

Rutgers Research and Graduate & Professional Education Committee
Report and Resolution in response to Senate Charge S-1703
“Grant Costs”
20 February 2018

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Charge to Rutgers Research and Graduate & Professional Education Committee (RGPEC)

Identify specific grant cost issues that negatively impact the University’s mission to conduct research across disciplines, and actively engage its students in that research, including but not limited to: tuition, fringe rate, Facilities and Administrative costs (“F&A,” formerly known as indirect costs), and negotiated vendor contracts. Identify and engage stakeholders and make recommendations.

Background and Rationale of Charge

The University’s mission is to conduct cutting-edge research, and recognized preeminence in research is a key component of its aspirational goals. Additionally, a major aspect of the University’s mission is to train graduate students to carry out cutting-edge research and who represent the next generation of researchers and university faculty. Yet the rising costs associated with grants are deleterious to fulfilling University objectives. Despite overall increases in research funding, the Committee on Academic Planning and Review has identified “a significant and serious threat to maintaining a strong core of Ph.D. education and research, namely, a startling and progressive decrease over the past decade in the number of doctoral (Ph.D.) students supported as Graduate Assistants (GAs) on research grants.” This problem can be traced in part to disincentives to engage graduate students in grant sponsored research and suggests a need for tuition reform.

RGPEC's initial discussions have indicated that there are also other issues that may jeopardize the University's research mission, its ability to collaborate with other institutions, and its opportunities to conduct interdisciplinary research. Successful recruitment and retention of the best new faculty require a robust and sustainable research program. Yet in the current climate, issues surrounding tuition, fringe rate, F&A, and negotiated vendor contracts may be threatening relationships with partners and collaborators, and dramatically reducing faculty's ability to fulfil the scope of their grant-funded work, the aims of their research projects, and the university's ability to fulfil its mission to conduct research and actively engage its students in that research. Investigators have no control over rising costs charged to grant that go into effect after a grant is awarded, forcing them to choose which aspects of the proposed work to omit to meet the new budget. There is a lack of transparency as to the source or calculations of these costs, and the disconnect between researchers and decision makers has created a perception amongst researchers that decision makers are not cognizant of and/or sensitive to the ramifications of their decisions on the research mission of the principle investigators and, therefore, the University.

The Committee investigated ways the administration can help the researchers with grants, including (but not limited to) tuition reform, renegotiation of fringe rates, redistribution of indirect cost to departments and PIs, stabilization of charges, and flexible caps on indirect cost rates.

Activities of Committee

Summary: The committee held several meetings with the relevant university officials. Based on what was learned during these meetings, we have refined the scope of the charge to make recommendations focusing on fringe rates, graduate student tuition, and accountability and communication from unit leaders to research faculty. Some aspects of the initial charge (F&A rates, negotiated vendor contracts) were not included in our final resolution, based on what we have learned as outlined below. The activities and findings of the committee on each of these aspects are given below.

Fringe rates

In April 2017, an ad hoc sub-committee lead by Fitzgerald-Bocarsly (including Lutz and Kustka) gathered information regarding fringe rates from Big Ten institutions and other peer institutions that we compete with for faculty, students and grants. In summary, we found most peer institutions had significantly lower rates, and that some levied fringe rates in a salary-dependent manner to protect high salaried employees. For example, for a faculty researcher with an annual salary of \$120K, Rutgers fringe rates were 51.98%, compared to 32.8% ($\pm 6.4\%$ s.d.) at other Big Ten universities (Appendix A). The Rutgers rate is therefore three standard deviations above the mean of the other Big Ten universities.

Officers from the office of the University Controller, University Budget Office, and University Finance and Administration¹ provided us with written answers to questions to improve our understanding of how fringe rates are calculated and some of the underlying reasons for the high rates we face at Rutgers (Appendix B). We subsequently hosted these officers at our December 2017 meeting, where we sought and were provided further clarification on these questions (Appendix C). Additional data considered by the committee include the higher rate of increase for pension-related costs compared to health care-

¹ Guests included Richard Aks, Diane Ambrose, Michael Gower, Terri Kinzy, Peter Larson, Grace Odediran, Chea Smith, Mariana Traetta.

related costs (3.2-fold and 0.4-fold increases over 7 years, respectively; Appendix D). A concise summary would include that a) the fringe rates are tied to both the health care that is contractually negotiated with various unions and to the statewide pension system; the latter cost is rising dramatically, b) the high rates applied at a flat percentage disproportionately impacts high salary top researchers who bring in much of their salaries through external grants (i.e., at RBHS), and c) fringe benefit rates do not reflect the actual cost of the benefits provided to individual investigators, creating a huge burden to our investigators relative to those in peer institutions.

Graduate student tuition

The committee's understanding of this problem was improved by the work already done by the Committee for Academic Planning and Review (CAPR; from the office of the Senior Vice President for Academic Affairs). The number of graduate students supported on external awards is disproportionately low relative to the total amount of federal research dollars the university brings in (The CAPR report; Appendix E). Several other states have taken legislative action to either eliminate tuition altogether or waive out of state tuition for grant supported graduate students (Appendix F). Either action would help correct the discrepancy of graduate student support versus total external funding support. The committee understands that this issue continues to be investigated by the SVPA office.

Negotiated vendor contracts

Susan Ryan from the University Procurement Office met with the committee in December 2017. The committee requested follow up information and has decided to address this topic at a later date, when adequate information is available.

F&A Rates & Reallocation

The voiced concerns about rising F&A rates were not included in our final resolution based on what we have learned through our meetings with central administrators (Appendix G), input from committee members (including Judy Neubauer and others) and the CAPR report (shared with us, written by Chris Molloy and Mike Gower); in essence, our rates are not out of line with those from comparable institutions. Specifically, AVP Neubauer helped the committee better understand the nature of F&A (with the salient point that it serves as a partial reimbursement to the university's research-related operating costs) and what a decreased F&A rate, cet par, could mean for the university's ability to carry out its mission and meet its financial obligations.

There is a perceived lack of transparency regarding how decisions are made to determine the reallocation of Facilities and Administrative Costs (also known as indirect cost returns). Committee members and guests (most notably, Jerry Kukor and Chris Molloy) provided invaluable insight into the distinct challenges and cost structures that deans / unit leaders face that are not well understood or appreciated by the research community at large. For example, some units recover F&A rates close to that negotiated with Health and Human Services (in cases where most grants are from federal sources such as NIH and NSF) while others recover lower rates. These "blended rates" vary as they are weighted averages from various funding sources (each with its negotiated F&A rate). Nonetheless, the perceptions and misunderstandings among researchers can be ameliorated by disclosure, at the unit level, of the relationships among external research funds, the costs incurred, the F&A reallocation method, and an accounting of the F&A collected and distributed.

Rationale of the Senate resolution

A core mission of Rutgers University is to become a leading institution for research and this can only be accomplished by recruiting and retaining the most talented faculty and vigorously engaging graduate students in this research. External funding is required, yet the costs charged to grants in support of this research are significantly greater than those incurred at peer institutions. Two of the most salient costs to grants stem from fringe benefit rates and graduate student tuition costs. This makes recruiting and retaining excellent faculty more difficult, negatively impacts graduate student participation, reduces the purchasing power of grants and may make Rutgers investigators unattractive as collaborators with other institutions.

The fringe benefit rate, as negotiated by the state of NJ and which is required to be included in all proposals, continues to increase. A growing portion of the fringe rates currently supports the increasingly indebted state pension system that has little to do with actual personnel costs to carry out externally funded research. Moreover, these excessive fringe benefit rates disproportionately affect units such as Rutgers Biomedical Health Sciences and others, where faculty are expected to bring in salary on grants.

The low number of graduate research assistants relative to federal funding rates may be explained by out of state and in state graduate research assistant tuition rates charged to grants, whereby faculty often elect to hire postdoctoral associates instead of graduate students. Rutgers has high fringe rates for graduate students, compounding the disincentive to hire graduate students. Mitigating the impact of the tuition and fringe costs associated with graduate students requires that the central administration engages legislators in Trenton to take the appropriate legislative action.

The costs associated with fringe rates and University provided services that investigators are obligated to use sometimes occur during a grant period, after budgets have been set. These events, even if infrequent, further hinders the ability of Rutgers investigators to continue to bring in external funds and carry out the research mission of the University.

There is a perceived lack of transparency regarding how decisions are made to reallocate Facilities and Administrative Costs back to departments, at the decanal/unit level. The cost structures and challenges faced by unit leaders, and which can vary among units, are not well understood or appreciated by the research community at large. These issues can be largely ameliorated by disclosure, at the unit level, of the relationships among external research funds, the costs incurred, the F&A reallocation method used, and an accounting of the F&A collected and distributed.

