UCSF Facilities and Administration Policy and Waiver Implementation

Recommendations from the UCSF IDC Taskforce
For Discussion
December, 2013

Not for Distribution
Background

- UCOP will delegate authority to grant finance and administration (also known as Indirect Costs, or IDC’s) and F&A waivers to the campuses
- UCSF has to develop its own policies and procedures related to F&A waivers
- UCSF Indirect Cost Waiver Policy Taskforce created to form recommendations
- Recommendations and Report created in Summer of 2013

Desired Goals of Today

- Share Recommendations and rationale
- Provide answers to FAQs
- Get your input and take it back to the taskforce before final policy finalization
Situation: Rationale

Overall

• UCSF is a business operating in competitive, market-driven areas

• 10-year operating projections show near term deficits and recovery in latter years

• *UCSF is positioned to manage through challenges, yet requires constant vigilance*

Research Revenue

• Long-term Federal research funding uncertainties, including sequestration

• Private research funding is not expected to outpace Federal funding in the near term

• Opportunity to grow new strategic programs while protecting critical existing programs will require *choices, scenario planning and for each project to contribute to UCSF*
Enterprise-wide strategic priorities drive UCSF’s business and financial planning efforts

UCSF’s Broad Strategies

- Patients
- Discovery
- Education
- People
- Business

Consolidated Business and Financial Plans – 10 Year Horizon

- UCSF’s Financial Plan
  - Medical Center Segment
  - Core Financial Plan
  - Campus Segment
    - Operating Plan
    - Capital Plan
    - External Financing Plan
    - Technology Plan

Departmental Business Plans – 5 Year Horizon

- Schools
- Administration
- Medical Center
In the near term, expenses will outpace revenues; but, recovery is possible with careful management.
During this same time period, undesignated campus core fund balances are projected to fall to minimum acceptable levels.
FACT:
- In FY 11-12, the cost of supporting research at UCSF was $343 million
- UCSF only received $191.4M to cover those costs
- UCSF is losing approximately $75M/year (amount of indirect costs not covered by non-federal awards)
- Of that, $3M comes from awards with < 10% IDC
UCSF Indirect Costs: Steady Decline

Effective IDC on Total Directs
Trend from 2009-2013

From 2009 to 2013 drop of 3% = $17.6M
UCSF Indirect Costs: Some Details

Current Active Awards with Less than 10% IDC

- Prof: $5.5M
- Asst. Prof: $350K
- Assoc. Prof: $2.3M
- Fellows: $15K; Other: 200K

Total: $8.3M forgone IDC for 318 awards

Source: Budget Office
## Comparative Practices

### Waiver Practices at Peer Institutions: Public and Private

<table>
<thead>
<tr>
<th>Entity</th>
<th>Waivers</th>
<th>Inst. Pool</th>
<th>Who Approves</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>U Michigan</td>
<td>Yes</td>
<td>No</td>
<td>VP Research</td>
<td>?</td>
</tr>
<tr>
<td>U Virginia</td>
<td>Yes</td>
<td>No</td>
<td>Dept. Chair, Dean or Associate dean, Associate Vice Provost for Research before University Comptroller makes final decision</td>
<td>?</td>
</tr>
<tr>
<td>U Wisconsin</td>
<td>Yes</td>
<td>No</td>
<td>Dir. of Research and Sponsored Programs</td>
<td>infrequent</td>
</tr>
<tr>
<td>Harvard</td>
<td>Yes</td>
<td>Yes</td>
<td>Dean of each individual school</td>
<td>?</td>
</tr>
<tr>
<td>Stanford</td>
<td>Yes w. min.infrastructure charge</td>
<td>No</td>
<td>Vice Provost, Dean of Research, Dean, Dept. Chair</td>
<td>Rarely</td>
</tr>
<tr>
<td>Hopkins</td>
<td>Yes, but considered cost sharing with offset funding required</td>
<td>No</td>
<td>Research administration and business offices at each school</td>
<td>Negligible</td>
</tr>
<tr>
<td>MIT</td>
<td>No</td>
<td>Yes</td>
<td>N/A</td>
<td>None</td>
</tr>
<tr>
<td>Columbia</td>
<td>Yes, but departments are charged 17.5% assessment on all awards</td>
<td>No</td>
<td>Vice Dean for Administration</td>
<td>?</td>
</tr>
</tbody>
</table>

Source: UCOP Taskforce on Indirect Costs Waivers
UCSF IDC Waiver Taskforce

Charge

• Develop a UCSF-specific Waiver Policy, implementation guidelines and procedures

• Develop methods for determining the level and source of institutional support for all large grants, ensuring alignment of policies for grants and gifts.

