

WASHINGTON STATE UNIVERSITY  
EXECUTIVE POLICY MANUAL

Executive Policy #2

Revision Approved [add date]

## Policy for Allocating Facilities and Administrative Cost Recovery Funds

### I. Background on Facilities and Administrative (F&A) Costs

Research sponsors, including the federal government, private industry, state and local governments, and nonprofit foundations, provide funding to WSU through grants and contracts, which are processed through the Office of Research (OR). The sponsored project awards generally include funds for the direct costs of research (lab salary support, supplies, specialized equipment, etc.) as well as F&A costs.

F&A is an important source of cost recovery funds for the University. WSU's major source of F&A funding derives from federal government projects, where allowable costs are subject to the Uniform Guidance for instruction, organized research, and other sponsored activity. The funds are used to:

- a) Reimburse the University for costs associated with use of physical facilities and other administrative units that support the research enterprise.
- b) Support activities and investments necessary for WSU faculty, staff, and students to conduct a highly functional and sustainable program of creative activity, research, and scholarship, including the ability to compete effectively for external funding.

It is necessary and usual to combine F&A funds with other sources, such as state appropriations, to support the University research enterprise generally.

### II. F&A Strategy, Policy, and Oversight

The Vice President for Research (VPR), in coordination with the Vice President for Finance and Administration (VPFA), Provost, Chancellors, and other senior administrative, college, and campus leaders or their designees, will oversee WSU F&A strategy, policies, and associated implementation measures. The VPR's leadership responsibilities include:

- a) *Developing an overall strategy for F&A at WSU systemwide:* This includes strategies for growing the F&A funding pool and allocating F&A, balancing F&A allocations between areas a) and b) in Section I above, and developing associated policies in support of WSU's Strategic Plan.
- b) *Strategic management of activities funded by WSU system administration:*
  - i. F&A funds flowing to WSU system administration will be consolidated into a "Foundational and Strategic Investment Fund (FSIF)." This fund will support administrative, infrastructure, and other foundational costs associated with the research enterprise systemwide. The fund will also be used to support investment in research.
  - ii. This fund will be managed formally by the VPR, VPFA, and Provost. The fund will be managed strategically, with a systemwide perspective, full accountability, and in coordination with other annual budget processes.
- c) *Development of guiding principles for strategic management of F&A funds:* These are described in Appendix 1.
- d) *Transparency and reporting:* The Office of Research will provide information on F&A expenditures and related topics, including an annual F&A report, to the WSU community. Annual reporting of F&A expenditures will highlight operations related costs as well as funds designated for research investment.
- e) Other responsibilities as determined by the President of the University.

The VPR will develop an appropriate committee and/or other processes to assure input is obtained across the University community in meeting these leadership responsibilities. This will include an explicit process to obtain input from campus chancellors, academic deans, the Faculty Senate, and

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other leaders (or their designees). The VPR, VPFA, and Provost will take a system perspective in performing their oversight roles.

### III. F&A Allocations

F&A funds (both domestic and international) will be allocated as follows (see Figure 1):

a) Any special F&A allocations to specific units or investigators will be taken out of the gross F&A allocation pool. Any F&A remaining after special allocations to the generating unit or investigator will be allocated to the FSIF. F&A allocations in support of faculty recruitment or other actions are considered special allocations. Guidance on these allocations is available from the Provost and/or the VPR.

b) 23% allocation to F&A generating units:

i. For grant accounts associated with the Pullman and Spokane regions, each area is allocated 23% of F&A funds collected, with 65% of the allocation (15% of F&A funds collected) going to the department/school/unit, and 35% of the allocation (8% of F&A funds collected) going to the dean. .

ii. For grant accounts associated with the Everett, Global, Tri-Cities, Vancouver and similar future regions the 23% will be equally split between the cognizant dean and the chancellor.

iii. When the investigator is not appointed in a college, the 23% allocation goes to the campus chancellor or, in the case of the Pullman campus, to the cognizant vice president.

c) 77% allocation for FSIF and other leadership funded activities:

i. 38% of the F&A will be allocated to the originating campus. If Pullman is the originating campus, this 38% will be allocated to the FSIF.

ii. The remaining 39% of the 77% allocation will go to the FSIF.

d) The Vice President for Health Sciences has oversight authority for all F&A paid via the WSU Spokane budget. This complements the WSU Provost, who has oversight of the F&A allocated to the Pullman Deans.