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Be it resolved that the University Senate recommends that:

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.
2. The University take proactive steps to prevent future increases in state pension costs from unduly influencing fringe rates charged to research grants.
3. Until such time 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.
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 investigator's 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.
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.
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 PI's, 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.
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.
9. These recommendations are implemented in a way that does not decrease other pools of funds that are otherwise allocated for research.

Appendix A: Fringe Benefit Rates

| FY2017 Fringe Benefit Rates for the Big Ten Academic Alliance Universities | |
|---|--|
| University | FY 2017 Fringe % from each university's website, including FICA and Medicare* |
| Univ. of Chicago (no longer part of Big Ten/CIC) | 29.80% |
| Univ. of Illinois at Urbana-Champaign | 44.45% |
| Indiana Univ. | 39.88% |
| Univ. of Iowa | 36.27% Professional & Scientific. SEIU employees, those engaged in tertiary health care, FB is 37.50%. |
| Univ. of Maryland | 24.21% FY16 Faculty For Exempt and Nonexempt Staff, FB Is 40.9%. |
| Univ. of Michigan | range: \$24K salary 82.8% FB; \$110K salary 33.7%FB; \$190K salary 25.5% FB |
| Michigan State Univ. | range: \$35K salary 56.55% FB; \$105K salary 31.55%FB; \$185K salary 23.92% FB |
| Univ. of Minnesota | 31.0% Academic. Non Academic FB is 26.0%. |
| Univ. of Nebraska-Lincoln | range: Below \$40K salary 46% FB; \$40K or above salary 28%FB FY2016 |
| Northwestern Univ. | Non-Federal 27.2%. Federal 23.6% |
| Ohio State Univ. | Faculty 29.0%, Unclassified 35.6%, Classified Civil Service 48.3% |
| Pennsylvania State Univ. | 40.20% |
| Purdue Univ. | Based on salary range & job type: Faculty \$117K FB is 27.7%; Admin staff w/defined Plan \$49,650 FB is 31.7% |
| Rutgers Univ. | 51.98% Faculty and Staff 51.0% Post-doc Associates (legacy Rutgers only) 39.02% Graduate/TAs (legacy Rutgers only) 39.58% House Staff (RBHS only) |
| Univ. of Wisconsin-Madison | 39.7% Regular Faculty & Acad staff. Classified and Extension Permanent staff FB is 49.7% |

*FB rates are for FY2017 unless otherwise indicated.

Appendix B: Questions and answers regarding fringe rates, in prep. for December 2017 meeting.

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December 7, 2017

Adam Kustka
Research and Graduate and Professional Education Committee
Rutgers Senate

Adam,

Please find attached the questions posed to the University Budget Office and University Finance and Administration on Fringe Benefit Rates for discussion at the December 8th meeting. We have included responses to each.

Contact me if you have any additional questions or concerns. Thank you.

Sincerely,

A. Chea Smith

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Questions regarding Fringe formulated by the Senate RGPEC committee relevant to the charge of formulating recommendations to help address issues regarding the costs of conducting grant funded research at Rutgers. Responses prepared by the University Budget Office and University Finance and Administration.

- 1) What mechanisms can be put in place to prevent principal investigators from being charged for retroactively increased fringe rates? This currently forces PIs to restrict their research budget to accommodate these retroactive changes.**

The Controller's Office has focused on working with the State to obtain the fringe rates as quickly as possible after the start of the State's fiscal year. Immediately after the State's fringe rate is received, the university makes modest adjustments and submits our rate for review and approval by the federal cognizant agency. In addition, as soon as the proposed rate is available, it is circulated to the university community so that it can be used to plan for the rate to be applied on grants once it is accepted by our federal cognizant agency.

[Committee's note: The proposed rate cannot be used until the new rate is approved. The committee recognizes the Controller's Office's efforts at getting these rates submitted, approved and disseminated to the University community in a more effective and timely manner than in the past].

2) Does the University have to demonstrate to NIH that the fringe rates match actual costs?

No. It is accepted methodology to use an average rate, which is what most universities apply.

3) Summer salaries are charged a fringe rate while no additional benefits are used for academic year appointees conducting research over the summer. This example suggests the fringe rate does not reflect actual fringe benefit costs.

If the question refers to the additional compensation a faculty member might receive for working during the summer, often as a co-ad appointment or as other "compensation", the composite fringe rate does not apply. These earnings might be related to work during a summer session as an instructor, working on a grant, or other school/departmental work.

If the question refers to the continuing payment of 9 or 10month faculty base salary, which is paid out over 12 months (including summer months), but is based on a 9 or 10month appointment, the composite fringe rate does apply.

FICA/Medicare is charged on all earnings (except certain student employees and certain foreign nationals).

4) Applying a flat percentage has a disproportionate impact on the competitiveness of external grants submitted from high salaried faculty. Anecdotal evidence suggests this dissuades high profile faculty candidates from accepting offers at Rutgers compared to other institutions where this flat percentage is not applied. What steps would be required to revise this flat percentage model?

This would require the approval of the State of New Jersey.

5) How are fringe rates calculated?

The fringe rates are calculated by the State's Office of Management and Budget (OMB) based on the State's estimated annual health and pension costs and the estimated amount of wages paid to state government and non-governmental employees covered by the State system. The FY17 fringe rate was 44.3% and Rutgers' total obligation of \$564 million was covered by a \$372 million appropriation by the State to Rutgers to cover fringe payments for University employees on State lines and \$192 million

paid by Rutgers directly. For FY18, the fringe rate declined to 42.8%. The annual fringe rate may vary based on the State's costs and success of their negotiations with providers.

[Committee's nota bene: This fringe rate does not include FICA and Medicare; including these adds 6.2% for FICA and 1.45% for Medicare].

6) Are they negotiated with the state or with the funding agencies?

The rates are provided to the University by the State. There is no negotiation.

7) What are our obligations with the state, with respect to the fringe rate? How are we meeting those obligations and what flexibility is there?

Since the University's employees participate in the State's health and pension systems, the University is required to make the payments. Since the merger of UMD and RU and the consolidation of our financial systems, we continue to work with the State to clarify regulations and to determine how to appropriately calculate the cost of Rutgers' participation in the health and pension systems.

8) Are there long-term strategies that could be explored to decrease the costs of health benefits to the University?

The health care market in New Jersey and nationwide is changing rapidly and may offer attractive opportunities to decrease the costs of health care in the future.

Appendix C: December 2017 fringe rate questions and answers (in response to written questions and answers)

1) Questions from committee regarding fringe rates

a) Adam Kustka

i) Follow-up question based on #1.

Adam Kustka: When large retroactive increases in fringe rates are levied, it significantly harms research programs. What mechanisms exist or could be rolled out to protect PIs from being charged retroactive increases in fringe rate?

Chris Molloy: Fringe rate hikes hitting grants after they've been budgeted/awarded should be dealt with at the Chancellor / Dean levels.

General reply: Great progress is being made to minimize the frequency of this occurring, and there was essentially one major increase that investigators had to absorb in the recent past. Investigators can consider re-budgeting their grants, moving monies from one category to another to cover such increases in cost.

Adam Kustka: My impression was that the practice is technically illegal and not all grants have final budgets with this kind of padding (i.e., when NSF, NIH or others ask you to cut your budget by 15-20% as a condition of the award). I was hoping to explore ideas with you on how a separate mechanism could be used (perhaps a fund set aside). If such large increases are rare, then it would seem even less problematic to have a contingency plan in place.

ii) Sorry question #3 wasn't very clear. I was referring to grant supported work where PIs are charged ~7% on summer salary, while their fringe rate expenses are no different than if they didn't have grant supported work over the summer.

Terri Kinzy: This is associated with FICA withholdings, not fringe costs associated with medical benefits, etc.

iii) Regarding #4, can you comment on the advantages and disadvantages of such a policy? What entity at Rutgers would be the most appropriate to initiate this discussion with the State and seek this approval? What input from faculty would likely motivate this entity to pursue this?

Terri Kinzy: Most universities apply an average rate. An analysis shows significant costs associated with the administrative burden of applying fringe rates custom tailored to individuals in different salary brackets and familial situations. Moreover, some have voiced concerns over how the 'custom tailored rate' approach may influence hiring decisions (i.e., by dissuading hiring for those with many children).

iv) Regarding #5, does this mean fringe rate costs are tied to pensions yet these rates are charged to grants brought in by faculty members who have no investment in the state pension system?

Various speakers, including Mike Gower and Jerry Kukor: This is analogous to paying municipal taxes for schools, regardless of whether you have children enrolled in those schools. The health care costs to the state, which includes those of certain retirees, are much greater than the pension programs.

Adam Kustka: What mechanisms are there to protect researchers from an increasingly indebted state pension system, when the pension related costs imposed to researchers are highly disproportionate to the pension benefits that researchers and their staff enjoy?

Open floor for questions regarding fringe rates (concluding no later than 10:50).

