



The University of North Carolina

General Administration
Post Office Box 2688, Chapel Hill, NC 27515-2688

THOMAS W. ROSS, President

Telephone: (919) 962-1000 • Fax: (919) 843-9695 • E-mail: tomross@northcarolina.edu

Constituent Universities
Appalachian State
University

East Carolina
University

Elizabeth City
State University

Fayetteville State
University

North Carolina
Agricultural and
Technical State
University

North Carolina
Central University

North Carolina
State University
at Raleigh

University of
North Carolina
at Asheville

University of
North Carolina
at Chapel Hill

University of
North Carolina
at Charlotte

University of
North Carolina
at Greensboro

University of
North Carolina
at Pembroke

University of
North Carolina
at Wilmington

University of
North Carolina
School of the Arts

Western Carolina
University

Winston-Salem
State University

Constituent High School
North Carolina
School of Science
and Mathematics

An Equal Opportunity/
Affirmative Action Employer

March 1, 2012

MEMORANDUM

TO: Joint Legislative Education Oversight Committee

FROM: Thomas W. Ross

SUBJECT: Report on Overhead Receipts, 2010-11
[Facilities and Administrative Receipts]

Legislation enacted by the 2001 General Assembly (S.L. 2001-424) directs the Board of Governors to report annually by March 1 of each year to the Joint Legislative Education Oversight Committee on the amounts and uses of facilities and administrative receipts. Receipts and expenditures at each campus have been summarized into the attached report.

I am pleased to provide this information to you.

Attachment

cc: Ms. Denise Harb
Fiscal Research Division

Ms. Dee Atkinson
Research Division

Report on Facilities and Administrative (F&A) Receipts



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

March 2012

**UNC Report on Overhead Receipts
[Facilities and Administrative (F&A) Receipts]
2010-11**

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 state fiscal year ending June 30, 2011.

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 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 and the North Carolina School of Science and Mathematics totaled nearly \$1.4 billion for FY 2010-11, of which \$0.1 billion was related to the American Recovery and Reinvestment Act (ARRA or "stimulus"). Generally, about two-thirds of research and sponsored program awards come from federal sources while State and local governments provide less than one tenth. Every \$1 million of research supports a total of thirty-six jobs. That does not take into account the economic impact of inventions, patents, or spin-off companies started by University researchers.

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 2010-11, UNC institutions earned a total of \$224.8 million in facilities and administrative receipts (Attachment A). It is important to note that during 2010-11, ARRA related research activity resulted in \$23.7 million of F&A receipts which will not continue after the completion of ARRA. 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 2010-11 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 2010-11 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

University-wide, a total of \$224.8 million was earned in facilities and administrative receipts (see Attachment A) during the 2010-11 fiscal year. Consistent with their research missions, the two major research universities, North Carolina State University (16.9%) and UNC-Chapel Hill (70.7 %), accounted for 87.6 percent of the University-wide total. Receipts for seven institutions – Appalachian State University, East Carolina University, North Carolina A & T State University, North Carolina Central University, UNC Charlotte, UNC Greensboro,

and UNC Wilmington accounted for most of the remaining F&A receipts. Research has increased rapidly at these seven campuses, which has translated into increased facilities and administrative receipts.

Uses of Facilities and Administrative Receipts

Facilities and Administrative receipts are expended in a manner consistent with the earning rates negotiated with the federal government to recover a part of the actual costs of conducting federally sponsored research that are otherwise not reimbursable from grants and contracts. Each institution provided a programmatic summary of priorities and an object of expenditure summary of facilities and administrative receipts disbursements made during the 2010-11 fiscal year, which totaled \$210.4 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;
- support strategic initiatives; and
- provide scientific equipment.

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. Examples include support for campus units such as (finance offices, contract and grant functions, controller's offices, and facilities services), public safety positions to

guarantee laboratory security, and 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 and to provide laboratory space and equipment for research.

In addition to the programmatic summary, each institution also provided an accounting of how F&A receipts were spent in FY 2010-11. Across the system, expenditures and percentages of each were categorized as follows:

Expenditures	Amount	Percent of Total
Personnel services	\$ 70,107,177.00	33.3%
Supplies, utilities, fixed charges & other current services	62,799,329.00	29.9%
Renovation and capital improvements projects	64,846,692.00	30.8%
Educational, computing, and other equipment	7,270,657.00	3.5%
Educational awards	3,739,632.00	1.8%
Library materials	501,662.00	0.2%
Other expenditures	1,085,997.00	0.5%
TOTAL	\$210,351,146.00	100.0%

Expenditures by UNC-Chapel Hill and North Carolina State University account for most of the total and are described below. Similar expenditures were made by the other campuses and can be found on Attachment C.