Membership

Co Chairs:
Susanne Hildebrand Zanki, Office of Research
Eric Vermilion, Finance

Office of Research:  John Radkowski, Erik Lium
Finance and Administrative Services:  Nilo Mia
Academic Senate:  Sharmila Majumdar, Matt Springer
School of Dentistry:  Peter Rechmann, Deborah Greenspan, Stuart Gansky
School of Medicine:  Jane Czech, June Chan, Paul Volberding
School of Nursing:  Kathryn Lee, Kit Chesla, Patrick Fox
School of Pharmacy:  Jim Wells, Stuart Heard
University Development and Alumni Relations:  Jennifer Arnett
Guiding Principles: IDC Taskforce Recommendations

1. **Mission-Critical**: Work for which waivers are sought should support the mission of UCSF

2. **Equity**: Waiver guidelines should ensure equitable treatment of the faculty

3. **Infrastructure support**: That is included in the direct budget will be credited toward the requirement for F&A support

4. **Accountability**: Authority to approve waivers should be aligned with the responsibility to cover shortfalls

5. **Transparency**: The waiver process should be transparent
Two Major Changes

1. The recommendations will result in a large reduction in the number of proposals requiring a waiver

<table>
<thead>
<tr>
<th>Waiver Required</th>
<th>Now</th>
<th>Recommended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government agreements</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Not for Profit with IDC policy</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Not for Profit without IDC policy</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

2. The recommendations call for the establishment of an infrastructure charge equivalent to the assessment on gifts for most not-for-profit awards

   This is a requirement to come up with the difference between what is paid by the sponsor and the infrastructure rate. At a rate of 10%, the additional revenue will be approximately $3 million/year.

<table>
<thead>
<tr>
<th>Infrastructure Charge Required</th>
<th>Recommended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government sponsors</td>
<td></td>
</tr>
<tr>
<td>Not for Profit sponsors</td>
<td>x</td>
</tr>
<tr>
<td>Not for Profit Career development awards</td>
<td>X up to federal rate for equivalent awards</td>
</tr>
</tbody>
</table>
Specific Taskforce Recommendations

1. **Customization:** Modify UCOP Facilities and Administrative (Indirect Cost) Policy language for UCSF

2. **Guidelines:** Create an Indirect Cost Waiver Implementation Guideline to accompany the policy; spelling out intent and procedure for obtaining an IDC waiver

3. **Do not require a waiver request** for government sponsors or non-profit sponsors with a published F&A policy

4. **Criteria:** Create a set of criteria that will be used consistently to assess whether a waiver request should be granted,

5. **Authority/Accountability:** Align authority to approve waivers with the responsibility to cover shortfalls

6. **Alignment with Gifts:** Implement an infrastructure charge for non-government awards and align the assessment on gifts and the infrastructure charge

7. **Exemptions:** Exempt career development awards and fellowships from the minimum rate.

8. **Encourage the inclusion** of relevant facilities and administrative costs as direct costs to non-federal sponsors in cases where indirect costs are not allowed

9. **Process:** Seek extensive input from the faculty and department chairs on the taskforce’s recommendations

10. **Assess** the policy and implementation of the guidelines after 1 year
Recommendation 1: Customize
Modify the UCOP Facilities and Administrative (Indirect Cost) Policy language for UCSF

Details:

- Incorporate UCOP policy requirements but provide UCSF-specific context: include infrastructure charge as a vehicle to offset impact of no or very low F&A (indirect charge) resources

- Do not include specific rates in the formal policy, as they are subject to change and would require a policy revision every time there is a rate change

- Specific rates should be incorporated into the implementation guideline and procedures
Recommendation 2: Guidelines
Create an Indirect Cost Waiver Implementation Guideline to accompany the policy; spelling out intent and procedure for obtaining an IDC waiver.

- Provide clear guidance that explains the intent of the policy *(refer to Guiding Principles)*

- Provide criteria for judging whether a waiver is *appropriate* *(see Recommendation 4)*

- Outline the decision process for obtaining a waiver *(see Recommendations 5-7)*

- Include applicable rates in the guidelines
Recommendation 3: Guidelines

Do not require a waiver request for government sponsors or non-profit sponsors with a published F&A policy

• Allow investigators to apply for funding from government and non-profit sponsors with current published F&A rates without institutional approval
  
  o For government awards the expectation is that Government Business Contracts staff will negotiate the best possible rate
  o For state government awards our effort to create a master agreement between the state and UC systemwide is intended to preempt individual instances of negotiation for state-paid indirect costs

• Awards from non-profit sponsors with F&A policies, as well as awards from sponsors requiring a waiver, are subject to any applicable infrastructure charge; government contracts are exempt.
Recommendations

**Recommendation 4: Consistent Criteria**
Create a set of criteria that will be used consistently to assess whether a waiver request should be granted, as below:

- **High Risk**: award would be jeopardized without a waiver and would have a substantial negative effect on the faculty member's overall research program
- **Value/Mission**: the research is of mission-critical value to UCSF
- **Limited Options**: alternative funding sources, such as startup funds, pro fees, or gift funds, are unavailable to the PI (e.g., no FTE support)
- **Career Development**: the proposal is beneficial to the career development of new or junior faculty members
- **Innovation**: the proposal supports proposes research in new directions which might not be sufficiently developed to attract typical peer-reviewed awards
- **Financial and Administrative Considerations**:
  - to the extent reasonable, allowable F&A costs have been included in the direct cost budget
  - administrative burden of managing the award at UCSF is reasonable
  - total cost to UCSF is reasonable for the benefit the award potentially provides
Recommendations