Pat Fitzgerald-Bocarsly: What can we do about the high rates that, coupled with the higher salaries for top researchers at RBHS (for example), are hindering existing faculty's research output and dissuading potential new hires from coming to Rutgers?

Chris Molloy agreed that this is clearly an issue. This was followed by an insightful discussion of how contractually obligated benefits may constrain the extent that fringe rates could be decreased.

Appendix D: Breakdown of fringe rate components and increases in cost from FY 2010 to 2017

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2017-2010 delta | fold- change (2017/2010) |
|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------------------|-----------------------------|
| PENSION | 11.90 | 8.40 | 5.05 | 11.29 | 7.71 | 5.38 | 3.18 | 3.69 | 8.21 | 3.2 |
| HEALTH BENEFITS | 30.70 | 27.70 | 25.99 | 30.06 | 28.10 | 23.06 | 22.67 | 22.15 | 8.55 | 0.4 |
| WORK COMP | | 1.00 | 0.95 | 1.15 | 1.25 | 1.25 | 0.80 | 0.88 | | |
| UNEMPLOYMENT | 0.10 | 0.20 | 0.14 | 0.16 | 0.19 | 0.15 | 0.47 | 0.08 | 0.02 | 0.3 |
| TDB | 0.30 | 0.20 | 0.23 | 0.27 | 0.26 | 0.26 | 0.24 | 0.25 | 0.05 | 0.2 |
| UNUSED SICK LEAVE | | 0.10 | 0.14 | 0.17 | 0.19 | 0.20 | 0.14 | 0.15 | | |
| COMPOSITE TOTAL | 43.00 | 37.60 | 32.50 | 43.10 | 37.70 | 30.30 | 27.50 | 27.20 | 15.80 | |
| SOC SECURITY TAX | 6.20 | 6.20 | 6.20 | 6.20 | 6.20 | 6.20 | 6.20 | 6.20 | | |
| MEDICARE TAX | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | 1.45 | | |
| TAX TOTAL | 7.65 | 7.65 | 7.65 | 7.65 | 7.65 | 7.65 | 7.65 | 7.65 | | |
| GRAND TOTAL | 50.65 | 45.25 | 40.15 | 50.75 | 45.35 | 37.95 | 35.15 | 34.85 | | |

Appendix E: The Committee on Academic Planning and Review Draft report on
Graduate Ph.D. education and support of students on research grants



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December 18, 2015

DRAFT DRAFT

Memorandum to: Nancy E. Cantor, Chancellor, Rutgers University—Newark
Richard L. Edwards, Chancellor, Rutgers University—New Brunswick
Phoebe A. Haddon, Chancellor, Rutgers University—Camden
Brian L. Strom, Chancellor, Rutgers Biomedical and Health Sciences

From: The Committee on Academic Planning and Review

Subject: Graduate Ph.D. education and support of students on research grants

Rutgers University’s main goal is “to be broadly recognized as among the nation’s leading public research universities—preeminent in research, excellent in teaching and committed to community” (p. 7, Strategic Plan). Achieving this goal requires strong programs of **graduate Ph.D. education and research** across the disciplines.

CAPR has identified a significant and serious threat to maintaining a strong core of Ph.D. education and research, namely, a startling and progressive decrease over the past decade in the number of doctoral (Ph.D.) students supported as Graduate Assistants (GAs) on research grants. This decrease can be traced directly to high costs of supporting GAs on grants at Rutgers that set us apart from other AAU institutions.

CAPR proposes the following actions be taken immediately:

- Establishment of a cap on the dollar amount in costs that a grant may be charged for support of a GA. The amount of the cap must be no greater than the current support cap established by the National Institutes of Health (including stipends, fringe and tuition). The cap will apply to all grants, regardless of the funding source and regardless of the program affiliation of the Principal Investigator. CAPR is not recommending a particular financial mechanism (e.g., waivers of charges; remitting of funds), as long as the end result is that it is enforced for **all investigators within a transparent environment.**¹
- Establishment of a high level task force to investigate the current status of support for graduate students, and propose policies that will provide *positive incentives* to PI’s, deans, department chairs, program directors and others to increase the *number of supported doctoral students* and *best possible outcomes* in recruiting, training, achievements, and placement.

¹ The current cost at Rutgers of supporting a GA with out of state tuition is \$61,000 direct, \$21,000 F&A. The current NIH cap is \$42,840 direct. The difference between the current direct cost of supporting a GA and the total direct cost under the caps is \$18,160, which could be recovered from the \$21,000 F&A charged for stipend and fringe.

Justifications and supporting information (Figures refer to Appendix 1)

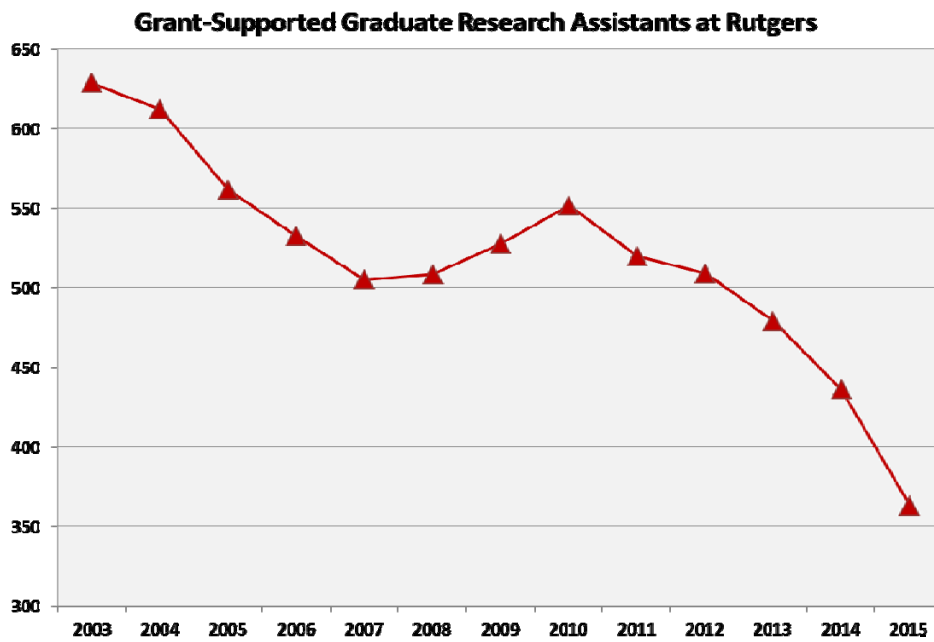
- The policy of establishing a limit on the cost of supporting a GA on a grant is the same policy endorsed by Chancellor Richard Edwards in 2012 (Appendix 2). The 2012 policy is no longer in force due to the conversion to RCM budgeting, and questions remain about how the policy had been implemented by different schools, centers and departments. *Nevertheless, the policy clearly articulates and endorses three core principles that CAPR supports:*
 - 1) Rutgers must encourage and facilitate the support of GAs on grants;
 - 2) Rutgers must remain competitive with AAU institutions, and
 - 3) All investigators must be treated equally, without regard to source of funding or program affiliation, in a transparent environment. Investigators should not be required to negotiate GA charges on an individual basis, whether for the purposes of staying within mandated federal GA caps (as with NIH), or meeting overall budget limits (as with NSF).

- Data reported to CAPR by the Graduate School indicate the dire nature of the current situation. Specifically:
 - The number of doctoral (Ph.D.) students supported as Graduate Assistants (GAs) on research grants has dropped significantly over the past decade (Figure 1).
 - The drop is not due to a drop in grant funding, but rather to a decrease in the proportion of grant dollars allocated to student support (Figure 2).
 - The decrease in GA support is correlated with the steady increase in the cost of supporting a GA at Rutgers, particularly in tuition charges (Figure 3)
 - Fellow AAU institutions typically support more GAs relative to grant dollars than we do at Rutgers (Figure 4).
 - Fellow AAU institutions reduce the cost of supporting GAs so that grants are not burdened by the excessive charges (Table 1).
 - Rutgers policies provide a *disincentive* to support graduate students on research grants. (Figure 5). The total charge to grants of supporting a graduate student (\$87K; Table 2) is about equal to the cost of supporting a new postdoctoral associate (including fringe and F&A).
 - Tuition costs are a major component of the high cost of GA support. This is an issue for grant-funded graduate students paying in-state tuition fees, but it is especially costly when supporting graduate students paying out-of-state tuition fees.

- Supporting students as GAs is essential.
 - A reduction in the number of GAs will lead to either fewer doctoral students or diversion of more internal funds to support the students.
 - A reduction in the number of GAs will weaken the research productivity and career potential of Rutgers graduate students by forcing them to look for alternative avenues of support that will take them out of research labs for substantial portions of time.
 - Strong Ph.D. graduate programs are essential for strong faculty-driven research programs. Our ability to recruit and retain top researchers and educators at Rutgers would be compromised by anything other than top flight Ph.D. graduate programs.

