

Memo

Budget Committee of the Academic Senate Wayne State University

To: Policy Committee

From: Michael J. McIntyre, Chair, Budget Committee (2003/04)

Subject: ICR Formula

Date: September 13, 2004

During academic year 2003/04, the Budget Committee has been concerned about the proper distribution of Indirect Cost Recovery funds. There were two issues of particular concern, namely: (1) the earmarking of 3 percent of the ICR funds for the Office of the Vice President for Research (OVRP), and (2) the proper redesign of the distribution formula. It was the understanding of the committee that an agreement was in place when the FY2004 budget passed that there would be no earmarking for the OVRP in the FY budget. The committee was disappointed, therefore, to see that the proposed budget provided for a 3 percent earmark. The committee also was under the impression that a 2N committee had been formed to study the proper distribution formula and to make a recommendation to the Policy Committee and the Administration on a revised formula. It did not appear, however, that any such recommendation had been made.

These issues were discussed at the committee's meeting of July 15, 2004. After discussion, the following motion was made and seconded:

That the committee expresses its strong opposition to the earmarking of ICR funds for operating expenses of the Office of the Vice President for Research;

That the committee recommends that the Policy Committee inform the Administration and the Board of Governors of the opposition of the Budget Committee to the earmarking;

That the committee urges the Policy Committee to take effective action to end the earmarking for FY 2005 and thereafter, with the understanding that the funds needed

to operate the OVPR for FY 2005 be provided in its General Fund budget;

That the committee recommends that the 3 percent of ICR funds now allocated to the OVPR be reallocated, as an initial matter, to Colleges, Departments, and Principal Investigators for future years in proportion to the cuts those groups suffered when their allocation of ICR funds was cut in FY 2004, with a final adjustment in the allocation formula to be made on the recommendation of the 2N committee.

The above motion passed without opposition. Soon thereafter, the committee met with the Provost and the Policy Committee to discuss the earmarking issue. As a result of that meeting, the Provost discussed the earmarking with the Vice President for Research, and an agreement was reached to end the earmarking. The Provost made an announcement to that effect to the Budget and finance Committee of the Board of Governors, and the FY 2005 Budget was passed with an amendment to eliminate the earmarking. No change was made, however, in the funds allocated to the OVPR. The understanding is that the budget for the OVPR for FY 2006 will be set under normal budget procedures without any earmarking.

The second issue of concern has not yet been addressed. It is the hope of the Budget Committee that the Policy Committee will meet with the 2N committee to discuss the need for a recommendation on a revised distribution formula. As noted in the above motion, it is the position of the Budget Committee that the starting point in revising the formula should be the *status quo ante*. That is, the amount previously earmarked for the OVPR should be distributed pro rata to those from whom that amount was taken as an initial matter. In accordance with its initial charge, the 2N committee may make recommendations for an adjustment in the resulting formula. It should be requested to present its recommendations and the rationale for those recommendations in a report to the Policy Committee and the OVPR. The Budget Committee requests that it receive a copy of any such report.