

University Budget Redesign Task Force

Summary of Recommendations

Presented to and Endorsed by the Task Force in October 2016
Received by the Steering Committee in December 2016

Research Income/Expenditures and FACR

This is a summary of recommendations developed by the working group. For additional information, please review the group's full report and materials, which contains more detailed discussion and analysis. A complete list of comments received also is available.

Objective

The group was charged with recommending both a revenue (FACR) and expense (FACR and research support) allocation methodology. In developing this recommendation, the group was also tasked with completing a review of current VCU practices, consultation with Controller or others as to legal or compliance restrictions, and the consideration of special VCU priorities such as cross-School centers. Similar to all model elements, the recommendations should meet the criteria of simplicity, transparency and accessibility, and would ideally identify issues related to future costs and growth in research.

Recommendations

1. Allocate 100% of FACR revenue to the generating unit.

- Rationale: The allocation of 100% of FACR revenue to the generating units was seen as providing increased transparency, reduced centralized administrative burden, recognition of common practice elsewhere, and supportive of the entrepreneurial spirit of the model.

2. Split the FACR allocation to generating units so that 70% of FACR revenue goes into Ledger 2 or the FACR fund and 30% goes into a new E&G fund index in each unit.

- Rationale: VA State legislature requires that 30% of FACR revenue is used to offset E&G funded research support expenses. Under this methodology, units would need to identify E&G funded research support expenses to charge to this E&G index. The current practice of charging research eligible expenses to the FACR fund (now at 70%) would continue.

3. Centralized E&G expenses related to research support will be allocated following the direction of the cost allocation recommendations and will not depend on FACR earnings.

- Rationale: The cost allocation methodology will provide a simple, transparent and accessible method of allocating costs and be consistent with the other practices in the model. As FACR revenues vary significantly depending on granting agency regulations, there is little relationship between earnings and the cost of support.

4. Centralized FACR expenses related to research support (aka Table C) will be allocated following the direction of cost allocation recommendations and will not depend on FACR earnings. Note that this allocation methodology is yet to be determined.

- Rationale: The cost allocation methodology will provide a simple, transparent and accessible method of allocating costs and be consistent with the other practices in the model. As FACR revenues vary significantly depending on granting agency regulations, there is little relationship between earnings and the cost of support.

5. In light of the award of 100% of FACR revenues to the supporting units, do not exempt FACR expenditures from the proposed cost allocation that is expense budget based.

- Rationale: The award of 100% of the FACR revenue to the generating units will result in additional expenses and costs associated with the processing, payment and monitoring of such expenses and therefore should bear their fair share of such costs.

6. “Table C” as described in the university’s Budget Plan should be reduced by those line items that are FACR allocations to the Schools.

- Rationale: As 100% of the FACR is already being returned to the generating units, FACR revenue allocations must be removed from Table C.

Outstanding Issues

- Definition of “generating unit” for FACR revenue distribution
- Development of cost allocation methodology for the balance of Table C among those units now receiving FACR fund revenues.
- Comparison of new methodology with current FACR allocations
- Additional analysis to plan for growth in research support and seed funding for special initiatives
- The Work Group recommends a review the functional role and relationship of Centers/Institutes to the generation of research/scholarship and FACR dollars (develop a metric).