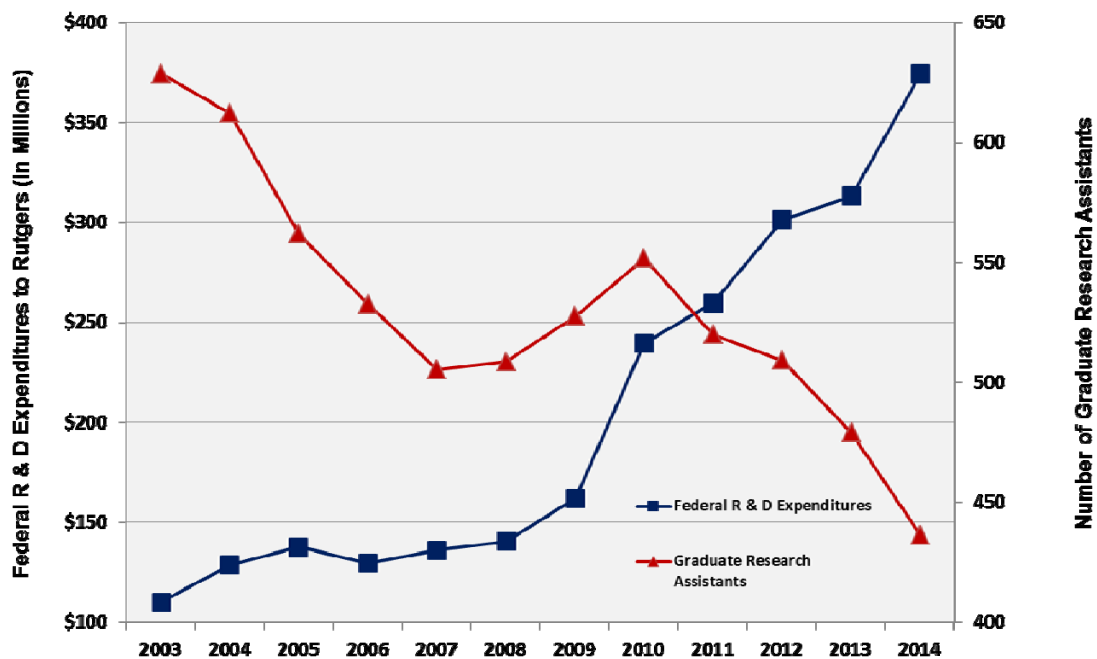
- NRC national rankings are based in part on the percentage of first year students with external funding, as well as on graduate student outcomes (percent of Ph.D.'s completed; median time to degree; percent of students with academic plans). (source: NRC, *A Data-Based Assessment of Research-Doctorate Programs in the US, 2010*). *A shift in grant dollars from support of GAs to support of postdoctoral students will harm the research and career outcomes of our graduates and favor the research and career outcomes of graduates of other institutions.*
- Training grants present special problems. For example, NSF's new NRT program (replacing the IGERT) does not impose tuition caps, but does impose strict budget limits and expects the applicant to support as many students as possible. Excessive tuition costs at Rutgers will limit the number of students that can be supported and make Rutgers far less competitive for these prestigious awards.
- The current climate of determining the cost to a grant of supporting a graduate student is untenable. It fosters a divisive atmosphere and impairs long-range planning. Investigators, depending on affiliation, may have to negotiate with their departments, schools or centers to stay within mandated GA support caps, such as those imposed by NIH (which provides 45% of Rutgers federal grant dollars, see Appendix 3), or to keep within overall budget limits (including F&A), such as those imposed by NSF or other agencies, which provide 55% of Rutgers federal grant dollars (Appendix 3). Some investigators will abandon completely the support of GAs. The current practices of covering NIH GA costs differently from GA costs of other granting agencies imposes selective burdens on some investigators, and creates an uneven playing field with respect to the growth and development of graduate programs across areas and disciplines. The fate of our graduate students and graduate programs should not depend on policies that fluctuate either from one year to the next, or from one unit to another. We need a uniform policy that is implemented fairly and in an atmosphere of complete transparency.
- CAPR recognizes that implementation of any policy that controls the cost of GAs supported by grants and that applies to all investigators, regardless of affiliation or source of support, will require a high level of cooperation among the different schools and units.
- Rather than lagging behind our AAU peers in the support of graduate students, Rutgers should strive for a leadership role, as it does in other aspects of research and education.

Figure 1 (source: GSNB)



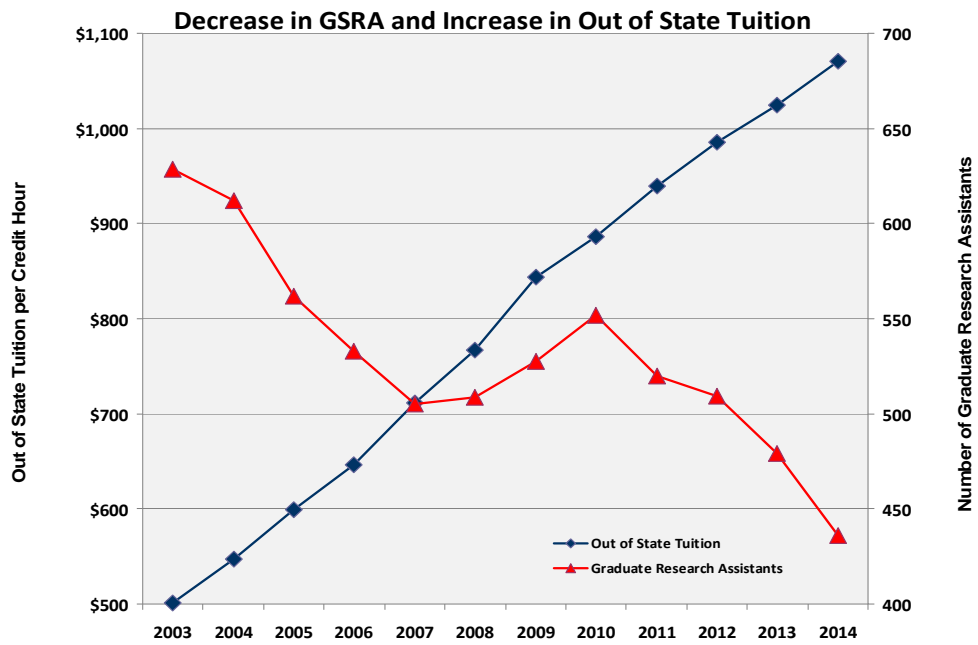
Comments: Rate of decline that began in 2012 -- if it continues -- will result in ZERO graduate students on grants within 12 years.

Figure 2. GAs and Federal R & D Expenditures to Rutgers (source: GSNB)



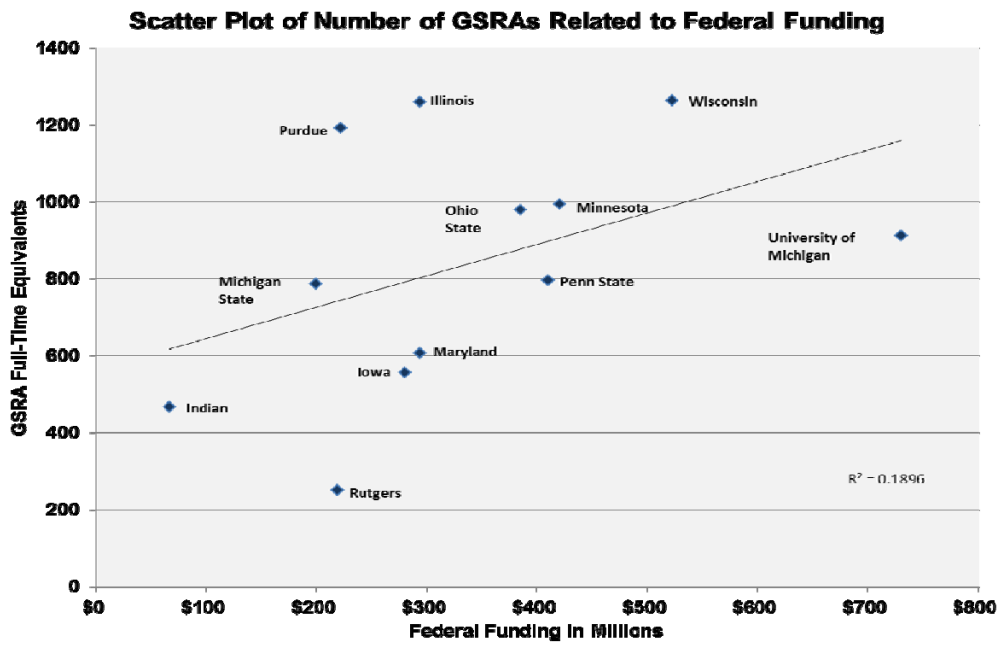
Comments: Decline in graduate students on grants is NOT due to decline in grant funding to Rutgers.

