to the Budget Advisory Committee annually.
Office of Research Budget Restructuring Issues

The primary role of the Office of Research is to facilitate implementation of the University’s Academic Plan initiatives 1-4 and 14. It does this by providing basic infrastructure and support services for research programs and technology transfer, by providing an organizational framework and seed funding for new multidisciplinary programs, by overseeing centers with broad missions, by assisting with the recruitment and retention of faculty, and by participating in planning for new facilities.

Principles

Our guiding principle is that Office of Research funds should be used to leverage investment opportunities that will substantially enhance the level of faculty scholarship and extramural funding at Ohio State and to provide the support services needed for OSU research programs to be truly outstanding. Relevant budgeting principles include:

- Regulatory and administrative functions that support research in many units should be retained as central functions. These include: OSURF, Office of Research Risks Protection (ORRP), Technology Partnerships, and Patents and Licensing.
- Decisions on research space, including Plant Operations and Maintenance and research rents, are best dealt with at the unit level where a proper needs assessment and prioritization can be done.
- Incentives should be in place to reward colleges and departments that facilitate excellence in research whether it be programs within a single unit or across two or more units.
- Whether or not an extramural grant carries Indirect Costs (IDC) those costs are actually incurred and should be the responsibility of the unit accepting the funds.
- Office of Research should continue support and oversight for centers, research services and facilities that support the University research mission of multiple units.

Working Recommendations

1. Should the administrative component of the Office of Research budget be a part of the research assessment or part of the central flat tax?

Recommendation: The administrative functions of the Office of Research should be included in the central flat tax rather than in the research assessment. Justification for this is included in the detailed discussion of the OR budget that is attached.
2. **How should indirect costs and revenues of sponsored research be distributed to colleges?**

Recommendation: Colleges should receive all indirect costs attributable to them. A research assessment against each college would be levied based on total extramural research expenditures rather than IDC generated. This would emphasize the need to recoup IDC and would hold colleges accountable for true costs. In this scenario, the Building Use Allowance and Improvement Use components of the facilities portion of the IDC should be held centrally for bonding of capital construction as should the library component of the IDCs.

3. **How should indirect costs and revenues be attributed to centers that do not reside in a college?**

Recommendation: Centers should receive direct funding from the Office of Research that puts institutional support for research in centers at a comparable level that within colleges. The Colleges would not forfeit IDCs that are generated by their faculty as part of work in a multidisciplinary center but would be assessed for support of multidisciplinary research centers as a part of the central research assessment.

4. **How much flexibility will colleges have in allocating fee waivers for graduate students supported on grants?**

Recommendation: The creation and granting of fee authorizations should be the province of the unit in which the student is employed. Units should be required to administer their internal policies in such a way that any changes from existing policy are gradual and do not impact grants in progress.

5. **How will interdisciplinary activities be protected and enhanced?**

Recommendation: The University should develop facilities to house and support multidisciplinary research activities. The Office of Research should serve both as the principal advocate for multidisciplinary research activities on campus and the landlord for the facilities that house these activities. (Also see question #3)

6. **How will research challenge funds be allocated?**

Recommendation: Retain Research Challenge funds centrally. There are two reasons for this position. First, Research Challenge funds come from the Board of Regents with strict requirements on their use and stringent requirements for reporting how they were spent. Second, these funds provide a pool of central dollars needed to support implementation of the Academic Plan.
Discussion of Office of Research Budget Issues

Present Budget Allocation (VP-40)

Office of Research believes that its administrative budget should be included in the University’s central assessment rather than to be included in a special research assessment. Logic for this approach versus a charge on the indirect cost returns is based on the following. The office is the Office of Research not the Office of Sponsored Research and, as such, has responsibility to the broad span of scholarly activity represented on the campus not just the activities that garner significant extramural support. Because of this, and the fact that the administrative component of the IDC is capped at 26% when true administrative costs clearly exceed this, OR needs to maintain its administrative budget at the current level and needs to accommodate increased funding for needed growth in ORRP and Technology Partnerships that is imminent.

