

# **Report on Facilities and Administrative (F&A) Receipts**



**The University of North Carolina  
Board of Governors**

**February 2008**

**The University of North Carolina**  
**Report on Overhead Receipts**  
**[Facilities and Administrative (F&A) Receipts]**  
**2006-07**

Legislation enacted by the 2001 General Assembly (S.L. 2001-424) included the following special provision directing the Board of Governors to report annually on the amount and uses of facilities and administrative receipts:

**UNC BOARD OF GOVERNORS REPORT ON OVERHEAD RECEIPTS**

**SECTION 31.14.** The Board of Governors of The University of North Carolina shall report to the Joint Legislative Education Oversight Committee by March 1, 2002, and annually thereafter, on the amount of overhead receipts for The University System and the use of those receipts.

In response to that legislation, this report covers the fiscal year ending June 30, 2007.

**Background**

The University of North Carolina serves the state's interests through a three-part mission of teaching, research, and public service. UNC's reputation as one of the nation's top public university systems has been built, in part, on the volume and quality of research and sponsored programs conducted by its faculty. With limited direct state appropriations for research, the University has depended heavily on obtaining competitive grants and contracts to support its research efforts.

In recent decades, the federal government has increased efforts to promote scientific research at United States universities, as well as research conducted by federal, nonprofit, and commercial laboratories. Recognizing that research carries necessary administrative, facilities, and other expenses above and beyond the direct costs of the project, federal agencies have included in research grants and contracts a portion of funds to help offset these related costs – commonly called "indirect costs," "overhead receipts," or "facilities and administrative (F&A) receipts." In keeping with current federal reporting practices, the term “facilities and administrative (F&A) receipts” is used for the remainder of this report.

Under federal OMB Circulars, facilities and administrative receipts generally reimburse for costs associated with supporting grants and contracts activities of the institution in a manner consistent with the formulae under which the funds were recovered. Internal university controls pertaining to the compliance requirements for sponsored project expenditures under OMB Circular A-133 are designed to provide reasonable assurance regarding the achievement of the following objectives:

1. Transactions are properly recorded and accounted for in order to permit preparation of reliable financial statements and reports and maintain accountability over assets.
2. Transactions are executed in compliance with laws, regulations and provisions of federal and state laws and in accordance with sponsored agreement terms.
3. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Research and other sponsored program awards to the 16 UNC campuses totaled approximately \$1 billion for FY 2006-07 with about two-thirds of that amount from federal sources. State and local governments provided just over seven percent. Grants and contracts support thousands of individual projects that improve human health, understanding of the natural world, education, national defense, and other areas critical to the nation and state. Not only do grants and contracts support leading-edge science and public service, but these funds are also used to support the state's workforce. Grants and contracts support salaries for faculty, post-doctoral fellows, staff, graduate assistants, and undergraduate researchers, all of whom keep UNC campuses in the forefront of regional economic development and training.

In 2006-07, UNC institutions received a total of \$169.3 million in facilities and administrative receipts (Attachment A). F&A receipts were expended by each campus to support costs associated with maintaining an environment conducive to conducting research and scholarly advancement and ensuring competitiveness for attracting additional research funds. The associated expenditures of F&A receipts in 2006-07 are shown on Attachment B. It is important to note that F&A receipts do not revert at the end of the fiscal year, therefore expenditures and receipts for a given year are often not the same.

In order to provide the requested information regarding the amount and uses of facilities and administrative receipts, each campus was asked to provide a report for the 2006-07 fiscal year. The institutional responses are summarized in the following sections of this report, and individual campus examples are detailed in Attachment C.

### **Amount of Facilities and Administrative Receipts – 2006-07 Fiscal Year**

University-wide, a total of \$169.3 million was recovered in facilities and administrative receipts (see Attachment A) for the 2006-07 fiscal year. Consistent with their research missions, the two major research universities, North Carolina State University (17.3%) and UNC-Chapel Hill (70.2 %), accounted for 87.5 percent of the University-wide total. As shown on Attachment A, five institutions – East Carolina University, North Carolina A & T State University, UNC Charlotte, UNC Greensboro, and UNC Wilmington – accounted for most of the remaining F&A receipts.