Figure 3: (source: GSNB)



Comments: Out-of-State tuition is the primary object of concern in Ph.D. education. 70% of Ph.D. students are out-of-State (45% international, 25% out-of-State domestic).

Figure 4. (source: GSNB)



Comments: Yes, there appears to be a positive relationship. But note that Rutgers is an extreme negative outlier.

Table 1. Tuition Charges to Research Grants for CIC/AAU Publics Source: GSNB

| University | How Tuition is Charged to Research Grants |
|----------------|--|
| Wisconsin | Grant is assessed at flat tuition rate of \$8K per year regardless of residency. |
| Illinois | Tuition is charged to grant at the rate of 64% of the stipend. This is approximately equal to the In-State tuition rate. |
| Purdue | Grant is assessed at flat tuition rate of \$11K per year. This is approximately equal to the In-State tuition rate. |
| Minnesota | A study is currently underway to reduce tuition costs for graduate students on research grants. The flat fee model appears to have much support (i.e., per-semester charge regardless of number of credits or residency status). |
| Ohio State | Grant is assessed the In-State tuition rate regardless of residency. |
| Michigan | Grant is assessed the In-State tuition rate regardless of residency. The University centrally pays the differential between In-State and Out-of-State tuition. |
| Penn State | Grant is assessed a reduced tuition rate that is lower than In-State tuition. |
| Michigan State | Grant is assessed the In-State tuition rate regardless of residency. |
| Maryland | Grant is assessed the In-State tuition rate regardless of residency. |
| Iowa | Grant is assessed the In-State tuition rate regardless of residency. |
| Indiana | No data. |
| Rutgers | Grant is assessed full Out-of-State tuition for non-residents, who make up 70% of our Ph.D. students. |

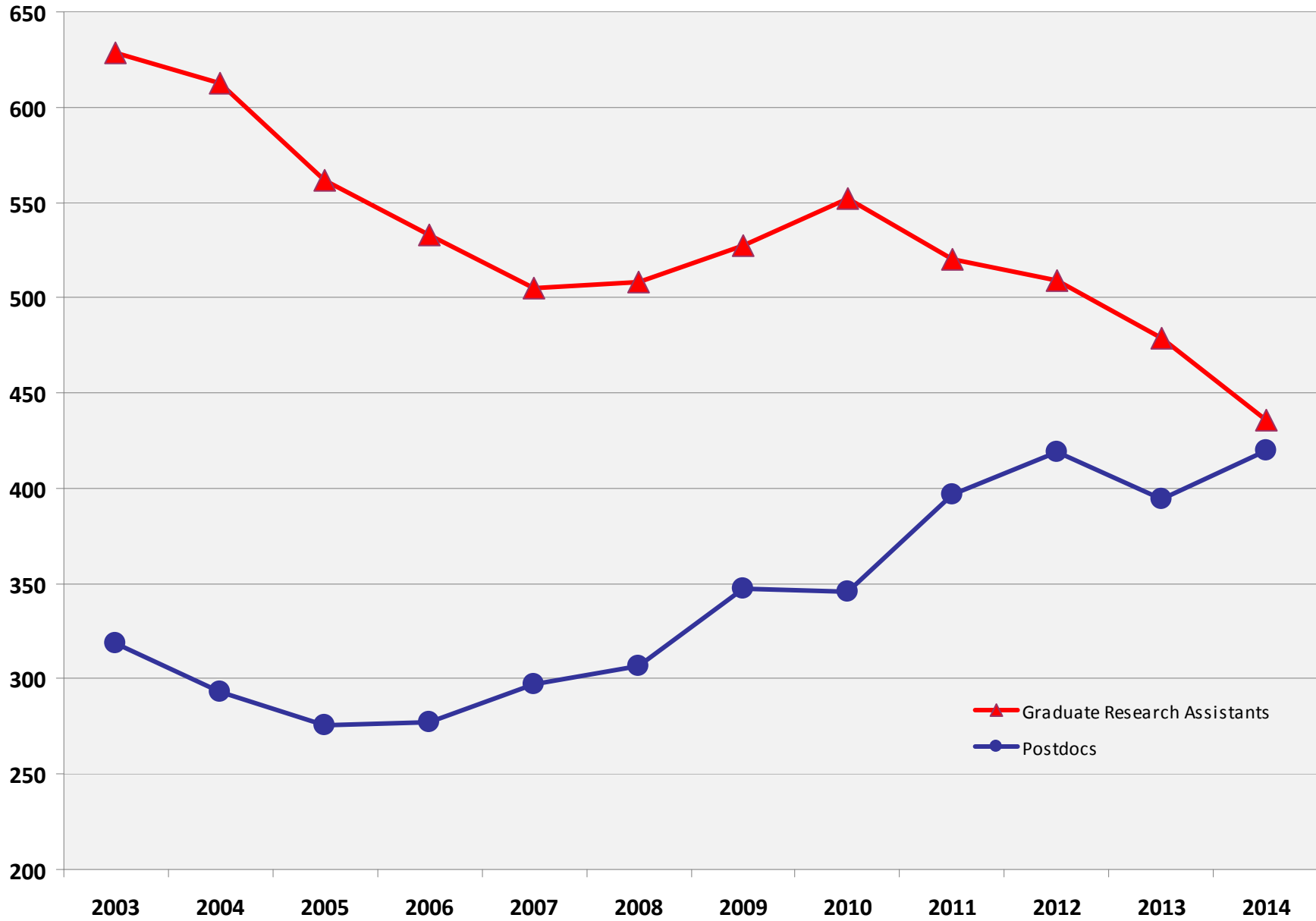
Comments: Almost all of the CIC/AAU Publics provide some sort of assistance to their grant-funded PIs vis-à-vis tuition charges.

**Table 2. Change in Graduate Research Assistant Costs at Rutgers
2003 to 2014. Source: GSNB**

| | 2003 | 2014 |
|--|------------------|------------------|
| Fringe benefits | \$ 2,445 | \$ 7,964 |
| Tuition charge @ 12 credits/semester OOS | \$ 12,040 | \$ 26,736 |
| Student fees | \$ 982 | \$ 2,034 |
| F&A | \$ 10,405 | \$ 20,663 |
| Salary | \$ 16,302 | \$ 29,605 |
| TOTAL COST | \$ 42,174 | \$ 87,001 |

Comments: The cost of supporting a graduate student on a grant has more than doubled over the last decade. Fringe is set by State of New Jersey. F & A is negotiated between Rutgers and funding agencies. Salary is negotiated per AAUP-AFT contract. The only categories over which there is some internal control are tuition and fees.

Fig 5. Graduate Research Assistants vs Postdocs at Rutgers



From: Richard L. Edwards [<mailto:accafai@rutgers.edu>]
Sent: Thursday, July 26, 2012 4:43 PM
To: stauffer@masongross.Rutgers.edu; gshafer@business.Rutgers.edu;
jganesh@camden.Rutgers.edu; JWHUGHES@RCI.Rutgers.edu;
janlewis@andromeda.Rutgers.edu; kukor@AESOP.Rutgers.edu;
jprobins@camden.Rutgers.edu; jofarmer@andromeda.Rutgers.edu;
scils.dean@rutgers.edu; jbarone@pharmacy.Rutgers.edu; pottick@rci.Rutgers.edu;
kriste.lindenmeyer@rutgers.edu; mholzer@andromeda.Rutgers.edu;
mag.gsn dean@rutgers.edu; gaunt@rci.Rutgers.edu; pyeagle@andromeda.Rutgers.edu;
raysol@camlaw.Rutgers.edu; delisi@rci.Rutgers.edu; sasdean@sas.Rutgers.edu;
execdean@SEBS.Rutgers.edu; smesser@rci.Rutgers.edu; schurman@dceo.Rutgers.edu;
tfarris@rci.Rutgers.edu; tclear@andromeda.Rutgers.edu;
chancellor@camden.Rutgers.edu; Holzemer@rutgers.edu
Cc: winterbauer@oldqueens.Rutgers.edu
Subject: GA/TA Tuition

July 26, 2012

Dear Colleagues,

As you know, the costs for our supported Ph.D. students continues to increase: the cost of a fellow stipend is now approaching \$30K, fringe benefits are close to \$8K, and tuition for an out-of-State student (45% of Ph.D. students in the Graduate School are out-of-State) is approaching \$23K. For Ph.D. students supported by our faculty on their research grants, an additional F&A charge of \$21K is levied. Thus, for research grant-supported out-of-State Ph.D. students, the total per-student cost is over \$80K per year. And for Ph.D. students supported on internal Rutgers resources, the total cost is over \$60K per year.