At UNC-CH, expenditures on various capital improvement projects, renovations, and debt service payments accounted for 32% of total F&A receipt expenditures in 2010-11. Projects receiving support included the Dental Sciences Building, Bell Tower Genomics Building, Bioinformatics Building, Genetic Medicine Building, Science Complex Phase I, Science Complex Phase II, Medical Biomolecular Building, Neurosciences Building, and School of Nursing Addition.

UNC-Chapel Hill committed to match funds from the 2000 Higher Education Bond Program with an equal amount of non-state campus receipts for 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.

UNC-Chapel Hill uses a portion of its F&A cost reimbursements each year to stimulate new projects related to the research mission of the university and provide cost sharing on extramurally funded awards. Research units across the entire university received F&A funding to support new initiatives and programs designed to attract additional extramural funding, seed funding and cost sharing. Seed funding helps faculty members undertake new projects, learn new techniques, collect pilot data, or conduct preliminary work designed to make the project more competitive for extramural funding. Cost sharing dollars respond to the rules of many sponsors that require the University to invest in the research as a condition of receiving extramural funding.

At UNC-Chapel Hill, a portion of the F&A cost reimbursements each year goes to strengthen funding for the libraries. In fiscal year 2010-11, more than \$500,000 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 \$788 million of extramurally funded research and other sponsored programs in fiscal year 2010-11. 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 nearly \$17 million of its F&A receipts last year on central

research services through the Office of the Vice Chancellor for Research. 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 2010-11, NCSU used 32.3% of its F&A receipts expenditures for debt service and construction of facilities and infrastructure projects on Centennial Campus.

At North Carolina State University, over 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, information technology services, 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 2010-11, F&A receipts at NCSU were used to support several important tools for research. Receipts were used to support shared scientific laboratory equipment including a superconducting magnet system and a scanning transmission electron microscope. F&A receipts were also used by NCSU to support new research activity including providing seed funding to help faculty start new projects, collect preliminary data and other work necessary to improve the likelihood of winning competitive awards and bring funding to North Carolina.

Conclusion

Facilities and Administrative receipts are expended to support costs associated with maintaining an environment conducive to research and scholarly advancement and ensuring competitiveness for attracting additional research funds. Specifically, these funds support the staff and operating costs for research functions, audit and compliance related to grants and contracts, facilities and equipment repairs and maintenance, debt service for facilities that provide research space, maintenance and operation of the physical plant and offices that provide support to the universities' research endeavors, and investment in the libraries to maintain current research related collections and services. F&A funds are increasingly important as University research is a critical and growing economic driver for the State of North Carolina.

**University of North Carolina
Facilities and Administrative Receipts, 2010-11**

Institution	2010-11 Receipts	2010-11 Receipts (ARRA Related) ¹	2010-11 Total Receipts	% of TOTAL
Appalachian State University	\$ 963,734	\$ 88,205	\$ 1,051,939	0.47%
East Carolina University	5,263,670	241,706	5,505,376	2.45%
Elizabeth City State University	586,968	73,652	660,620	0.29%
Fayetteville State University	382,011	0	382,011	0.17%
North Carolina A&T State University	3,404,979	0	3,404,979	1.51%
North Carolina Central University	1,839,249	0	1,839,249	0.82%
NC School of Science and Mathematics	467	0	467	0.00%
North Carolina State University	34,515,787	3,458,882	37,974,669	16.89%
UNC Asheville	220,822	75,265	296,087	0.13%
UNC-Chapel Hill	140,303,888	18,580,760	158,884,648	70.67%
UNC Charlotte	4,766,394	871,578	5,637,972	2.51%
UNC Greensboro	5,031,508	206,686	5,238,194	2.33%
UNC Pembroke	188,189	8,592	196,781	0.09%
UNC Wilmington	2,463,116	111,393	2,574,509	1.15%
UNC School of the Arts	0	0	0	0.00%
Western Carolina University	309,407	0	309,407	0.14%
Winston-Salem State University	478,036	0	478,036	0.21%
UNC-General Administration	391,134	0	391,134	0.17%
TOTAL	\$201,109,359	\$23,716,719	\$224,826,078	100.0%

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.