### **Uses of Facilities and Administrative Receipts – 2006-07 Fiscal Year**

Each institution provided a programmatic summary of priorities and an object of expenditure summary of facilities and administrative receipts disbursements made during the 2006-07 fiscal year, which totaled \$158.9 million (Attachment B).

The principal priorities for programmatic expenditures were designed to:

- maintain and expand research infrastructure;
- provide matching funds/cost-sharing for external grants;
- support research-related administrative functions;
- encourage new research activity;
- foster research/creative activity in the classroom;
- provide for research support and assistantships;
- promote grantsmanship education;
- fund faculty "start-up" packages (support staff, laboratory facilities, equipment, and operating expenses);
- sustain academic programs, including the libraries;
- provide for capital improvements and debt service; and
- support strategic initiatives.

Each of the campuses also reported on its expenditure priorities for the year. The most frequently cited use of F&A receipts was to support the administrative functions related to the grants themselves. This ranged from support for campus administrative units (finance offices, contract and grant functions, controller's offices, and facilities services) to public safety positions to guarantee laboratory security to costs for clean up and disposal of unique or hazardous materials. Campuses also used F&A receipts to sponsor grant workshops for students and faculty, support academic programs, and to provide laboratory space and equipment for research. Since the expenditures by UNC-Chapel Hill and North Carolina State University account for most of the total, the following illustrative examples are drawn from their reports. Similar expenditures were made by the other campuses, but in relatively smaller amounts. Attachment C provides examples of the uses of F&A receipts as reported by the other institutions.

Expenditures on various capital improvement projects, renovations, and debt service payments on additional projects accounted for 23.3% of total F&A receipt expenditures in 2006-07 for UNC Chapel Hill. Projects receiving support included the Science Complex Phase I, Mitchell Hall Laboratory Renovation, Glaxo Molecular Biology Renovation, Medical Biomolecular Science Building, School of Nursing Addition, and Genetic Medicine Building.

UNC-Chapel Hill committed to match the 2000 bond funds with an equal amount of non-state campus receipts during the capital improvements plan approved by the Board of Governors and the General Assembly that formed the basis for the bond program. F&A receipts comprise a significant portion of the campus match, either through direct expenditure or through the issuance of special obligation bonds to be retired from F&A receipts.

As extramural grant funding has become more competitive, UNC-Chapel Hill has invested a portion of its F&A receipts into a program of bridge funding. In fiscal year 2006-07, the

university invested \$153,873 in a total of nine bridge awards. This program is designed specifically to provide temporary funding to investigators whose grants have not been renewed, but who have submitted revised applications that are judged to have an excellent chance of success. Bridge funding allows a faculty member to keep a laboratory in operation and staff members and students employed and working until new extramural funding is received.

At UNC-Chapel Hill, a portion of the F&A cost reimbursements each year goes to strengthen funding for the libraries. In fiscal year 2006-07, \$344,746 was allocated for the purchase of library materials and other operating expenses. This is recognition of the fact that the university must provide access to the latest research materials in order for its faculty and students to conduct the research needed to receive grant awards.

UNC-Chapel Hill had more than \$593 million of extramurally funded research and other sponsored programs in fiscal year 2006-07. Operating a program of that magnitude requires the expenditure of funds for central research services in direct support of the grants and contracts received. UNC-Chapel Hill spent more than \$11 million of its F&A receipts last year on central research services through the Office of the Vice Chancellor for Research and Economic Development. These expenditures fell primarily into four categories:

- 1) assisting faculty members and students in the development, preparation, and submission of proposals;
- 2) administering and accounting for the grant and contract funds expended in accordance with the terms and conditions of each individual award;
- 3) maintaining compliance with federal and state laws and regulations regarding the protection of human subjects, humane care and use of laboratory animals, use and disposal of hazardous substances, laboratory safety, and conflicts of interest; and
- 4) applying the results of research for the benefit of the state and nation through the effective stewardship of intellectual property, the promotion of economic development, and efforts to make the results of research available to the public.

Like UNC-Chapel Hill, North Carolina State University also obligated a portion of its facilities and administrative receipts toward the required campus match in the 2000 Higher Education Bond program. In 2006-07, NCSU committed 15.2% of its F&A receipts

expenditures to renovations and capital projects including Daniels Hall Lab Building, Burlington Laboratory, and the Math and Statistics Building.