We have reached a point where these per-student costs are seriously damaging our ability to recruit and maintain critical size in our Ph.D. programs. For example, funding agencies such as NIH, NSF and Dept. of Education have recently imposed caps on the "cost of education" amount that they will provide per student. Rutgers' costs per Ph.D student exceed these caps, creating a dilemma for our grant-funded faculty.

In order to determine how best to address these problems, we conducted an informal survey of our peer AAU public universities. This survey showed that our peers manage per-student costs for Ph.D. students by effectively assessing their out-of-state students at the in-state tuition rate. Because New Jersey state law requires Rutgers to charge all out-of-state students a higher tuition rate, we could not simply lower the tuition rates for these PhD students. Therefore, in order to address the growing problem of the high cost of supported PhD students, it was agreed that Central would return to the units the difference between out-of-State and in-State tuition for Ph.D. students who are supported on internal Rutgers funds (e.g., internal Fellows, and Teaching Assistants) or for Ph.D. students who are supported by Rutgers faculty on their research grants (e.g., GAs supported on NIH, NSF or other types of grants). This return of out-of-State tuition differential to the units will allow the units to cover some of their per-student costs, as well as extricating grant-funded faculty from the dilemma in which they find themselves owing to agency-mandated caps.

Beginning Fall 2012, each semester Central will return to the school of enrollment the 45% overhead charged against the out-of-state tuition differential of TA, GA, and fellows which would have otherwise been retained by the central administration (or 15% overhead for online and off campus courses). There will be no change in the distribution of the 55% of tuition in the all funds budgeting formula (or 85% for online and off campus courses). This new distribution will, in effect, reduce the cost of funding tuition remission for out-of-state TA, GA and fellows to the in-state tuition rate. In order to qualify for this special return, the PhD student must have a TA, GA or fellowship appointment as recorded by University Human Resources and must have received tuition remission related to this appointment included on the student term bill as of Registrar's Phase 3 date each semester. This special return will be credited to the state budget of the school of enrollment regardless of the type of funding which provided the tuition remission (ie: state funds, grants, gifts, etc.). Please note that the funding will be returned to the graduate student's school of enrollment which is usually, but not always, the unit which funded the tuition remission. This special return will be processed via a temporary budget adjustment each semester, shortly after the Registrar's Phase 3 date.

Because Central is now returning the full amount of the out-of-state tuition differential of these supported TA, GA and fellows, effectively reducing your tuition remission costs to in-state rates, you have the resources

needed to relieve tuition charges against grants and remain within the caps on the "cost of education" imposed by various funding agencies. For TA, GA and fellows on grants without these caps, you now have additional resources to support your PI's who provide valuable opportunities for our graduate students. And for TA, GA and fellows supported with non-grant funds, you have additional resources available to support your graduate programs.

It is our intention that this additional distribution of funds will help you manage the high cost of your PhD programs and provide a competitive advantage in recruiting exceptional PhD students as well as allow your faculty researchers to prepare more competitive grant proposals.

Richard L. Edwards, Ph.D.

Interim Executive Vice President for Academic Affairs

83 Somerset Street

New Brunswick, NJ 08901

848-932-7821

732-932-5532 (Fax)

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Rutgers Achieves Double-digit Gain in Research Grants and Contracts

New data show growth in federal funding while most agencies were unable to increase their level of research support

Despite recent cutbacks in federal research support – the primary source of grants for most U.S. universities – Rutgers achieved an 18.3 percent increase in overall funding for research and sponsored programs in the last fiscal year over the previous year, from \$517.6 million in fiscal year 2014 up to \$612.5 million in fiscal year 2015. Rutgers brought in 11.4 percent more federal research dollars from 2014 (\$272.1 million) to 2015 (\$303.2 million), while overall research funding by most federal agencies was essentially flat, or unchanged, from the prior year, according to Christopher J. Molloy, the university's senior vice president for research and economic development.

A summary of the fiscal year 2015 data was released November 4 by Rutgers' Office of Research and Economic Development (the state's fiscal year runs July 1 to June 30). The positive news was announced during a public panel discussion about the impact of Rutgers' 2013 integration with most of the schools, centers, institutes and clinical practices of the former University of Medicine and Dentistry of New Jersey. The event was organized by Stephen M. Sweeney, president of the New Jersey State Senate.

"The fact that Rutgers is bringing in more outside dollars for its research despite the tough times for research funding nationally speaks to the quality of the university's programs," Sweeney said. "The residents of New Jersey benefit directly and indirectly from Rutgers research, including the significant impact on our state's economy and business climate."

Molloy said: "These funding numbers are a true accomplishment for Rutgers, particularly in light of the challenging environment for research funding. It is the rigorous and creative efforts of faculty – supported by dedicated staff and graduate students – that produced these very positive results. Research is a key component of Rutgers' academic programs and a significant factor in the economic development of our state and the region, so these gains are noteworthy."



Senate President Stephen Sweeney (left) and Rutgers Senior Vice President Christopher J. Molloy at the November 4 event (photo by Debbie Vogel, Rutgers).

A high priority for Rutgers is expanding its collaborations and partnerships with industry, and Molloy pointed out that the university's research support from corporations went up by more than 30 percent last year over the previous year (from \$23.8 million to \$31.0 million). State funding to Rutgers for research and sponsored programs increased by nearly 37 percent from 2014 (\$130.0 million) to 2015 (\$177.8 million). And Rutgers' research funding from foundations increased by about 9 percent, from 2014 (\$91.5 million) to 2015 (\$99.8 million).

The National Institutes of Health (NIH) is Rutgers' greatest source of research grants. NIH funding to the university rose just over 3 percent last year, from \$134.2 million in 2014 to \$138.7 million in 2015. Rutgers' grants from the National Science Foundation (NSF) increased by more than 21 percent last year, from \$45.8 million in 2014 up to \$55.5 million in 2015.

Among the major NSF grants to Rutgers–New Brunswick last year were a nearly \$2.8 million award to the Department of Marine and Coastal Sciences, a grant of about \$2.7 million to the Engineering Center for Structured Organic Composites for work on continuous manufacturing in the pharmaceutical industry, a nearly \$1.1 million award to the Department of Physics and Astronomy, and an approximately \$1 million grant to the National Institute for Early Education Research. The NSF also awarded two grants totaling \$1.4 million for the Garden State Louis Stokes Alliance for Minority Participation initiative at Rutgers University–Newark.

Research grants and sponsored programs at Rutgers Biomedical and Health Sciences (RBHS) last year rose by more than 24 percent, the increase at Rutgers–New Brunswick was almost 15 percent, the total for Rutgers–Camden was up by about 12 percent, and the amount at Rutgers–Newark grew by about 6 percent.

Rutgers

\$700.0

Research Grants and Sponsored Programs, 2006 - 2015



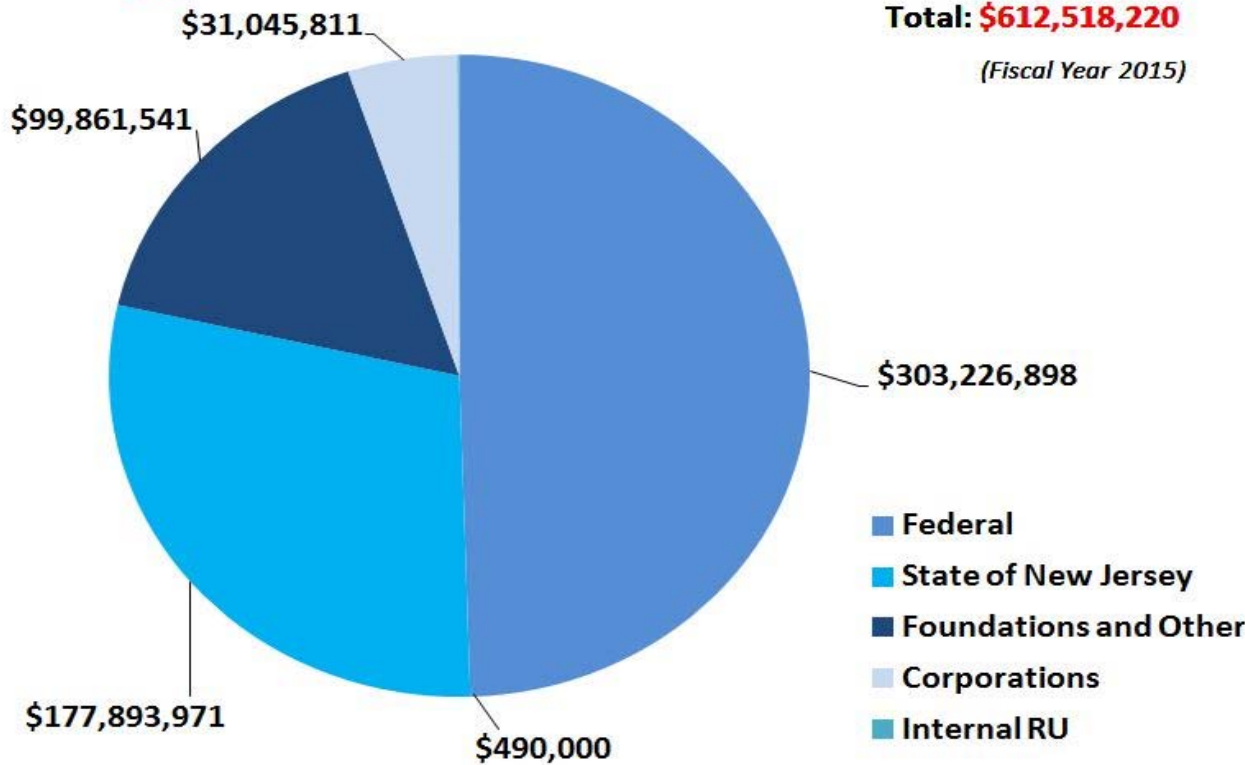
Source: Rutgers Office of Research and Economic Development

Rutgers

Research and Sponsored Grants

Total: \$612,518,220

(Fiscal Year 2015)



For assistance, please consult our [staff directory](#) or send a note to res-comm@rutgers.edu.