The FY-01 VP 40 is $6,291,534. These dollars are distributed to support the following components of the University research enterprise:

1. **Office of Research:**

   The FY-01 allocation for funding the administrative activities of the Office of Research is $1,702,483.

   This covers the administrative functions of the Vice President for Research and the staff in the Office of Research. It also includes benefits for all administrative units that report to OR. The benefits component is approximately fifty percent ($853K) of the central administrative costs.

2. **Office of Research Risks Protection:**

   The FY-01 ORRP allocation is $527,132.

   There is clear evidence that the need in this area will continue to increase during the coming years both as the result of increased research activity across the campus and as an offshoot of increased Federal regulatory control over the research risks, conflict and compliance issues. The fact that these issues cut across the landscape of extramurally funded research, graduate education and non-sponsored research activities gives evidence for the need to fund these activities from a permanent funding base that is included as part of the central assessment, the majority of these issues and the related costs should remain in the OR-budget allocation. Ultimately, we need to be sure that costs incurred on behalf of external agencies are covered by those agencies, e.g. IRB review of drug company protocols. Research risks budgets at our peer institutions are in excess of $1,000,000.
3. Offices of Technology Partners and Technology Licensing:

The FY-01 Tech Partners allocation from the OR administrative budget is $439,134.

Currently the budget for Tech Partners and Tech Licensing activities is derived from multiple sources, including VP40, Special Research Budget, Engineering Experimental Station, VP royalties and cash from the Senior Vice President for Finance. The component of the Partners and Licensing budget emanating from the OR administrative budget is $439K. Other funding sources (cash from VP royalty, special research budget) contribute an additional $540K to their budgetary stream. The ultimate goal should be for the Licensing area to cover a major portion of its operations through royalties generated via licensing fees. However, during the start up period a substantial cash outlay will be required to provide for patent expenses. Currently, half of the Assistant VP’s salary and benefits are not covered by annual rate but rather by cash from licensing royalties. These should be assumed as part of the OR administrative budget. These two components currently receive their support from the VP40 PBA. Their continued support after budget restructuring should be included in the central tax that would include all administrative services in the OR.

4. Funding of Multidisciplinary Centers reporting to OR:

The growth of multidisciplinary research programs is a major priority of the Academic Plan. Therefore, we need a budget system that encourages faculty to participate in centers and encourages their administrators to be supportive of this involvement. Faculty will need to see support services and rewards that are at least as good when working in a center as they are when working within a college. The system must recognize that these centers do not have the budgets associated with faculty salary lines, technical support or administrative support that exist in colleges. Further, the system must handle centers that are virtual and others that are fully developed research institutes with space, technical support services and administrative support. Ideally, academic centers would, after a suitable period of central support, be able to generate sufficient extramural support such that their IDC return would cover all administrative costs attributable to them. But this is not realistic as long as that part of the IDC is capped at 26%. Core administrative leadership is a substantial expense that is covered in colleges and departments by deans, chairs and their assistant and associate deans and chairs.

The FY-01 support to the OR academic centers from the VP40 is $1,603,291.

The six centers Academic Centers that report to the Office of Research, include: CLEAR, CMR, Byrd Polar, Mapping, Cognitive Science and CMEH. These units currently receive support from a variety of sources that have been rolled into the VP40. If these centers were to continue to receive support from the VP-40, after budget restructuring they would be funded on an assessment levied across all Colleges. The fact that there are a large number of other Academic Centers that receive no funding from the OR gives these six units special privilege in the eyes of many. Furthermore, their ongoing support would seem to limit the formation of new multidisciplinary initiatives that would require seed
funds for a predetermined startup period. Currently, there is $5.5M in IDC returns attributable to the research centers on campus, $1.6M of this is generated by centers currently reporting to the Office of Research. The remainder is primarily associated with centers reporting to OAA. The $1.6M would, in aggregate, offset the current $1.6 M allocation that is received by these centers from the VP-40 PBA. However, this dollar amount is not sufficient to cover administrative, grants management and plant operations costs that would be associated with the centers.

One strategy could be to move the financial support of these centers off of the administrative budget of OR and to have them become self-supporting from IDCs. Currently, these units generate $1.6M in IDC return. Although this is sufficient to offset the current level of support that they receive from the Office of Research, it is not sufficient to also cover the normal administrative and facilities assessments.