At North Carolina State University, approximately one-third of the facilities and administrative revenues were used to provide salary support for those offices supporting the research infrastructure of the campus, such as purchasing, payroll, accounting, budget, administrative computing, facilities operations, legal services, and personnel. In addition, F&A receipts at NCSU were allocated to provide start-up packages and equipment for new faculty, matching/cost sharing for research initiatives, and facility upfits and renovations.

In 2006-07, F&A receipts at NCSU provided for a greenhouse facility that is used by the College of Natural Resources to grow a new generation of trees that are easier to process into ethanol fuel. F&A receipts were also used by NCSU to support a virtual computing laboratory that generates advanced material and meteorological data.

In addition to the programmatic summary, each institution also provided an accounting by object of expenditure as to how F&A receipts were spent in FY 2006-07. Across the system, expenditures and percentages of each were categorized as follows:

<b><u>Expenditures</u></b>	<b><u>Amount</u></b>	<b><u>Percent of Total</u></b>
Personnel services	\$ 55,456,712	34.90%
Supplies, utilities, fixed charges & other current services	60,967,085	38.37%
Renovation and capital improvements projects	31,957,199	20.11%
Educational, computing, and other equipment	5,867,665	3.69%
Educational awards	1,916,832	1.21%
Library materials	393,530	0.25%
Other expenditures	<u>2,332,796</u>	<u>1.47%</u>
<b>TOTAL</b>	<b>158,891,819</b>	<b>100.00%</b>

## **University Research Facilities and Administrative Receipts Reporting Policy**

Recognizing the need for uniform policies and procedures for reporting University research facilities and administrative receipts, the Board of Governors at its meeting on March 6, 2002, adopted a policy statement. A copy of the policy may be found in Attachment D.

The requirements of the policy are:

1. UNC institutions determine expenditure of F&A receipts. The chancellor of each constituent institution shall expend F&A funds only to support scholarly development of its faculty, staff and students or to ensure that the campus infrastructure is supported to enhance such scholarly activities.
2. In a format to be provided by the Office of the President, each campus will report by December 1, the amount of F&A funds received, amount expended by purpose, and uncommitted balance.
3. Chancellors shall formulate and submit a copy of an administrative procedure for the use and reporting of F&A funds to the President, consistent with Board of Governors' guidelines for the expenditure of F&A funds.



**University of North Carolina  
Facilities and Administrative Receipts, 2006-07**

<b>Institution</b>	<b>2006-07 Receipts</b>	<b>% of TOTAL</b>
Appalachian State University	\$ 830,653	0.5%
East Carolina University	3,862,811	2.3%
Elizabeth City State University	269,086	0.2%
Fayetteville State University	426,669	0.3%
North Carolina A&T State University	3,190,871	1.9%
North Carolina Central University	1,119,471	0.7%
North Carolina School of the Arts	0	0.0%
North Carolina State University	29,229,455	17.3%
UNC Asheville	294,205	0.2%
UNC-Chapel Hill	118,880,864	70.2%
UNC Charlotte	4,120,216	2.4%
UNC Greensboro	3,528,671	2.1%
UNC Pembroke	206,272	0.1%
UNC Wilmington	2,132,541	1.3%
Western Carolina University	252,972	0.1%
Winston-Salem State University	475,402	0.3%
UNC-General Administration	439,923	0.3%
<b>TOTAL</b>	<b>\$169,260,082</b>	<b>100%</b>

*Note: F&A receipts do not revert at the end of the fiscal year; therefore expenditures and receipts for a given year are often not the same.*