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Appendix F: Examples of state legislation where out of state tuition or tuition altogether is waived for graduate Research Assistants.

A) Texas State Universities

<http://www.statutes.legis.state.tx.us/Docs/ED/htm/ED.54.htm>

Sec. 54.212. TEACHING OR RESEARCH ASSISTANT. A teaching assistant or research assistant of any institution of higher education and the spouse and children of such a teaching assistant or research assistant are entitled to register in a state institution of higher education by paying the tuition fees and other fees or charges required for Texas residents under Section 54.051 of this code, without regard to the length of time the assistant has resided in Texas, if the assistant is employed at least one-half time in a teaching or research assistant position which relates to the assistant's degree program under rules and regulations established by the employer institution.

B) Vermont State Universities

<http://graduateschool.vt.edu/financial/assistantships#Out-of-State Tuition Waiver>

Out-of-State Tuition Waiver

Graduate students who earn more than \$4000 in an academic year on assistantship appointment(s) are eligible for a waiver of the out-of-state portion of tuition for the year (see eligibility details below). Students must be enrolled full-time to qualify for the out-of-state tuition waiver. Summer earnings on assistantship, or wage employment do not count towards meeting the \$4000 minimum earnings requirement. Tuition bills from the Bursar's Office will show the out-of-state tuition charge and a credit to reflect the out-of-state tuition waiver (may also be referred to as "UF Differential").

The out-of-state tuition waiver is automatically applied to students' accounts when the following three criteria are met (this does not apply to level 46 bachelor's/master's students whose out-of-state tuition cannot be waived):

the student's appointment (PAF) is entered in Banner by the hiring department

the student meets the earnings criteria described above

the student has registered for the semester

- See more at: <http://graduateschool.vt.edu/financial/assistantships#Out-of-State Tuition Waiver>

C) Mississippi State University

<http://www.grad.msstate.edu/tuition/fees/>

Matriculation Fees - Assessment of tuition is made on an equal basis for all students classified at the graduate level. Graduate Teaching Assistants and Graduate Service Assistants receive an exemption equal to approximately 71% of assessed tuition. Graduate Research Assistants receive a 100% exemption of assessed tuition. Graduate Assistants who are not Mississippi residents will receive a 100% exemption of the additional charges assessed for non-resident tuition. All students are personally responsible for paying any student account charges in excess of the tuition exemption. For the 2015-2016 academic year, the amount of charges in excess of the tuition exemption is \$1,085 for Graduate

Teaching Assistants and Graduate Service Assistants. During the summer enrollment period, the fee charges are assessed on a per credit hour basis.

D) Washington State Universities

<http://apps.leg.wa.gov/WAC/default.aspx?cite=250-18-060>

WAC 250-18-060; Exemptions from nonresident status.

In accordance with RCW 28B.15.014, certain nonresidents may be exempted from paying the nonresident tuition and fee differential. Exemption from the nonresident tuition and fee differential shall apply only during the term(s) such persons shall hold such appointments or be so employed. To be eligible for such an exemption, a nonresident student must provide documented evidence that he or she does reside in the state of Washington, and:

- (1) Holds a graduate service appointment designated as such by an institution involving not less than twenty hours per week;
- (2) Is employed for an academic department in support of the instructional or research programs involving not less than twenty hours per week;
- (3) Is a faculty member, classified staff member, or administratively exempt employee who resides in the state of Washington and is holding not less than a half-time appointment, or the spouse or dependent child of such a person;

Appendix G: Questions and answers regarding F&A rates preparation for December 2017 meeting.

Office of the University Controller
Cost Analysis & Compliance
33 Knightsbridge Road – 2nd Fl. West Wing
Piscataway, NJ 08854

<http://uco.rutgers.edu>
Phone: 848-445-2099
Fax: 732-445-5922

November 29, 2017

Adam Kustka
Research and Graduate and Professional Education Committee
Rutgers Senate

Adam,

Please find attached the questions posed to the Offices of the University Controller and Research and Economic Development on Facilities and Administration (F&A) for discussion at the December 8th meeting. We have included responses to each.

In preparation for the meeting, we would like to gain clarification on the below:

- What will the format of the meeting be?
- Is this a discussion panel and/or will there be an audience posing additional questions?
- Will the audience have read the written responses or will only the committee have reviewed prior to the meeting?

Please advise on the above so that our offices can ensure we are coordinated and prepared for next week's meeting. Contact me if you have any additional questions or concerns. Thank you.

Sincerely,

A. Chea Smith

A. Chea Smith
Director, Facilities & Administration Costing and Compliance
Office of the University Controller
Email: chea.smith@rutgers.edu
Phone: (848) 445-2099
Fax: (732) 445-5922

**Questions regarding F&A formulated by the Senate RGPEC committee relevant to charge S-1703.
Responses prepared by the University Controller's Office and the University Office of Research and Sponsored Programs**

1) Generally, how are F&A rates negotiated?

The Facilities & Administrative (F&A) rate is the mechanism used to determine and accomplish F&A cost reimbursement. The Office of Management and Budget (OMB), through 2 CFR Part 200 (Uniform Guidance) and related guidance, defines rules for reimbursement of F&A costs by way of federally-negotiated F&A rates. F&A rates are:

- **Calculated** by the University according to rules defined by OMB and based on audited university financial data for a given fiscal year, known as the 'base year';
- **Submitted** to the rate-setting cognizant agency (for Rutgers the Department of Health and Human Services, Cost Allocation Services) within six to nine months after the fiscal year-end;
- **Reviewed and/or audited**, rigorously, by the rate-setting cognizant agency;
- **Negotiated** between the University and the rate-setting cognizant agency and normally effective for a period of two to five years; and
- **Charged** by multiplying the negotiated F&A rate by a subset of the direct costs of the sponsored research project.

The negotiations start with the University submitting a rate proposal to Cost Allocation Services within the Department of Health and Human Services. Rutgers' rate proposal will be submitted by March 31, 2018 based on the fiscal year ending June 30, 2017. In the proposal, the University takes all of its costs and categorizes them as Direct (Instruction, Organized Research, Other Sponsored Activities, Other Institutional Activities) or Indirect (Operations & Maintenance, General and Administration, Sponsored Programs Administration, Libraries, Departmental Administration, Depreciation, Interest). It then uses the cost principles from Uniform Guidance to apportion the Indirect to the Direct to establish a theoretical F&A rate for each Direct category. In addition, the University projects forward to future years, taking into account changes associated with space and construction. The University and DHHS then go through a negotiation process that ultimately results in approved F&A rates for Organized Research, Instruction, and Other Sponsored Activity. These are the rates that are supposed to be used for all sponsored activity not limited by other legislation or regulation; however, not all agencies follow this policy. Examples of agencies that limit F&A recovery include the Department of Education (some awards capped at 8%), National Institutes of Health (research training grants capped at 8%), and the Bill & Melinda Gates Foundation (capped at up to 10%).

- 2) We received the email communications from the Office of the Controller where the relationship between F&A and space allocations is suggested. Does Rutgers develop its negotiating position for the F&A rate based on this?

The University assigns space to functional activities (Organized Research, Instruction, Other Sponsored Activities, and Other Institutional Activities) through the space survey and other allocation methods. The most common method for assigning space to a function is to conduct a space survey.

The importance of this space assignment is based on the fact that facility costs including building and equipment depreciation, capital interest and interest associated with loans on buildings used for organized research, and operations and maintenance costs are allocated to institutional functions based on use of space.

Federal negotiators will verify space survey results during their on-site visit by interviewing selected department representatives responsible for performing the survey. The department representatives participate in training, and should be familiar with the academic functional definitions, have knowledge of a department's space, its occupants, and the funding sources for room activities.