There are a number of solutions each with at least one serious drawback:

1. Negotiate with appropriate colleges to house these centers in academic units. This could be catalyzed by providing the administrative support budgets from OR to the units. This would effectively eliminate the creation of any truly broad multidisciplinary units; it is in direct opposition to the Academic Plan.

2. Centers could be allocated the IDC returns that they generate. These funds would be taxed for both the administrative and research support activities that are used by the centers. Centers that are unable to generate sufficient IDCs would be downsized or disbanded. Colleges would lose IDC resources to the center with which a faculty member associates. Deans would discourage faculty from moving to centers. Centers would not generate enough IDC to provide the same level of research environment as a college because they lack the college’s spectrum of resources. Since the research space involved in any project would likely be partly within the college, each grant would require detailed negotiation and there would be many failed negotiations.

3. Centers could be provided equivalent support to that available within colleges through central resources, the tax. With respect to a given faculty member’s activity, deans would be pleased to keep the IDC and have space and administrative support demands lessened. Faculty would see a level playing field in deciding between disciplinary and multidisciplinary research activities and receive encouragement from chairs and deans. All deans would be very unhappy about taxation without representation. All deans would have a serious incentive to help build multidisciplinary programs. Starting and growing centers would not require extensive negotiations and approvals of multiple units. Research facilities assigned to OR would greatly facilitate these programs. Colleges would need a formal role in the review of centers.

5. Central Research Support Facilities

In addition there are four service centers (ULAR, Biostatistics, CCIC, CMIF) that currently receive annual support of $2,019,494. For the immediate future there will be an ongoing need to help defray the cost of the various Research Service Centers that provide
high-end equipment or services for faculty. Currently, support for these services are derived from the VP40 PBA administrative budget. We believe that these expenses are research related, rather than administrative costs, and should be included as part of the research assessment and incorporated into the IDC at the next negotiation of rate. These units must be encouraged to continue to close the gap between actual costs and users fees. In cases where academic units find that full-costs charged to grants would damage our competitive position, part of the costs may be paid from unit budgets.

**Special Research Budget (SRB) and Indirect Cost Return (IDC)**

**Philosophy:** The academic plan calls for expenditures of between $45M and $60M in the period FY-02 to FY-07. The potential sources of discretionary dollars to move the Plan forward are limited and in the Office of Research include only the SRB and the Research Challenge funds. We believe that incorporation of SRB as part of the uniform research assessment devoted to implementation of the Academic Plan will benefit the entire University and provide revenue that will be focused on the implementation of the Academic Plan.

The FY-01 Office of Research SRB is $4,318,839.

Although initially the SRB was tied to the IDC, there is currently no direct relationship between SRB and the growth of the IDC pool. The SRB budget has grown by the same guidelines as other campus budgets. The SRB has been focused on programs run from OR including CDRS, DDRS, College Base Allocation, a component of the seed grants, new faculty start-ups, Distinguished Scholar Award program, undergraduate and graduate research forums and institutional memberships. In addition, $1.4M of the SRB is returned to the VP for Finance to account for accumulated debts.

We propose that the SRB continue as a component of the research assessment so that funds are available to support multidisciplinary activities campus-wide. These funds in conjunction with the Research Challenge provide the only flexible funds that can support research development on campus. These funds have also been used to support additional activities in both ORRP and Technology Transfer.

In addition to these ongoing costs, the Office of Research has existing multiyear commitments against these funds to support a variety of scientific initiatives, academic enrichment allocations and startups.

**Research Rents**

The Office of Research, either directly or indirectly, is charged rent on a variety of off-campus facilities that are used for sponsored research activities. These facilities are important in providing the space necessary to support the scholarly activities of our
faculty and students. Under the current budget model these rents are derived as a component of the indirect costs held centrally as part of the University general fund.

Currently the Office of Research pays approximately $3.4M in rental fees for research activities conducted in off-campus and hospital buildings. In contrast, after implementation of the new budget model Colleges, not OR, will receive the IDCs paid by sponsors for use of research space.

