

Changes to the Facilities and Administration Rate: Likely Negative Consequences

To: Chancellor Dan White

From: Faculty Senate Research Advisory Committee (RAC)

Date: December 3, 2018

Faculty were recently informed that UAF has applied to the Office of Naval Research to allow the maximum Facilities and Administration rate (F&A, commonly known as “Overhead”) that can be charged on grants to rise from 50.5% to 63.9%. If implemented immediately as a change to the standard overhead rate, such an increase would be likely to severely hinder the research effort at UAF and could potentially lead to a reduction, rather than the intended increase, in F&A income. This action would be in direct conflict with the UA President and Chancellor’s stated goal of UAF achieving R1 Carnegie Classification (Highest Research Activity), increasing overall research revenues, and increasing enrollment. Some of the reasons why a rate increase of this size would be detrimental are:

- **A Zero-Sum Game:** Many funding sources explicitly or implicitly limit total budget. Consequently, an institutional increase in F&A is effectively a decrement to the money available to execute the work. Given that writing grant proposals is labor intensive and time spent writing proposals is time not doing research, faculty cannot cover the increase in F&A by simply generating more proposals. The likely outcome is that faculty will fund fewer students, postdocs, and technical staff in their proposals to accommodate the increased overhead rate.
- **Price Matters to Reviewers:** Even when a funding agency is sympathetic to higher overhead rates (and they rarely are), reviewers generally are put off by high overhead rates. In the current hyper-competitive environment for grants, where 1 out of 10 funding success is common, the less expensive of two equally worthy proposals will be funded.
- **Comparison with our Peers:** An overhead rate of 63% is higher than most universities, especially public universities (e.g., University of Washington is 55%, University of Idaho is 47.5%). Not only does this hurt faculty’s competitiveness in the peer-review process, it hinders UAF’s ability to recruit and retain faculty.
- **Collaborative proposals:** Many proposals are collaborative work between several universities. An excessive overhead rate makes UAF a less attractive partner for research proposals lead by other universities. Shared expenses are often directed to the organization with the lowest overhead, further limiting the research dollars to UAF.
- **Impact on Operational Programs:** UAF has many large operational programs, such as the Alaska Satellite Facility (ASF), the Alaska Earthquake Center (AEC), the Alaska Volcano Observatory (AVO), and the Wilson Alaska Technical Center (WATC). Many of these programs (in part) rely on competitive F&A rates to compete against peers. This marked increase in F&A rates will not be received well by funding agencies that have grown accustomed to the ~50% rate over the past ~20 years. This will result in either a

loss of these large grants and contracts or reduced staffing in the proposal itself, resulting in a loss of jobs at UAF.

While the Faculty Senate acknowledges that the maximum overhead rate is proposed according to set formulas, how, when, and if that maximum rate is applied is at the discretion of UA administration. Therefore, we urge that UAF implement the following to help mitigate this potential increase and provide improved future decision making:

1. Existing grants and contracts, and those currently in review at the time the new rate is implemented, should be grandfathered in to the F&A rates when they were awarded or proposed.
2. Inform the faculty in advance when large-scale actions are likely to cause an increase in overhead rates, as this should be discussed as part of the decision-making process at the university.
3. Clear processes and pathways should be established for considering a lower F&A rate for a range of programs where the maximum allowed rate will be especially detrimental to the chances of funding success.
4. Any increase in F&A should be phased in over multiple years.

To summarize, there is little opportunity to pass along a higher overhead rate to funding entities, and the result of an overhead increase is likely to be a decrease in overall research funding and student support. We urge UAF administration to engage faculty in the decision-making process for application of allowed overhead rates.

Respectfully,

The Research Advisory Committee on behalf of the UAF Faculty Senate

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President, UAF Faculty Senate