



Robert L. Barchi, President

May 8, 2018

Ms. Mary Mickelsen
University Senate
Rutgers, The State University of New Jersey
Liberty Plaza, Suite 1200
College Avenue Campus

Dear Ms. Mickelsen:

I am writing in response to the University Senate's report and recommendations on Charge S-1703, Grant Costs, as adopted by the University Senate in March 2018. I thank the members of the Senate's Research and Graduate & Professional Education Committee for their work on this issue.

I am responding to each of your recommendations separately.

- 1. The university leadership engage the appropriate parties in the state to negotiate lower fringe rates that are competitive with other peer institutions such as those in the Big Ten and other research universities.**

Rutgers University's leadership has been engaged with the state's Office of Management and Budget (OMB) trying to resolve issues related to the fringe rate. Please know that the university does not "negotiate" the fringe rate. Rather, the rate is determined by the state based on the actual costs of the broad pool(s) of state employees and is set by OMB after data exchanges and input from OMB to federal agencies. There is not an instance where the university negotiates the fringe rate.

With respect to your suggestion that fringe benefit rates be comparable to those in the Big Ten and other research universities, the comparison is inapt. The benefits offered to state employees in New Jersey (including those at Rutgers) are among the most generous in the nation, and strict numerical comparisons are not "apples to apples" comparisons. The fringe rate reflects the actual costs involved with providing pension benefits, health benefits, workers compensation, unemployment insurance, temporary disability and unused sick leave in New Jersey.

An argument could be made for trying to carve out institutions of higher education from the broad pool of state employees. In doing so, a distinct higher education rate could be struck. This rate would reflect actual costs for health benefits and pension costs for persons employed by institutions of higher education. The state, however, has not agreed to consider such an approach.

- 2. The university take proactive steps to prevent future increases in state pension costs from unduly influencing fringe rates charged to research grants.**

Higher education, as a distinct segment of the state employee pool, has its own profile with respect to the kind of pension benefits its employees receive, as well as health care utilization. For example, roughly 80 percent of Rutgers employees are in the defined contribution plans, and 20 percent are in the defined benefit plans.

We have had some initial discussions with state officials regarding segmenting higher education in the same way that fringe rate segmentation occurs for police and fire employees and for the state police. We will continue to investigate that approach. It is important to know, however, that for many years higher education benefitted significantly from being a part of the broad pool, so careful analysis both on the pension portion of the composite calculation and on the cost of health benefits utilization side is essential.

- 3. Until such time as the fringe rate becomes competitive with that of peer institutions and is insulated from rising pension costs, the university take steps to decrease the effective fringe rates charged to principal investigators by a minimum of 12.8% (placing it at one standard deviation above the mean), through whatever mechanism possible, to better align our rate with the average rate of peer institutions.**

The university is unable to grant this request. It is obligated to reimburse the State of New Jersey based on the federally-approved fringe benefit rate, and there is no mechanism that can relieve the sponsored projects of this charge. The federal government is obligated to reimburse the university at that rate as well from its grants and contracts. The approximate cost of this request is greater than \$30 million, and the respective Chancellor units are not in a position to put forward that level of additional support from unrestricted funds.

- 4. The university formulates a mechanism(s) to prevent changes in fringe rates and other costs which may occur during a grant period from impacting investigators' budgets. Specifically, once a grant proposal is submitted with the published fringe rates and other budgeted costs for university services that the investigator is obligated to use, the university covers any subsequent increases in costs to effectively honor the rates in effect when the proposal was submitted.**

I agree with the Committee that this is a problem. The chancellors and the central administration could establish a buffer fund to cover increases in fringe benefit rates that occur within the current fiscal year. I will speak with the chancellors about creating such a fund.

- 5. The university administration works with the state legislature and other appropriate officials to facilitate legislation to remove or waive tuition costs for graduate research assistants; and**

- 6. Similar to draft recommendations made by the Committee on Academic Planning and Review, until such legislation can be enacted, the university establishes a mechanism to effectively eliminate out-of-state tuition costs, and reduce in-state tuition costs, that can be charged to a grant to support a graduate research assistant. The cap will apply to all grants, regardless of the funding source and regardless of the program affiliation of the principal investigator.**

The university agrees with the spirit of this request but does not need to involve external parties. It is initiating a plan to reduce tuition costs for funded graduate positions, whether from grants and contracts or university funds, to a single rate similar to the current in-state rate for such students. Students who are not funded by grants or University funds (such as those that fund teaching assistant salaries) would pay the full in- or out-of-state tuition cost. The Board of Governors will consider this request at its budget meeting in July.

- 7. Similar to draft recommendations made by the Committee on Academic Planning and Review, the university establishes a high level task force to investigate the current status of support for graduate students, and propose policies that will provide positive incentives to PIs, deans, department chairs, program directors and others to increase the number of supported doctoral students and promote the best possible outcomes in recruiting, training, achievements, and placement of these students.**

I concur that the university community should engage in a discussion of ways to increase the number of supported doctoral students. By copy of this letter I am asking the Chancellors of New Brunswick and RBHS to appoint a committee to address this issue University-wide.

- 8. The university publish each unit's F&A reallocation method, and an accounting of the F&A they collect and distribute, on an appropriate website, such as that of the Office of Research and Sponsored Programs.**

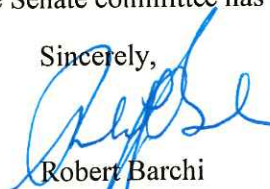
The RCM budget model places responsibility for revenues such as Facilities and Administrative Cost Recoveries with the chancellors and their respective deans. At this time, RCM has not been fully extended to the chairs. The extent to which each dean extends that process to department chairs and center/institute directors varies with schools and departments. I am referring this matter to the chancellors for their consideration.

- 9. These recommendations are implemented in a way that does not decrease other pools of funds that are otherwise allocated to research.**

The decentralized RCM model gives the deans and chancellors the discretion to make these judgments; they are not made on a university-wide basis.

I appreciate the time and attention the Senate committee has devoted to these important issues.

Sincerely,



Robert Barchi

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