**University of North Carolina**  
**Expenditures of Facilities and Administrative Receipts, 2006-07**

<b>Institution</b>	<b>2006-07 Expenditures</b>	<b>% of TOTAL</b>
Appalachian State University	\$ 504,766	0.3%
East Carolina University	2,373,457	1.5%
Elizabeth City State University	207,880	0.1%
Fayetteville State University	421,618	0.3%
North Carolina A&T State University	958,985	0.6%
North Carolina Central University	1,341,140	0.8%
North Carolina School of the Arts	0	0.0%
North Carolina State University	28,936,523	18.2%
UNC Asheville	233,671	0.1%
UNC-Chapel Hill	116,397,905	73.3%
UNC Charlotte	1,338,173	0.8%
UNC Greensboro	3,636,252	2.3%
UNC Pembroke	215,970	0.1%
UNC Wilmington	1,473,937	0.9%
Western Carolina University	210,319	0.1%
Winston-Salem State University	231,791	0.1%
UNC-General Administration	409,432	0.3%
<b>TOTAL</b>	<b>158,891,819</b>	<b>100.0%</b>

*Note: F&A receipts do not revert at the end of the fiscal year; therefore expenditures and receipts for a given year are often not the same.*

**University of North Carolina  
Facilities and Administrative (F&A) Receipts  
Examples of Usage By Campus  
FY 2006-07**

**Appalachian State University**

- ◆ F&A funds supported faculty start-ups and the purchase of significant pieces of scientific research equipment. This support is tied to an expectation of significant scholarly productivity and proposal preparation.
- ◆ Funds were used to provide partial salaries of individuals involved in significant research initiatives.
- ◆ Funds are made available to the University Research Council Competitive Grants Program and Research Develop Grant Program. Both programs are designed to stimulate research and successful grant proposal preparation.

**East Carolina University**

- ◆ The largest portion of the institution's F&A expenditures (\$1.35 M) represents cost of labor directly related to research activities and indirect labor costs associated with administrative functions which support the research enterprise.
- ◆ F&A funds of \$246,433 were used for clinical trials
- ◆ F&A receipts in the amount of \$153,611 were used to support technology transfer initiatives to include funding patent fees, purchasing specialized software package for tracking licenses/patents & inventors, and subscribing to patent search database.

**Elizabeth City State University**

- ◆ ECSU used F&A receipts to support a Contracts and Grants Accountant position.
- ◆ Facilitated partnership meetings with business, industry, local and regional school systems, and government agencies for the purpose of establishing research collaboratives.
- ◆ On-campus seminars and training workshops were provided for ECSU faculty and staff to enhance proposal writing and grants management skills.
- ◆ ECSU also used F&A funds to provide required matching funds for external grants and to fund audit expenses related to F&A receipts.

**Fayetteville State University**

- ◆ F&A receipts were used to provide services associated with administering grants.
- ◆ Receipts supported grant writing workshops and seminars to promote and encourage faculty and staff to apply for new grants.

**North Carolina Agricultural and Technical State University**

- ◆ F&A receipts supported the Office of Outreach & Technology Transfer by providing funding for intellectual property disclosures, patent submissions, and seed funding for innovations. Two significant patents that received world attention were in allergen free peanuts and sensor detection to monitor bridge safety.
- ◆ In 2006-07, F&A receipts supported a technical grant writer who assists faculty in the preparation of proposals and two budget analysts responsible for preparation and management of project budgets.

**North Carolina Central University**

- ◆ NCCU's F&A receipts provided funding to support positions in the Offices of Sponsored Research and Contracts and Grants.
- ◆ F&A receipts supported workshops, supplies, and materials related to grants.
- ◆ F&A funds at NCCU were used to fund expenses related to the annual audit of federal grants and programs.

**North Carolina School of the Arts**

NCSA had no F&A receipts or expenditures in 2006-07.

**North Carolina State University**

*(See pages 6-7 of the report)*

**University of North Carolina at Asheville**

- ◆ UNCA used F&A funds to support 2.5 pre- and post-award staff that support faculty and staff activities for the procurement and administration of externally funded projects.
- ◆ F&A receipts in 2006-07 provided training and support sessions for faculty and staff to enhance and encourage externally funded activities.
- ◆ Receipts were used to fund audit fees associated with reporting requirements.

**University of North Carolina at Chapel Hill**

*(See pages 5-6 of the report)*

**University of North Carolina at Charlotte**

- ◆ UNC Charlotte used F&A receipts to fund the Technology Transfer Office's work on patents for new inventions and intellectual property.
- ◆ F&A receipts provided funding for a Deputy Security position for research buildings and infrastructure support.