### IV. Strategic management of F&A funds- specific guidance

a) Special F&A allocations associated with faculty recruitment or startup will be spent or formally encumbered within three years of initial F&A distribution. For ongoing or previously approved arrangements such as for centers and institutes, a plan for committing F&A funds on an ongoing basis within three years of allocation will be developed by the leader of the effort. This plan will be approved by the cognizant Dean, Chancellor, or Vice President, who will regularly review the return on investment from these special allocations.

b) Exceptions to this specific guidance require approval by the cognizant Dean, Chancellor, or Vice President.

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### Appendix 1: Strategic management of F&A funds- guiding principles

Guiding principles for the Deans, Chancellors, system administration, faculty, and other investigators in allocating and investing F&A are described below. The University recognizes the key role of faculty and other investigators in developing research programs and bringing F&A into the institution.

a) Overall

- i. F&A funds will be allocated strategically systemwide, in support of the WSU strategic plan.
- ii. F&A will be managed with full transparency and accountability.
- iii. University, college, and campus leadership will develop and distribute clear statements of research, education, and engagement priorities that guide allocation of F&A and other resources.
- iv. University, campus, and college leaders will collectively engage to ensure their respective priorities are met consistent with available resources.
- v. System administration will commit to an ongoing F&A cost analysis and make any necessary changes to F&A allocation as best identified for the University. Results of the analysis and any changes to the allocation will be summarized in the F&A Annual Report.

b) System administration

- i. The FSIF will be budgeted and allocated strategically as discussed above and in Figure I below.
- ii. System administration will consider the differing needs of each campus when allocating F&A. F&A allocations to campuses will take into account the size of the campus enterprise, the rate of growth of the campus research program, and campus infrastructure needs.

c) Chancellors, Deans, and Chairs/Directors (or designees)

- i. Chancellors and Deans working together will invest in the systemwide academic enterprise supporting WSU research, as well as the particular needs of the individual campuses. This includes ensuring adequate research infrastructure is present on all campuses.
- ii. Chancellors and Deans will seek shared systemwide solutions to infrastructure issues (for example, shared core laboratories).
- iii. Chancellors, Deans, and Chairs/Directors will partner to cover F&A costs associated with completion of a funded activity. This may include distribution of funds to the originating unit (e.g. campus, department, school, center, or institute) or under special circumstances in part to the investigator.
- iv. Chancellors, Deans, and Chairs/Directors are expected to use F&A to strategically invest in and incentivize growth of their research programs, including recruitment of premier research faculty.
- v. Deans and Chairs/Directors should work collaboratively to ensure the 15% and 8% are allocated to most effectively meet college level and unit level needs. This balance will vary from college to college.
- vi. Chancellors, Deans, and Chairs/Directors will consider making F&A funds available to principal investigators to assist with grant administration, travel, student assistants, development of new research, grant matching or other expenses.

d) Investigators (faculty and other)

- i. F&A funds will be used to cover indirect costs and other activities required to sustain the WSU research enterprise.
- ii. Investigators must expend a significant percent of their F&A balance each fiscal year or risk forfeiture of funding to the dean, chancellor, or vice-president as applicable, to ensure the success