¹ *These receipts are related to American Recovery & Reinvestment Act (ARRA) research activity, which will not continue after completion of ARRA.*

**University of North Carolina
Expenditures of Facilities and Administrative Receipts, 2010-11**

Institution	2010-11 Expenditures	% of TOTAL
Appalachian State University	\$ 615,839	0.29%
East Carolina University	5,351,576	2.54%
Elizabeth City State University	217,123	0.10%
Fayetteville State University	493,101	0.23%
North Carolina A&T State University	3,838,686	1.82%
North Carolina Central University	1,240,620	0.59%
North Carolina School of Science and Mathematics	51,388	0.02%
North Carolina State University	35,122,081	16.70%
UNC Asheville	199,424	0.09%
UNC-Chapel Hill	153,792,882	73.11%
UNC Charlotte	2,447,654	1.16%
UNC Greensboro	3,931,286	1.87%
UNC Pembroke	221,000	0.11%
UNC Wilmington	2,027,649	0.96%
UNC School of the Arts	0	0.00%
Western Carolina University	233,668	0.11%
Winston-Salem State University	317,887	0.15%
UNC-General Administration	249,282	0.12%
TOTAL	\$210,351,146	100.0%

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 2010-11**

Appalachian State University

- ◆ F&A funds supported faculty start-ups and the purchase and maintenance of major scientific research equipment which has resulted in successful funding of grant proposals.
- ◆ Funds were used to support 6.5 FTE pre- and post-award staff who work with faculty on externally funded projects and funds were used to support Research Development Officers who function as grant-writing consultants in the colleges.

East Carolina University

- ◆ The largest portion of the institution's F&A expenditures represented cost of labor directly related to research activities and indirect labor costs associated with administrative functions which support the research enterprise.
- ◆ Funds were provided for new faculty research support and start-up.
- ◆ F&A receipts were used to support the renovation and outfitting of facilities to provide space for specialized research space.

Elizabeth City State University

- ◆ ECSU used F&A receipts to support a Contracts and Grants Accountant position.
- ◆ 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 support an upgrade a grant proposal database.

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 research services for workshops and training classes for faculty and graduate students on grant writing, budget preparation and management, research opportunities and research compliance.
- ◆ F&A receipts provided support for patents, outreach, and economic development related to research.

North Carolina Central University

- ◆ NCCU's F&A receipts provided support for databases, 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.

University of North Carolina School of the Arts

UNCSA had no F&A receipts or expenditures in 2010-11.

North Carolina School of Science and Mathematics

- ◆ Funds were used to upgrade campus information technology systems.

North Carolina State University

(See page 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.
- ◆ Receipts were used to fund audit fees associated with reporting requirements.
- ◆ F&A receipts in 2010-11 provided training and support sessions for faculty and staff to enhance and encourage externally funded activities and provide information on compliance requirements and activities.

University of North Carolina at Chapel Hill

(See pages 5-7 of the report)

University of North Carolina at Charlotte

- ◆ UNC Charlotte used F&A receipts to support PORTAL – The Partnership, Outreach and Research for Accelerated Learning Building.
- ◆ Funds are supporting research infrastructure including process improvements in research administration and systems maintenance.

University of North Carolina at Greensboro

- ◆ In 2010-11, UNCG F&A receipts were made available to faculty as seed funding for research. These funds were used to increase faculty applications for external research funding.
- ◆ F&A receipts were used to provide professional development workshops to faculty, staff and students on issues related to research, including developing grant-writing skills, finding funding sources, protecting intellectual property and understanding research compliance.
- ◆ F&A funds were used to improve infrastructure on campus, provide faculty start-ups, and purchase specialized research equipment.

University of North Carolina at Pembroke

- ◆ UNCP's F&A receipts were used to support two full-time staff positions in the Office of Sponsored Research to assist faculty and staff in proposal development, preparation, and submission.
- ◆ In 2010-11, receipts also supported grants workshops, databases and search tools.

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 2010-11, UNCW used F&A receipts to maintain and repair scientific equipment.

Western Carolina University

- ◆ F&A receipts at WCU continued to be used to pay salaries and other operating expenses associated with research activities.
- ◆ F&A receipts were used to support research-related professional development for faculty.

Winston-Salem State University

- ◆ F&A receipts at WSSU supported a program to initiate faculty research.
- ◆ Funds were used for professional development, research databases, and research-related memberships and subscriptions.

University of North Carolina General Administration

- ◆ F&A receipts at UNC General Administration were used to fund related administrative infrastructure costs, including a research associate and an accounting technician position to administer A-87, A-102 and A-133 compliance standards and to manage pre-award and post-award operations, 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-102, and A-133 compliance training, and administrative overhead cost for central administrative cost pools.
- ◆ F&A receipts were used to address nominal F&A cost for sponsored programs not funded in the grant proposals, e.g., information technology support and supplies.
- ◆ F&A receipts were also used to provide funding for research activities including a portion of the Vice President for Research salary to promote the UNC research enterprise, sponsored program professional development, and the UNC System Sponsored Programs database and reporting tool.



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.
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.

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.