

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



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

**March 2013**

**UNC Report on Overhead Receipts**  
**[Facilities and Administrative (F&A) Receipts]**  
**2011-12**

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, 2012.

**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 \$1.34 billion for FY 2011-12. 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 2011-12, UNC institutions earned a total of \$229.4 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 2011-12 are shown on Attachment B. It is important to note that F&A receipts and expenditures for a given year are often not the same due to timing differences between receipts and expenditures and planning F&A receipt supported projects.

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 2011-12 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 \$229.4 million was earned in facilities and administrative receipts (see Attachment A) during the 2011-12 fiscal year. Consistent with their research missions, the two major research universities, North Carolina State University (18.5%) and UNC-Chapel Hill (68.8 %), accounted for 87.3 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 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 2011-12 fiscal year, which totaled \$174.6 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
- 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 2011-12. Across the system, expenditures and percentages of each were categorized as follows:

<b>Expenditures</b>	<b>Amount</b>	<b>Percent of Total</b>
Personnel services	\$ 75,810,001	43.4%
Supplies, Utilities, fixed charges & other current services	46,632,727	26.7%
Renovation and capital improvements projects	39,721,833	22.7%
Educational, computing, and other equipment	6,048,460	3.5%
Educational awards	3,441,305	2.0%
Library materials	969,542	0.6%
Other expenditures	1,995,285	1.1%
<b>TOTAL</b>	<b>\$174,619,153</b>	<b>100.0%</b>

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 25.26% of total F&A receipt expenditures in 2011-12. Projects receiving support included the Carolina North, Genomics Science Building, Odum Institute, Research Resource Facility, the Administrative Office Building, Burnett Womack Building, Chapel Hill North, Global Education Center, Michael Hooker Research Center, 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.

UNC-Chapel Hill had more than \$801 million of extramurally funded research and other sponsored programs in fiscal year 2011-12. Operating a program of that magnitude requires the expenditure of funds for central research services in direct support of the grants and contracts received. This support is the largest use of F&A receipts. UNC-Chapel Hill spent nearly \$51 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.

UNC-Chapel Hill uses a portion of the F&A cost reimbursements to strengthen funding for the libraries. In fiscal year 2011-12, more than \$950,000 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.

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 2011-12, NCSU used 17.08% 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 2011-12, F&A receipts at NCSU were used to support several important tools for research. Receipts were used to support shared scientific laboratory equipment including the Southeast's only Ultra-High Resolution Scanning/Transmission Electron microscope and enhance NCSU's high-performance computing infrastructure. 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 improve the likelihood of commercialization of research, 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, 2011-12**

<b>Institution</b>	<b>2011-12 Receipts</b>	<b>% of TOTAL</b>
Appalachian State University	\$ 1,344,646	0.59%
East Carolina University	5,282,556	2.30%
Elizabeth City State University	636,981	0.28%
Fayetteville State University	810,059	0.35%
North Carolina A&T State University	3,635,720	1.58%
North Carolina Central University	2,614,472	1.14%
North Carolina School of Science and Mathematics	4,325	0.00%
North Carolina State University	42,401,235	18.48%
UNC Asheville	349,883	0.15%
UNC-Chapel Hill	157,808,674	68.79%
UNC Charlotte	5,716,368	2.49%
UNC Greensboro	4,874,422	2.12%
UNC Pembroke	256,226	0.11%
UNC Wilmington	2,149,163	0.94%
UNC School of the Arts	0	0.00%
Western Carolina University	412,860	0.18%
Winston-Salem State University	662,024	0.29%
UNC-General Administration	450,240	0.20%
<b>TOTAL</b>	<b>\$229,409,854</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  
Expenditures of Facilities and Administrative Receipts, 2011-12**

<b>Institution</b>	<b>2011-12 Expenditures</b>	<b>% of TOTAL</b>
Appalachian State University	\$ 737,966	0.42%
East Carolina University	6,585,030	3.77%
Elizabeth City State University	505,376	0.29%
Fayetteville State University	933,444	0.53%
North Carolina A&T State University	4,968,740	2.85%
North Carolina Central University	1,519,585	0.87%
North Carolina School of Science and Mathematics	0	0.00%
North Carolina State University	32,300,842	18.50%
UNC Asheville	235,271	0.13%
UNC-Chapel Hill	114,646,591	65.66%
UNC Charlotte	3,935,514	2.25%
UNC Greensboro	5,346,674	3.06%
UNC Pembroke	170,787	0.10%
UNC Wilmington	2,097,847	1.20%
UNC School of the Arts	0	0.00%
Western Carolina University	144,954	0.08%
Winston-Salem State University	240,914	0.14%
UNC-General Administration	249,618	0.14%
<b>TOTAL</b>	<b>\$174,619,153</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 2011-12**

