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

Why Do We Charge Assessments?

* 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

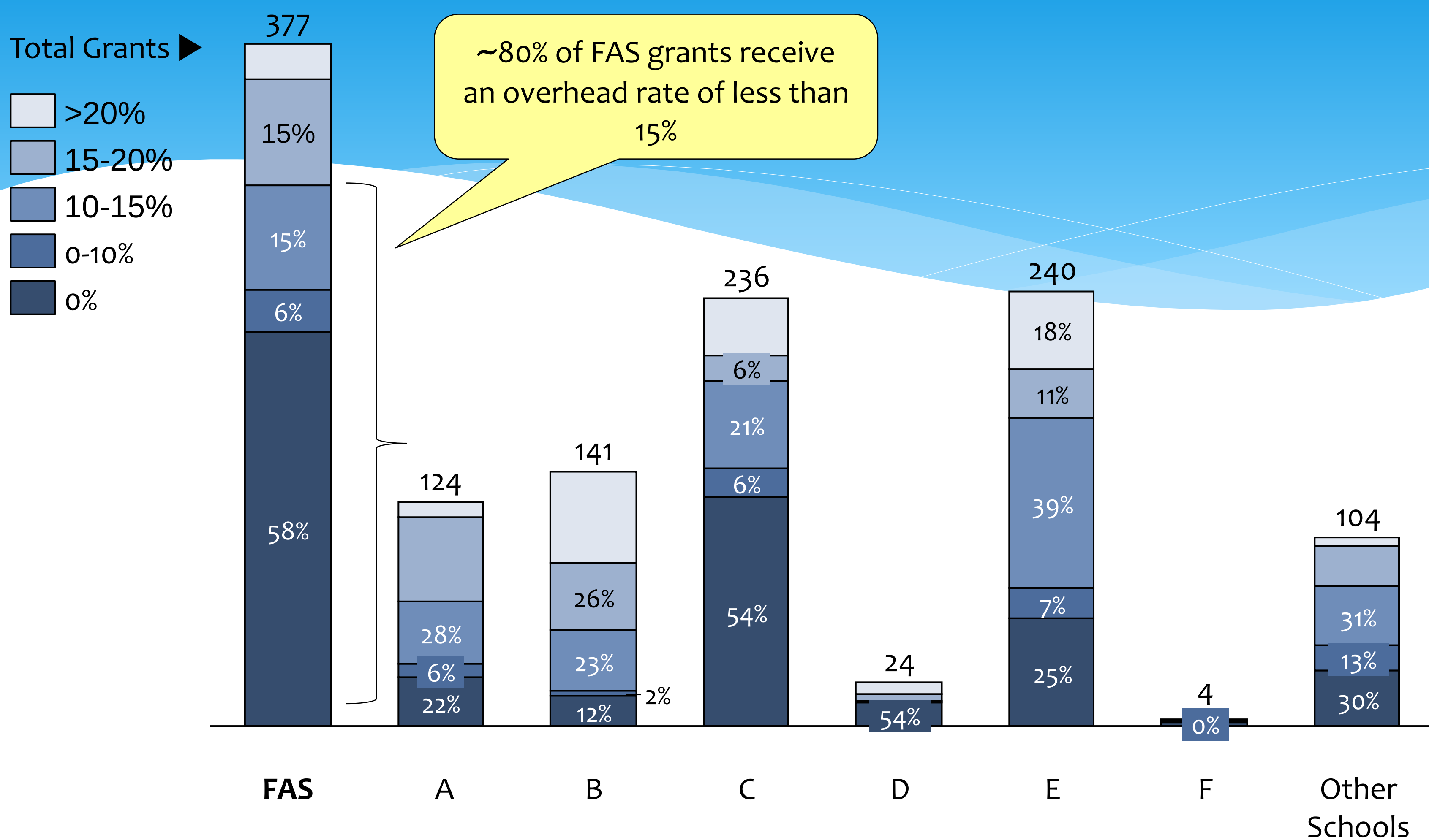
Problems with Current Policies

* 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

Our Experience with Assessments on Grants vs Gifts

* 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 <u>less than</u> 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 <u>pay</u> 15%
  * Effective rate for current use gifts is 12%

Awarded non-federal overhead rate profiles vary widely by School

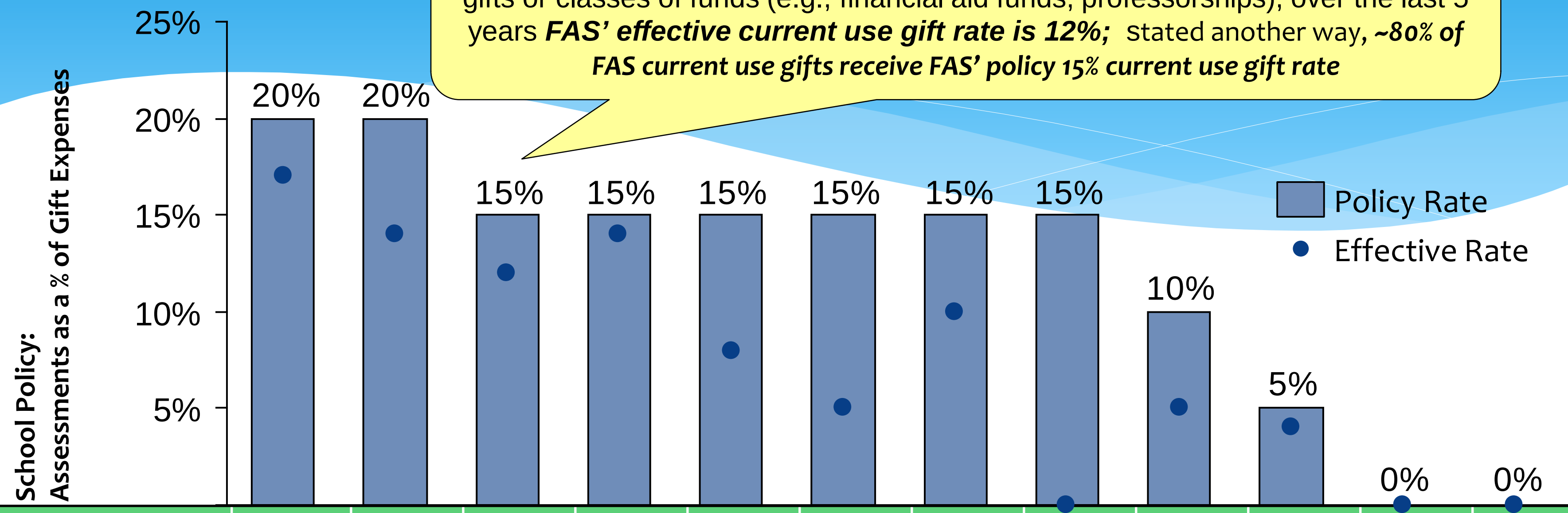


	FAS	A	B	C	D	E	F	Other Schools
Awarded IDC Rate (Wtd. Avg.)	8%	12%	14%	9%	12%	12%	13%	10%
"Lost" Income / Yr.[1]	\$1.1M	\$0.4M	\$0.1M	\$0.8M	\$0.0M	\$0.6M	\$0.0M	\$0.2M

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

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***



	A	B	**FAS**	C	D	E	F	G	H	I	J	K
Awarded IDC Rate – Wtd. Avg.	14%	12%	8%	8%	12%	9%	12%	13%	10%	12%	N/A	12%
Current Use Gift Effective Rate	17%	14%	12%	14%	8%	5%	10%	0%	5%	4%	N/A	N/A

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

Other Factors to Consider

* 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