The most recent Rutgers space survey was conducted during July-September 2017.

3) How will the implementation of the RCM model influence the negotiating position of Rutgers?

Implementation of the RCM model will not impact the University's negotiating position.

4) The committee had the sense that research awards from non-federal sources (which typically have lower F&A rates than the federally negotiated rates) may be 'valued' less than federal awards by various administrative entities at the University. How can we maintain the diversity of research programs, including those programs within units where the research is disproportionately funded from non-federal sources?

The University's leadership highly values all elements of our diverse research portfolio. All data provided by the Office of Research and Economic Development (ORED) on submissions or awards includes all sponsors, including the State and foundations, so investigators are recognized for all their sponsored work. In addition, ORED sends and posts notices of all opportunities regardless of the F&A allowed. A diverse portfolio is important, and most foundations view their funds as pilot awards to obtain larger federal awards. The Rutgers policy, available at <http://orsp.rutgers.edu/facilities-and-administrative-costs>, states we will accept any published rate from a not-for-profit sponsor.

One complication specific to Rutgers is that we are far more heavily leveraged to State research funds than our peers. For FY15 our State research expenditures rank us 5th in the country in both public and all institutions while our overall ranks are 20 and 33, respectively. Since the costs covered by F&A are real costs, those departments that have more State- or foundation-sponsored projects, that typically do not include full F&A, experience the added burden of these unrecovered costs. The Office of Research and Sponsored Programs (ORSP) has been trying to work with the State and our State relations staff to assure that when federal pass-through dollars are involved, we obtain the full rate as allowed by the federal uniform guidance.

- 5) **Some external funding agencies specify a total cap on the budget, yet rising F&A rates sometimes forces PIs to formulate budgets that are inadequate to accomplish the research (juxtaposed against PIs at institutions with lower F&A rates, who can reasonably propose more thorough research plans within the cap). This may have a negative impact on the overall pursuit of grants. Are there steps the University can take and/or is willing to take to minimize the negative impact to this sector of our Rutgers research community?**

The University's F&A rates have not changed in many years and they are in-line with comparable institutions with which we might compete for research projects. The Rutgers F&A rate has been 55% for most of the last decade and the RBHS rate at 59% has been constant for more than 5 years. These rates have not been updated since the merger in 2013 and it is the University's plan to follow best practice and update the F&A rates on a more regular basis.

An informative national summary of F&A rate versus research portfolio and an interactive tool is available at <http://www.nature.com/news/indirect-costs-keeping-the-lights-on-1.16376>.

It is also important to note Rutgers does not realize an F&A rate of 55% or 59% overall. In fact, for FY17 our awards had an average F&A rate of 21.9%. Federal agencies are not supposed to cap direct and indirect costs, but some do not follow this policy

- 6) **How are F&A rates 'waivers' granted? Are they consistent or a matter of prerogative? If not, does this prerogative put some research sectors at a disadvantage at the University?**

The F&A waiver process is posted at <https://ored.rutgers.edu/content/rutgers-university-facilities-and-administrative-costs-indirect-costs-sponsored-projects>. This is a rare (less than monthly) occurrence under extraordinary conditions, and our policy is similar to our peer institutions. The initial approval requires the Department Chair and Dean to support the application prior to submission to ORED for review. The Vice President for Research reviews all requests and frequently contacts the Dean or Research Dean for more information. The review is based on consistency with the policy and to avoid situations where multiple faculty are applying for waivers or where Rutgers already has sponsored programs that receive the full F&A rate and would be disadvantaged if a subsequent proposal is given a lower rate.

Waivers are exceptionally rare for federal funds and would be inconsistent with the Uniform Guidance. Most approved waiver requests are for funding for community outreach programs and service projects such as a small project for K-12 students to create murals for a construction site as part of a community program. Since ORED has the data on applications and existing sponsored programs, we can assure there is no issue. All waivers must be consistent with sponsor and University policy, and excess waivers will have a negative impact on the University's F&A proposal and may raise audit risks.

- 7) **Regarding cost-sharing, there is a concern that research programs /units that are funded from agencies that require cost sharing may be at a disadvantage, since policies for distribution of cost sharing funds are poorly understood or defined. How are cost sharing decisions made? Are they unit-specific? Are there units that rely more on cost sharing than others? Does our current policy put those units at a disadvantage with respect to acquiring external funding?**

Cost share funds are provided at the unit level, not centrally or from ORED, so are typically unit specific. Inclusion of cost share in a funding proposal requires approval by the Department Chair/Director/Dean

via signatures on the Endorsement Form or approval in RAPSS. Thus, decisions are mainly made at the unit level. Some sponsors require mandatory cost-share, which may disproportionately affect units highly leveraged to those sources. Other sponsors encourage voluntary cost share by applicants, although for federal and state sponsors, this practice is no longer acceptable per the Uniform Guidance. Regardless of the type of cost-sharing, it is important to carefully consider and track these costs. The University uses the “cost-share” budget template to identify, understand, and track these costs.

The University’s cost-share policy is located as a downloadable file on the ORSP website at <http://orsp.rutgers.edu/cost-share>

Our policy is to discourage cost-share whenever possible, and is similar to our peers’, such as the University of Wisconsin Madison

(https://www.rsp.wisc.edu/costsharing/costsharing_policy_20101021.pdf), which states:

“the reallocation of funds from institutional activities to a sponsored project can have a detrimental effect on the programmatic, administrative and financial capabilities of the researcher and the University. The consequences of cost sharing commitments include:

- Reducing the flexibility of researchers to conduct other research by obligating their effort to specific projects
- Increasing the requirements for capturing, monitoring, and documenting for audit all commitments and expenditures of cost shared funds
- Decreasing the University’s recovery of indirect costs (Facilities and Administrative costs) by the addition of cost sharing to the research base”

8) Do all units receive the same percentage of indirect cost returns? If not, what factors are used to make those decisions and which units receive which percentages?

100 % of F&A is distributed at the Dean/Director level. It is then their local decision how/if to distribute it within their school or center.

Appendix H: Follow up questions from December 2017 meeting regarding F&A written questions and answers

1) Questions from committee regarding F&A

a) Adam Kustka

- i) Seeking clarification on item #8 (Do all units receive the same percentage of ICR)? In your reply, 100% of F&A is distributed at the dean/director level. Is it also accurate to say that, from that ICR, each unit must use a portion to pay for services, based on calculations that include factors other than F&A? If that's true, doesn't it mean that the "realized" return is both much less than 100% and variable? Anecdotally, I believe the realized return to FASN-Newark is about 35%.

General: Three percent is held back at the Chancellor's level for strategic initiatives.

- ii) Rutgers ranks 5th in state sponsored research funding and 20th overall, among public institutions. On one hand it is great to be in a state that supports the research mission of its flagship state university. Does this also mean that units with disproportionately higher state funding as part of their portfolio essentially end up with a smaller realized ICR?

Jerry Kukor and Chris Molloy: Yes, but various units work together to soften this impact.

Appendix I: Research and Graduate & Professional Education Committee 2016-2017

Jane Otto, Libraries (F), Chair

Bekdash, Rola, NCAS (F)
Chang, Augustus, RWJMS (S)
Dana, Kristin, Engineering (F)
Diaz, Christina, GSAPP (S)
Farmbry, Kyle, GS-N Acting Dean (A)
Fitzgerald-Bocarsly, Patricia, NJMS (F)
Gabriel, Sherine, RWJMS Dean (A)
Goodman, Robert, SEBS Dean (A)
Goswami, Omanjana, GS-N (S)
Grant, Barth, GS-NB (F)
Holzemer, William, Nursing Dean (A)
Huselid, Eric, GSBS (S)
Joergensen, John, Law-N (F)
Junboonta, Nattawan, GSE (S)
Kaptan, Senem, GS-NB (S)
Kelly, Michael, RWJMS (F)
Kukor, Jerome, GS-NB Dean (A)
Kustka, Adam, UC-N (F)
Lattime, Edmund, RWJMS (F)
Levy, David, Law-C (S)
Lewis, Jan, FAS-N Dean (A)
Lutz, Carol, GSBS (F)
Mazurek, Monica, GS-NB (F)
Meck, Stuart, EJBSPPP (F)
Molloy, Christopher, SVP Research – *ex officio*
Mouradian, Maral, RBHS At Large (F)
Neubauer, Judy, AVP Regulatory Affairs – *ex officio*
Oleske, James, Other Units RBHS (F)
O’Neill, Karen, GS-NB (F)
Patel, Kishan, SEBS (S)
Rothpletz-Puglia, Pamela, SHRP (F)
Scott, Craig, GS-NB (F)
Stepleton, Katherine, SSW (S)
Van Stine, Michael, GS-C (S)

**Research and Graduate & Professional Education Committee
2017-2018**

Kustka, Adam, UC-N (F), Chair

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