**Appalachian State University**

- ◆ Provide research faculty start-up packages
- ◆ Purchase and maintain major scientific research equipment resulting in successful funding of grant proposals
- ◆ Support 6.5 FTE of pre- and post-award staff working directly with faculty on externally funded projects
- ◆ Fund Research Development Officers who function as grant-writing consultants in the colleges

**East Carolina University**

- ◆ Fund direct labor costs related to research activities, safety, and regulatory compliance
- ◆ Support indirect administrative overhead
- ◆ Provide new research faculty positions and their start-up costs
- ◆ Renovate and outfit of facilities to provide additional flexible laboratory space

**Elizabeth City State University**

- ◆ Fund a Contracts and Grants Accountant position
- ◆ Provide seminars and training workshops for faculty and staff to enhance proposal writing and grants management skills
- ◆ Facilitate partnership meetings with business, industry, school systems, and government agencies to establish research collaborations

**Fayetteville State University**

- ◆ Support indirect grant administration overhead
- ◆ Provide grant writing workshops and seminars to promote and encourage faculty and staff to apply for new grants

**North Carolina Agricultural and Technical State University**

- ◆ Provide research services for workshops, training classes for faculty and graduate students on grant writing, budget preparation and management, research opportunities, and research compliance
- ◆ Support for patent protection, outreach, and economic development related to research

**North Carolina Central University**

- ◆ Provide support for research databases, supplies, scientific equipment and materials related to grants
- ◆ Fund an annual audit of federal grants and programs

**University of North Carolina School of the Arts**

UNCSA had no F&A receipts or expenditures in 2011-12.

**North Carolina School of Science and Mathematics**

NCSSM had no F&A receipts or expenditures in 2011-12.

**North Carolina State University**

*(See page 7 of the report)*

**University of North Carolina at Asheville**

- ◆ Fund 2.55 FTE of pre- and post-award staff to support faculty and staff activities for the procurement, administration, and compliance of externally funded projects
- ◆ Provide campus research infrastructure support and equipment maintenance

**University of North Carolina at Chapel Hill**

*(See pages 5-7 of the report)*

**University of North Carolina at Charlotte**

- ◆ Support PORTAL – The Partnership, Outreach and Research for Accelerated Learning building
- ◆ Provide additional research infrastructure including process improvements in research administration and compliance tools

**University of North Carolina at Greensboro**

- ◆ Restructure the office of Sponsored Programs to assist faculty in proposal development, budget review, and grant management training
- ◆ Provide sufficient up-fitted space for new research in the Center for New North Carolinians and the Center for Youth, Family and Community Partnerships
- ◆ Institute electronic reviews for IRB and IACUC approval and provide greater support for regulatory compliance

**University of North Carolina at Pembroke**

- ◆ Fund 2 FTE of staff positions in the Office of Sponsored Research to assist faculty and staff in proposal development, preparation, and submission
- ◆ Provide on campus grants workshops, databases and search tools

**University of North Carolina at Wilmington**

- ◆ Provide start-up costs for new faculty in science departments (Biology, Chemistry, Physics, EVS and Computer Science)
- ◆ Purchase and maintain scientific equipment for research
- ◆ Support overhead operations at the Center for Marine Science

**Western Carolina University**

- ◆ Pay salaries and other operating expenses associated with research activities
- ◆ Support research related professional development for faculty

**Winston-Salem State University**

- ◆ Support a program to initiate faculty research, maintain research databases, and support other faculty professional development
- ◆ Fund lab inspections, compliance committee training, and administrative overhead

**University of North Carolina General Administration**

- ◆ Provide related administrative overhead, including a research associate and an accounting technician position to administer A-87, A-102 and A-133 compliance standards
- ◆ Support nominal F&A costs for sponsored programs not funded in the grant proposals, e.g., information technology support and supplies
- ◆ Fund 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.