

Memo

Wayne State University
Budget Committee of Academic Senate

To: Policy Committee

From: Michael J. McIntyre, Chair

Subject: Motions On ICR Issue and Budget Review Committee

Date: September 28, 2003

At its meeting of September 26, 2003, the Budget Committee passed several motions that urge action by the Policy Committee. Those motions, with some background information, are set forth below. The Policy Committee and the Budget Committee have jointly consulted with the Administration on the ICR issue. It is the view of the Budget Committee that the Academic Senate should speak with one voice on this issue. As a result, its motions on that issue are directed to the Policy Committee, with the understanding that any action on the ICR issue would be undertaken by the Policy Committee.

1. Earmarking of ICR Funds for Research Division, FY 2005 and Beyond

The Budget Committee discussed the Administration's proposal for earmarking 3% of the Indirect Cost Recovery (ICR) funds for the operating budget of the Research Division. That issue has effectively been resolved by action of the Board of Governors for FY 2004 but remains an open issue for subsequent years. The issue was discussed at a recent meeting of the Budget Committee. In the view of the committee, the basic problem of earmarking is that it insulates the recipients of the earmarked funds from competition for those funds from other divisions and from the schools and colleges. All units of the University are undertaking activities that they view as important. The goal of the budget process should be to allocate scarce resources to those uses with the highest priority. After due deliberation, the committee passed the following motion:

Believing that the earmarking of General Fund revenues for particular divisions of the University is inconsistent with sound budgeting principles, the Budget Committee recommends to the Policy Committee that it oppose any permanent earmarking of ICR funds to the Research Division and that it work with the Administration to end that practice for FY 2005 and beyond.

2. Modification in ICR Distribution Formula for FY 2004

John Oliver, Vice President for Research, presented a revised proposal for amending the distribution formula for ICR funds that is contained in University Policy 86-2 (as approved 2/9/1989). His proposal is set forth in the following table:

Proposal by Dr. Oliver for Revision in ICR Distribution Formula				
	Current Distribution	Initial Proposed Distribution	Modified Distribution	% Reduction
PI	8.5	5.0	7	17.65%
Department	15	13	11.5	23.33%
College	10	8.0	7.5	25.00%

Dr. Oliver indicated that the distribution formula might be subject to further revision for FY 2005 and beyond. He recommended that a committee be appointed by President Reid to look at possible revisions in the formula for future years. The Budget Committee concluded that the proposed changes in the formula were acceptable as a way of resolving the issue for the current year. The Budget Committee felt, however, that any review of the formula should be done through a 2N committee, jointly appointed by the Academic Senate and the Administration. After due deliberation, the committee passed the following motion:

That the Budget Committee recommends to the Policy Committee that it endorse, for the current FY year only, the revised proposal of Vice President John Oliver for funding the renovation of University research facilities by reducing the allocation of ICR funds to PIs, Departments, and Colleges to 7%, 11.5% and 7.5% respectively, with a firm understanding that the allocation formula will be revisited for FY 2005 and beyond by a 2N committee jointly appointed for that purpose by the Administration and the Policy Committee.

3. Recommendation for Formation of and Charge to a 2N Committee to Explore the ICR Issue

As noted above, the Budget Committee recommended the endorsement of Dr. Oliver's compromise distribution formula for FY 2004 with the understanding that a committee would be appointed to make recommendations for a more permanent resolution of the ICR issue. The Budget Committee believes that this committee must have faculty representation and that the Academic Senate must be involved in the picking of the members of the committee if it is to serve its consultative function effectively. After due deliberation, the committee passed the following motion:

That the Budget Committee recommends to the Policy Committee the formation

of an ICR Committee, with half of the members selected by the University President or his delegate and half selected by the Policy Committee. The ICR Committee would be charged to undertake the following tasks:

- To make recommendations for the revision of the ICR distribution formula for FY 2005 and beyond, with an understanding that adequate funds must be made available to pay the debt service on the research-facilities renovation bonds to be issued in FY 2004.
- To make recommendations for funding sources for any additional bonds that may be issued in addition to the \$43 million of bonds that are expected to be issued for FY 2004.
- To develop an overall plan for the renovation of all of the research facilities of the university that takes into account a deferred maintenance problem far in excess of the problem addressed by the \$43 million of bonding.
- To recommend the composition of and charge to a committee to review periodically the ICR allocation formula, as proposed in the memorandum from Dr. Oliver.
- To collect and analyze data relevant to the ICR issue, including data on the amounts spent internally on research, absolutely and in comparison with peer institutions, how the internal research money is spent by the Central Administration, the Colleges, the Departments, and the PIs, and the costs for research facilities that the various units are generating.
- To explore the appropriateness of the cap on ICR money — limiting the application of the distribution formula to the old 49% reimbursement rate — in light of the costs that were used to justify the higher reimbursement rate.
- To examine the use of earmarks of ICR money in light of sound budgeting practices, with particular attention to the new earmark to the Research Division and the old earmark to the Research Stimulation Fund.
- To determine under all relevant national benchmarks the standing of Wayne State University over some relevant period as a research institution, with special emphasis on Federal benchmarks that both include and exclude the amounts of internal funds devoted to research.
- To make appropriate use of various documents generated by the Budget Committee and other faculty committees, including the Chair's memorandum to the Budget Committee of September 22, 2003, titled "Proposed Changes in ICR Distribution Formula."
- To explore the needs for better reporting of the expenditure of ICR funds by PIs, Departments, Colleges, the Research Stimulation Fund, the Research Division, and the Central Administration, with a view towards establishing a better linkage between the obligations to support funded research and the revenues generated by that research.

4. Prompt Appointment of the Budget Review Committee

At the June 25, 2003, meeting of the Budget Committee (attended by members of the Policy Committee), Provost Nancy Barrett gave her assurances that the Budget Review Committee would be appointed in timely fashion in the early fall. Before that committee can be appointed, the Policy Committee needs to submit a slate of five candidates to the President or his delegate, out of which one faculty representative is selected. The President of the Academic Senate or his designee also serves on that committee. To move forward the process, the Budget Committee passed the following motion:

That the Budget Committee respectfully requests the Policy Committee to select a slate of five candidates for the Budget Review Committee and to submit that slate to the Administration as soon as possible.

5. Concluding Request

Please advise the Budget Committee of any actions taken in response to these motions. In addition, the Chair, as faculty representative on the BOG's Budget and Finance Committee, requests that the Policy Committee advise him of its views on the ICR bonding issue that is on the agenda for the BOG meeting of October 1 so that the faculty can speak with one voice on this issue.