Recommendation 5: Authority/Accountability
Align authority to approve waivers with the responsibility to cover shortfalls

- Empower Control Points (Schools and Depts) to target average F&A yield

- Control Points should be able to develop their own strategy to do this, including creating incentives for increasing F&A funds and to make appropriate decisions regarding allowance of low F&A awards

Rationale:
The Control Point is in the most appropriate position to make decisions on specific projects because:
  - Is familiar with area-specific projects and funding mechanisms
  - Is already accountable for achieving space-based indirect recovery cost goals
  - Is able to engage with faculty as partners in this process
Recommendation 6: Infrastructure Charge/ Gift Assessment Alignment
Implement an infrastructure charge for non-government awards and align the assessment on gifts and infrastructure charge

• To ensure that all awards provide necessary infrastructure support, each non-government sponsored project should generate infrastructure resources

• To avoid discrepancies between the infrastructure charge and assessment on gifts, *the infrastructure charge should be equal to and move with the assessment on gifts.* Awards for purposes that are not subject to the assessment on gifts are also exempt from the infrastructure charge

• In cases where the *sponsor’s policy provides less than the 10% of IDC, the combination of sponsor-funded IDC rate and infrastructure charge should be capped at 10% of total direct costs.* This charge could be offset by the provision of infrastructure resources via the direct budget

• Infrastructure charges can come from appropriate fund sources available to the investigator, the department, the school, or the EVCP, in that order
Recommendation 6 (Cont.): Infrastructure Charge/ Gift Assessment Alignment

Implement an infrastructure charge for non-government awards and align gift assessment and infrastructure charge

- A request for funding would have to be well justified using the waiver criteria and would need to include a justification why funding cannot be provided by the lower Control Points. (E.g. a request to the EVCP would need to be supported by the PI, the Department Chair, and the Dean with an explanation of why they cannot support all or part of the infrastructure charge.)

- To ensure that departments have fungible resources to cover an infrastructure fee, the funds flow model will have to ensure that departments have access to fund sources that can be used to cover the infrastructure charge

  - Additionally, UCSF could create a pool that could be used for this purpose. This pool should be replenished with indirect cost recovery dollars that exceed the expected recovery for the year. This creates an incentive for faculty to press for higher indirects where they can, in order to be able to accept awards with lower indirects.

  - Gift funds that are considered appropriate to offset the assessment on gifts should also be considered appropriate to use for the infrastructure charge
Recommendation 7: Exceptions
Create an exception for career development awards and fellowships from the minimum infrastructure rate

- Indirect cost rate for training and career development awards should be pegged to the federal rate for F, K, and T type awards

- For career awards from sponsors who pay less than the federal rate, the infrastructure charge would be assessed up to the federal rate
Recommendations

**Recommendation 8:** Encourage the inclusion of relevant facilities and administrative costs as direct costs to non-federal sponsors in cases where indirect costs are not allowed.

- Investigators are strongly encouraged to budget administrative costs to the extent allowed by the sponsor that is reasonable for the size of the budget, especially for budgets that are uncapped.

- The departmental or school resources freed up could then be used to cover all or a portion of the infrastructure charge.

- A list of potential items that could be direct-charged is available to PIs and research administrators.
To ensure that all who are potentially impacted by this policy have the opportunity to provide input, the committee members support the EVCP’s approach, as outlined in the charge letter: “Most importantly, the recommendations of this committee will be vetted broadly with the department chairs and faculty to ensure that we have a unified approach to the challenges.”

*This is the purpose of our taskforce meetings with faculty and leadership forums*

### Recommendation 9: Process
Seek extensive input from the faculty and department chairs on the taskforce’s recommendations

### Recommendation 10: Process
Assess the policy and implementation of the guidelines after 1 year

- The policy and its implementation should be assessed to ensure that the policy is working as anticipated and make changes as necessary
- Provide information back to the faculty on the financial impact of the policy at regular intervals
Estimated Timeline: IDC Policy

UCOP IDC Waiver Recommendations
July 2012

UCSF IDC Taskforce Discussion & Recommendations
January-Sept. 2013

UCSF IDC Recommendation Sharing and Input
Dec. 2013- Spring 2014

UCSF IDC Policy Modification
Spring/Summer 2014 Ongoing

UC wide task force report with recommendations developed

- EVCP charged cross UCSF group to revisit UCOP recommendations and develop UCSF specific recommendations.
- Taskforce met regularly to develop report with recommendations in September
- (Present) IDC taskforce members attending School and other leadership forums to share taskforce recommendations
- Goal is to obtain input and questions.
- Based on input, taskforce or another forum may or may not be reconvened to modify policy as appropriate
- Once input is obtained and discussed, policy will be posted on website

What We Need from You:

- Your Input and Questions
- Sharing of this with others to get their input and questions