ACADEMIC SENATE
OF
CALIFORNIA POLYTECHNIC STATE UNIVERSITY
San Luis Obispo, California

AS-423-94/RC
RESOLUTION ON
INDIRECT COST SHARING AGREEMENT FOR ARDFA
SPONSORED PROJECTS (AB 90-2)

WHEREAS, Administrative Bulletin 90-2 created a trial policy for distribution of indirect cost sharing for Applied Research and Development Facility and Activities (ARDFA) in order to develop ARDFA's infrastructure for research; and

WHEREAS, Procedures for implementing this trial policy were to be in place for five years beginning with academic year 1989-90; and

RESOLVED: The five-year trial period concludes with 1994-95; therefore, be it

RESOLVED: That the trial policy for distribution of indirect cost sharing for Applied Research and Development Facility and Activities (ARDFA) established by Administrative Bulletin 90-2 be discontinued; and, be it further

RESOLVED: That the attached report and recommendations prepared by the Academic Senate Research Committee regarding indirect costs for research be approved; and, be it further

RESOLVED: That the Academic Senate Research Committee, working with the Vice President for Academic Affairs, in consultation with affected parties and other appropriate Academic Senate committees, develop by December 1, 1994, policies and procedures for distribution of sponsored project indirect costs to include centers, institutes, and project directors; and, be it further

RESOLVED: That these recommended policies and procedures be brought to the Academic Senate for its deliberation with the intent of recommending replacement of the existing procedures for all sponsored projects, including those for ARDFA.

Proposed by the Academic Senate Research Committee
April 21, 1994
Revised May 24, 1994
THE PROBLEM:

ADMINISTRATIVE BULLETIN 90-2 created an experimental model for stimulating the development of infrastructure for research at CAL POLY. It sets procedures for five years, beginning with Academic Year 1989-90.

The ASRC is charged with annually reviewing the ARDFA facility created by the bulletin. The five-year period has drawn to a close. The question of continuance or sunsetting the arrangement is at hand. Herewith is the ASRC evaluation of the ARDFA experiment:

A BRIEF HISTORY OF ARDFA's ORIGINS:

Robert Lucas, then Associate Vice President for Graduate Studies, Research and Faculty Development, had begun the task of remodeling a World War II era aircraft hangar now designated as Building 04.

Prof. Steve Hockaday (College of Engineering) became interested in converting the hangar into a facility for his CALTRANS funded transportation engineering projects.

The problem of paying for this development of infrastructure for research became critical.
Lucas and Hockaday perceived the rate of recovery of indirect costs as a source of generating the needed funds.

ADMINISTRATIVE BULLETIN 90-2 "describes the procedures for allocating indirect costs earned on selected sponsored projects" to the newly created Applied Research and Development Facility and Activities (ARDFA).

The bulletin notes that the "procedures are proposed as an experiment for applied research facilities that do not have general fund or other continuing sources of support for their basic operation."

It describes the problem of recovery of indirect costs at this University:

The Campus Administrative Manual (Section 543) describes the policy of sharing indirect costs earned on sponsored projects. Current policy does not allocate indirect costs for items such as general equipment purchase, maintenance and operating costs. Such use is appropriate in general circumstances, however, since capital costs and operating expenses comprise part of the indirect cost rate - The cost principles of the Federal Government's Department of Health and Human Services, as expressed in the Office of Management and Budget Circular A-21, allow costs of operation (lighting, heating, janitorial), furnishing, remodeling, equipment installation and maintenance, office equipment, departmental administration and management as part of the base that makes up the indirect cost rate."

The bulletin then creates an exception to campus policies:

"This administrative bulletin creates an administrative exception to CAM 543 as an experiment for Building 04. It describes a way to return part of the indirect costs to support the continued development and operation of a research facility. It will serve until a policy governing all such facilities is recommended and adopted in the Campus Administrative Manual."

The bulletin then sets the following "Policies and Procedures":

**For five years, beginning with Academic Year 1989-90, the following procedures will apply:**

Projects conducted in Building 04 that have specific need for remodeling or for the installation of equipment shall, whenever possible, recover these costs as line items in the budget of the grant or contract. When direct cost recovery is not possible, the cost of remodeling or installing equipment may be drawn from the development and operating budget of ARDFA.
1. Indirect costs earned on ARDFA/IC projects shall be allocated among the following program areas, following a percentage recommended by the Associate Vice President for Graduate Studies, Research, and Faculty Development and approved by the President in the Fall of each academic year:

   a) ARDFA facility development, operating costs, and reserves;
   b) Foundation costs, consisting of Sponsored Programs administrative costs and reserves;
   c) University research development costs, including Grants Development Office costs and reserves, and
   d) The CARE grant program of the Academic Senate Research Committee.

