FAS and SEAS
Policy on Assessments on Gifts and Sponsored Awards (Grants)

RAS Friday
November 18, 2016
Why Do We Charge Assessments?

* Harvard and FAS/SEAS provide the facilities, infrastructure and administrative support that enable faculty to pursue their academic priorities
  * **Facilities**: buildings, laboratories, equipment, libraries, IT and research computing, utilities, maintenance, custodial costs
  * **Administration**: Central, school, and department/center administration and functions such as faculty affairs, grants administration, OTD, IRB, IACUC, finance, EHS, procurement, HR, general counsel
Why Do We Charge Assessments?

- Providing world-class facilities and administrative and compliance support necessary to support research and scholarly activities requires a massive financial commitment by FAS and SEAS.
- When sponsors do not reimburse Harvard for indirect costs, other institutional resources must be used to pay for these costs.
- FAS revenue growth is constrained and minimal reimbursement of overhead impacts our ability to invest, or reinvest, in our research infrastructure.
Federal sponsors provide a significant reimbursement of the indirect costs

- Negotiated federal rate = 69%
- Calculated rate (2009) > 84%
- Rate is an average across all types of research; laboratory research is higher (e.g. Wyss rate is 87%)

Non-federal sponsors typically provide minimal, or zero, reimbursement which shifts the burden to FAS to make up the difference
Current FAS Policies

* Assessment on Gifts
  * Current use gifts assessed at 15%
  * Waivers must be approved by University Gift Policy Committee
  * Dean may waive assessment on certain “classes of funds,” e.g. financial aid

* Indirect Cost on Grants
  * Proposals to Federal agencies and industry must be submitted at the negotiated rate (currently 69%)
  * Proposals to non-federal agencies and foundations must be submitted at their maximum rate, or 15% if the sponsor does not have a published policy
  * We accept the sponsor’s rate or assess 15% if there is no “published” rate
  * PI may request a waiver from the Dean
Problems with Current Policies

* Disparate policies create an incentive to classify funds as grants to reduce assessment
* Sponsors/donors are aware of HU policies and try to influence our internal classification
* When the sponsor/donor will not pay the assessment, the default option is to request a waiver
* There is a very significant administrative burden associated with determinations of gift versus grant, waiver request and approval process
70% of non-federal grants to Harvard are awarded an indirect cost rate of less than 15%

FAS has a higher percentage

- Nearly 80% pay less than 15%
- 58% pay 0%
- Weighted average IDC rate is 8% for FAS, lowest at Harvard

Harvard is more successful with gifts

- 80% of FAS current use gifts pay 15%
- Effective rate for current use gifts is 12%
Awarded non-federal overhead rate profiles vary widely by School

<table>
<thead>
<tr>
<th>School</th>
<th>Total Grants</th>
<th>&gt;20%</th>
<th>15-20%</th>
<th>10-15%</th>
<th>0-10%</th>
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<td>377</td>
<td>15%</td>
<td>15%</td>
<td>6%</td>
<td>58%</td>
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</tr>
<tr>
<td>A</td>
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<td>28%</td>
<td>23%</td>
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<tr>
<td>B</td>
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<td>6%</td>
<td>26%</td>
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<tr>
<td>C</td>
<td>236</td>
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<td>31%</td>
<td>31%</td>
<td>31%</td>
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<td>Other Schools</td>
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</table>

Awarded IDC Rate (Wtd. Avg.)
- FAS: 8%
- A: 12%
- B: 14%
- C: 9%
- D: 12%
- E: 12%
- F: 13%
- Other Schools: 10%

“Lost” Income / Yr.¹
- FAS: $1.1M
- A: $0.4M
- B: $0.1M
- C: $0.8M
- D: $0.0M
- E: $0.6M
- F: $0.0M
- Other Schools: $0.2M

¹ For all grants awarded from FY10-14 with IDC rates of < 15%, Direct Cost $ x (15% - Awarded rate) / 5 years
Average awarded IDC rates differ from the current use gift effective rate.

FAS' current use gift rate is 15%; given exceptions granted either to individual gifts or classes of funds (e.g., financial aid funds, professorships), over the last 5 years FAS' *effective current use gift rate is 12%;* stated another way, ~80% of FAS current use gifts receive FAS' policy 15% current use gift rate.

Is it reasonable to assume that non-federal grants should cover the same (or an even greater) percentage of overhead, given reporting requirements typically associated with grants as opposed to gifts?
Proposed Policy on Assessments

- One policy covering both current use gifts and grants
- Treats assessments on external funds consistently and reinforces the importance of overhead reimbursement
  - 15% minimum assessment applies to both gifts and grants
  - Internal classification as gift or grant is not a factor in determining the amount of assessment
  - Options are available for department/center, or PI to make up the difference between sponsor’s overhead and 15%
  - Waiver may be requested only after other options are considered
- Allows for exceptions for classes of funds and for sponsors and donors who are approved by Harvard
* The central administration levies an assessment of 2.6% on all expenditures, even on awards for which FAS and SEAS receive $0 overhead
* The negotiated rate (69%) is subsidized by FAS and SEAS
* The loss of overhead is not the only type of research support provided by FAS and SEAS;
  * Graduate student tuition
  * Faculty academic year salary
  * Core facilities subsidies (animal care, CNS, etc.) of nearly $7 million per year
Summary

* New policy removes incentive to classify funds as grant vs gift in order to save on assessment
* Certain “classes” of gifts/grants will not be assessed, e.g., student support or assessments limited by law or governmental restriction
* PI/Dept/Center have the option to direct-charge “budget relieving” costs to grants in lieu of IDC
* Waivers may still be requested, but only after other options are considered