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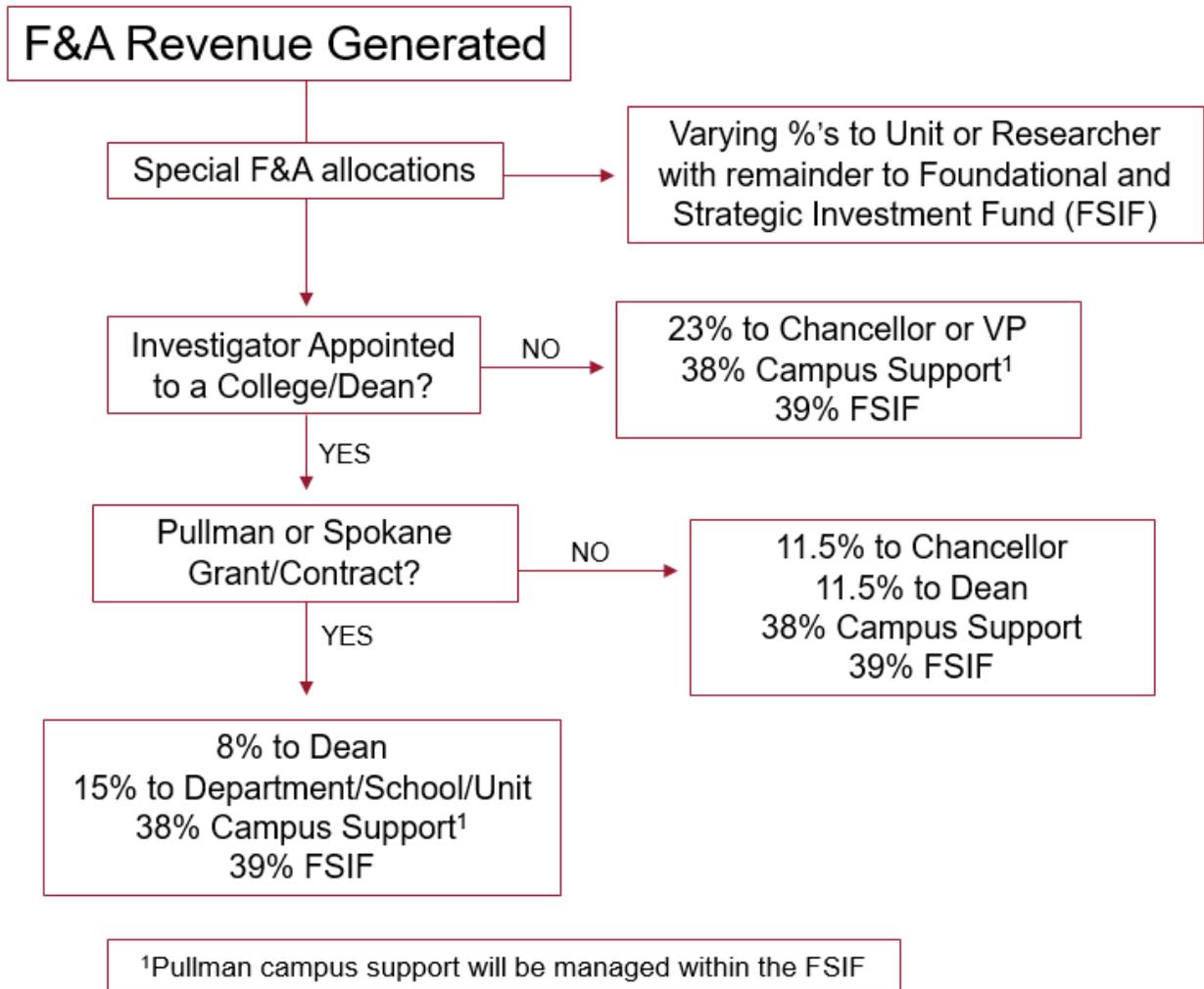
of d(i.) above.

iii. Investigators receiving F&A funding will have a separate program created in the WSU accounting system for tracking/reporting purposes.

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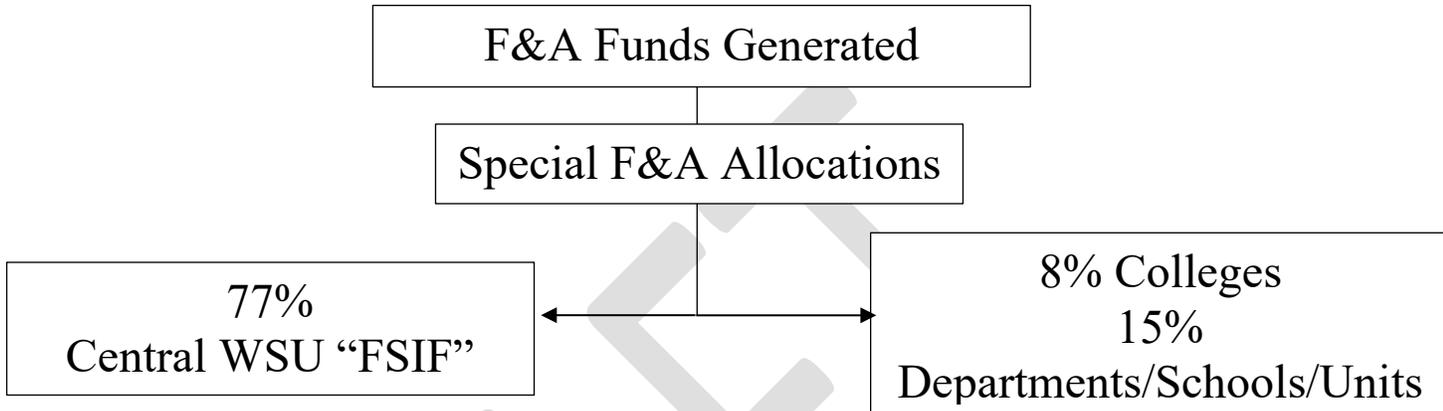
Figure 1: Process for allocation of F&A funds.