Following budget restructuring there are three options available for covering these costs.

1. Incorporate research rents as a part of the research assessment that would be billed to each college. The downside is that this would spread the cost across colleges that derive no benefit from the rental space and provide no incentive for the units using the space to use the unit’s own space.

2. Units that require rental space to accomplish their research mission would be required to pay rent for facilities out of their return from the IDCs. This would place the costs in the units that derive benefit from the facilities and would assure that facilities are not being squandered. For those projects, the IDC associated with depreciation would need to be returned from center to the unit. There could be a profit or a loss associated with this transaction.

3. Grants that are negotiated with the off-campus IDC rate could bill rental charges as direct costs to the project. The downside of this is that other facilities associated charges such as the library component are not included.

We believe that option 2 provides the best decision making results. Option 3 may be required in the case of some sponsors such as the State of Ohio.

**Research Associate Fee Authorizations**

Under the current budget model full fee authorizations are provided for each graduate research associate appointed from extramural funds that carry the full indirect cost rate of 47%. Through this mechanism approximately $12.5M in fee authorizations (almost equally divided between resident and non-resident tuition) are granted on an annual basis. One approach to enhance limited University resources would be to collect graduate tuition for students supported on grants and contracts that recover full indirect costs. Although the ability to charge fees to grants varies greatly by field, certain federal agencies will provide fee authorizations for students supported on grants.

Many faculty members believe that our current policy of providing fee authorizations has a major effect on the competitive position of their proposals. However, our current fee authorization policy does not provide incentives to investigators to budget for fees as a direct cost on their projects even if they are available and their departments ask that they do so. One frequent comment heard is that if both stipend and fee dollars are required as direct costs on grant submissions it would be more effective to hire a postdoctoral researcher.
It is important to realize that many classes of graduate students do not ever actually pay fees and tuition. This makes the real cash value of the fee authorization zero and the cost of printing the fee authorization zero. This is true for nearly all students who seek the Ph.D. degree. Any budget scheme that makes fee authorization-dollars fungible with the real resources of the university will put a strong non-market bias into decision-making. In most cases, these biases will work strongly against our desire to develop excellent research programs.

The campus has become accustomed to the fee authorization. Many faculty members think that fees are one of the components used in the calculation of, and therefore an appropriate cost to be paid from, the indirect cost returns associated with the project. It will be crucial that any change in our policy be gradual and be sensitive to the national competitive circumstances in each discipline.

In order to maximize the incentive to request fees as a direct cost from granting agencies that allow this cost, we suggest that resources equivalent to fees charged on a grant would be returned to the investigator that generated them. These dollars could be used to provide added secretarial and administrative support services or other funds benefiting the lab at the discretion of the PI.

**OSURF**

Grants’ management should continue as a central function so as to assure uniform compliance to federal and state statutes that govern human or animal experimentation and to provide proper reporting to granting agencies. OSURF should continue to move toward better integration with existing University systems. More complete integration should allow for enhanced services to PIs, reduced administrative costs, and the opportunity for the Research Foundation to be used in other ways.

The current level of support for OSURF is $6.5M. Although this figure is greater than the component of the IDC that is attributed to them, if all grants managed by OSURF carried the negotiated IDC return their actual budget would be greater than the current allocation.

There are three possible scenarios for funding OSURF following budget restructuring:

1. attribute percent of indirect costs raised on extramural grants directly to OSURF
2. charge colleges individually for OSURF services and provide guidelines for charges to proposals that do not carry full IDCs.
3. maintain OSURFs budget at current level by adjusting research assessment to colleges.

We recommend option 3.
Research Challenge Funds (RCF)

It is the Office of Research position that the RCF should remain under the control of the VP. The rationale for this is based on the following aspects. First there are strict reporting requirements from the BOR on how these funds can be spent. Second, these funds represent the one sizable pool of dollars that can be used to support components of the academic plan that are associated with the formation of multidisciplinary research activities on the campus. Third, the Board of Regents has mandated that these funds be used as a strategic investment fund to support development of new research initiatives with the potential to enhance the State’s market share of Federal research dollars.