**University of North Carolina at Greensboro**

- ◆ In 2006-07, UNCG F&A receipts were made available to faculty as seed funding for research. These funds allow the faculty members to be more competitive as they seek external support for their research.
- ◆ F&A receipts were used to support 61 undergraduate student researchers in 2006-07.
- ◆ F&A receipts were used to fund research-related administrative functions. In particular, academic deans were given \$210,000 for decentralized infrastructure support. This support has contributed to a 17% increase in external funding over the past five years.
- ◆ F&A funds were also used to support employees who provide services necessary to conform to state and federal laws. They also administer research contracts and grants, fulfilling necessary reporting requirements.

**University of North Carolina at Pembroke**

- ◆ UNCP's F&A receipts were used to support an additional position in sponsored programs to assist faculty and staff in all aspects of proposal development, preparation, and submission.
- ◆ In 2006-07, direct assistance was provided to faculty through the creation of an orientation to University business processes that is given to faculty receiving new grant awards; advisement of principal investigators and program assistants on reporting requirements associated with grant implementation; and workshops on funding opportunities specifically for primarily undergraduate institutions.

**University of North Carolina at Wilmington**

- ◆ F&A receipts were used for faculty research awards and new faculty start up costs including the purchase of equipment.
- ◆ In 2006-07, UNCW used F&A receipts for the purchase, maintenance, and warranties on scientific equipment for the Center for Marine Science and to maintain and operate scientific buildings.

**Western Carolina University**

- ◆ F&A receipts at WCU continued to be used to pay the salary of the director and other operating expenses of the Office of Grants Management and Research.

**Winston-Salem State University**

- ◆ F&A receipts at WSSU supported professional development and the purchase of research software.

**University of North Carolina General Administration**

- ◆ F&A receipts at UNC General Administration were used to fund related administrative infrastructure costs, including
  - research associate and accounting tech positions to administer A-102 and A-110 compliance and training.
  - the establishment and maintenance of the negotiated F&A rate proposal and the UNC Cost Allocation Plan
  - staff development for OMB Circular A-87, A-110, and A-133 compliance training
- ◆ F&A receipts were also used to provide funding for the UNC Research website and portal and to provide for cost-sharing requirements of grant proposals, as appropriate.



# POLICIES

## The University of North Carolina *Board of Governors*

**Number 500.5**  
**Adopted: 3/6/02**

### **University Research Facilities and Administration Receipts Reporting Policy**

#### **Purpose**

The University of North Carolina receives reimbursement of Facilities and Administration (F&A) costs related to grants and contracts and is expected to allocate these funds within the appropriate state and federal guidelines. Pursuant to the provisions of Senate Bill 1005, Section 31.14 (2001), the UNC Board of Governors is required to report to the Joint Legislative Education Oversight Committee by March 1, each year, the amount of overhead receipts for the University System and the use of those receipts.

#### **Background**

F&A costs (sometimes called indirect or overhead receipts) are calculated for such items as facilities maintenance and renewal, libraries, salaries of technical, compliance and administrative personnel, equipment, scholarly development, and facilities support. F&A rates are set by negotiation between the federal government and each university. Lower rates are often established statutorily or by policy by certain programs and sponsors.

Under federal OMB Circular A-21 indirect costs generally reimburse for costs of the grants and contracts operations of the institution and other overhead expenses of the university in a manner consistent with the formulae under which the funds were recovered. Internal university controls pertaining to the compliance requirements for sponsored project expenditures under OMB Circular A-133 are designed to provide reasonable assurance regarding the achievement of the following objectives:

1. Transactions are properly recorded and accounted for in order to permit preparation of reliable financial statements and reports and maintain accountability over assets.
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3. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

#### **Requirements**

1. UNC institutions determine expenditure of F&A receipts. The chancellor of each constituent institution shall expend F&A funds only to support scholarly development of its faculty, staff and students or to ensure that the campus infrastructure is supported to enhance such scholarly activities.
2. In a format to be provided by the Office of the President, each campus will report by December 1, the amount of F & A funds received, amount expended by purpose, and uncommitted balance. A report will be made to the Board of Governors at the February board meeting.
3. Chancellors shall formulate and submit a copy of an administrative procedure for the use and reporting of F&A funds to the President, consistent with Board of Governors' guidelines for the expenditure of F&A funds.