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### Appendix 1: F&A Allocation Examples

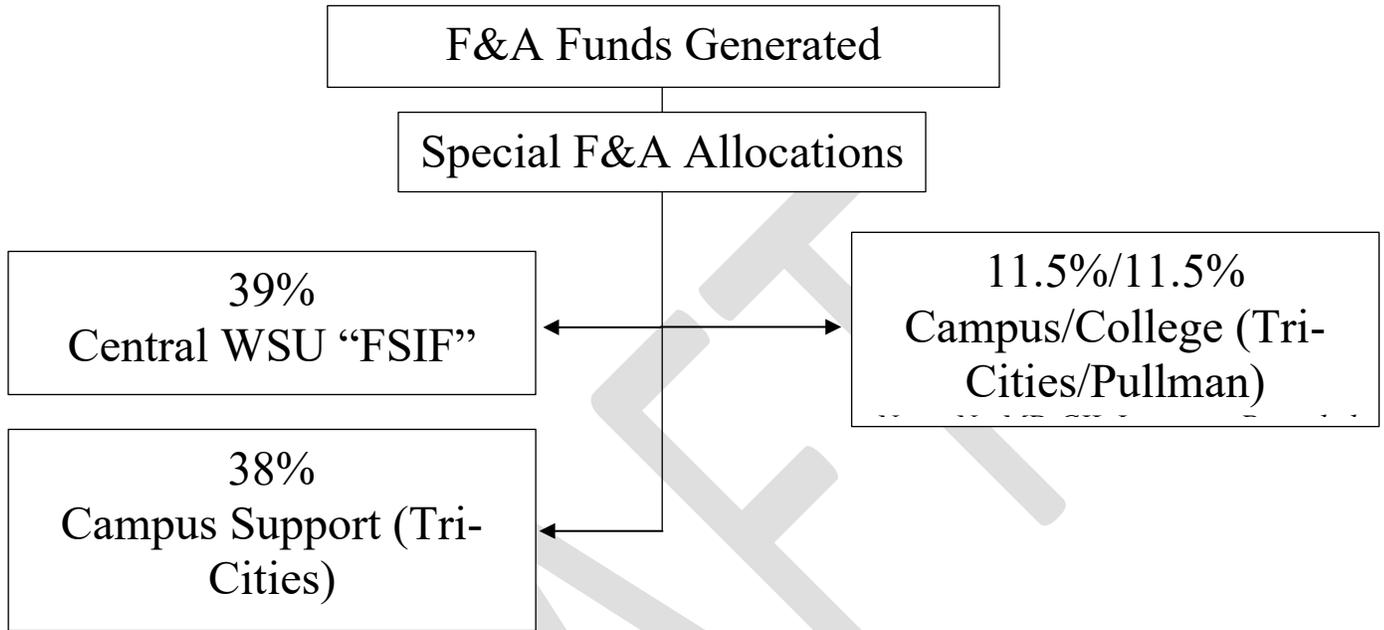
**Pullman led proposal, two colleges, no other campus involvement**



### \$1M Example with Two Units (50% F&A Generated):

Central WSU "FSIF" (77% = \$385,000)	Generating Unit (23% = \$115,000)
Central WSU "FSIF" Pool: \$385,000	College 1 (60% of grant, \$600,000 generates \$300,000 of F&A): 69,000  College receives: \$24,150 Department/School/Unit receives: \$44,850
Note: Pullman portion of Campus Support is added to the Central WSU "FSIF" Pool	College 2 (40% of grant, \$400,000 generates \$200,000 of F&A): \$46,000  College receives: \$16,100 Department/School/Unit receives: \$29,900

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**Tri-Cities led proposal, PI appointed to a College, one similar Co-I**



**\$1M Example with Two Units (50% F&A Generated):**

<b>Central WSU "FSIF" + Campus Support (77% = \$385,000)</b>	<b>Generating Unit (23% = \$115,000)</b>
Central WSU "FSIF" Pool: \$195,000 Campus Support (Tri-Cities): \$190,000	WSU Tri-Cities/College 1 PI (50% of grant, \$500,000 generates \$250,000 of F&A):  11.5% to WSU Tri-Cities: \$28,750 11.5% to College 1: \$28,750
	WSU Tri-Cities/College 2 PI (50% of grant, \$500,000 generates \$250,000 of F&A):  11.5% to WSU Tri-Cities: \$28,750 11.5% to College 2: \$28,750