The bulletin stipulates that the percentages of recovery of indirect costs be set only after the submission of an annual report by the Associate Vice President for Research that would include a proposal for a specific level for recouping such costs.

This report was to be reviewed by "the ARDFA Director, the Academic Senate Research Committee, the Director of the Grants Development Office and the Director of Sponsored Programs before being via the Vice President for Academic Affairs to the President for approval before the end of the Fall Quarter."

The bulletin set the maximum percentage of recovery for ARDFA indirect costs at forty-percent (40%). It notes that the recovery rates for Foundation Sponsored Programs is 44%, but for Grants Development it is a slim 11% and for CARE Grants it is 5%.

CONCLUSIONS:

The ASRC congratulates Prof. Hockaday and the ARDFA staff for their energies and very real accomplishments in promoting research during the worst fiscal crisis since the Great Depression.

Nonetheless, the ASRC believes that the procedures set forth in Administrative Bulletin 90-2 have not been followed in granting maximum rate (40%) of recovery of indirect costs to ARDFA. The ARDFA experiment has resulted in inequities for the
other institutes and centers generating indirect costs. Hence the ARDFA model does not benefit or stimulate research activities throughout the academic community.

The ASRC recommends that ARDFA be granted the same rate of recovery of indirect costs as other centers and institutes.

The ASRC also recommends that the Senate charge our committee with fulfilling the goal of Administrative Bulletin 90-2: The University desperately needs a policy for equitably funding infrastructure for research by centers and institutes at the University.
The attached procedures to implement a trial policy for indirect cost sharing for the Applied Research and Development Facility and Activities (ARDFA) was developed after recommendation by the Academic Senate. This administrative bulletin creates an administrative exception to the manner in which indirect cost funds are distributed and implements the procedures during the five-year trial period beginning with Academic Year 1989-90.

APPROVED: Warren J. Baker, President

DATE: August 28, 1990

NOTE: This Administrative Bulletin should be filed in the Appendix of the Campus Administrative Manual and appropriate entries made in the CAM Index and Administrative Bulletins list.
INDIRECT COSTS SHARING FOR ARDFA SPONSORED PROJECTS

This bulletin describes procedures for allocating indirect costs earned on selected sponsored projects to the Applied Research and Development Facility and Activities (ARDFA). The procedures are proposed as an experiment for applied research facilities that do not have general fund or other continuing sources of support for their basic operation.

The Campus Administrative Manual (Section 543) describes the policy of sharing indirect costs earned on sponsored projects. Current policy does not allocate indirect costs for items such as general equipment purchase, maintenance and operating costs. Such use is appropriate in general circumstances, however, since capital costs and operating expenses comprise part of the indirect cost rate. The cost principles of the Federal Government's Department of Health and Human Services, as expressed in the Office of Management and Budget Circular A-21, allow costs of operation (lighting, heating, janitorial), furnishing, remodeling, equipment installation and maintenance, office equipment, departmental administration and management as part of the base that makes up the indirect cost rate.

This administrative bulletin creates an administrative exception to CAM 543 as an experiment for Building 04. It describes a way to return a portion of the indirect costs to support the continued development and operation of a research facility. It will serve until a policy governing all such facilities is recommended and adopted in the Campus Administrative Manual.

These guidelines apply to the sharing of indirect costs recovered only on those projects conducted exclusively in Building 04 as part of ARDFA. In practice, this means that a project situated administratively in an instructional office on campus, but conducted in a laboratory in Building 04, is governed by these guidelines. Conversely, a project run in a laboratory which is not in Building 04 is not an ARDFA project even if it is administered from an office in Building 04. In the latter case, the indirect costs are treated the same as if they were earned on any other research project.

Sponsored research projects that meet the criterion for being included in this experiment will be identified as ARDFA/IC projects. This designation will be noted on the "Approval of Application for Grant or Contract" Form that is routed with any proposal before it leaves campus. The notes section of the approval form will contain a statement which reads:

This proposal is for an ARDFA/IC project, to be conducted exclusively in Building 04. Indirect costs will be shared in accordance with Administrative Bulletin 90-2.
POLICIES AND PROCEDURES

For five years, beginning with Academic Year 1989-90, the following procedures will apply:

Projects conducted in Building 04 that have specific need for remodeling or for the installation of equipment shall, whenever possible, recover these costs as line items in the budget of the grant or contract. When direct cost recovery is not possible, the cost of remodeling or installing equipment may be drawn from the development and operating budget of ARDFA.

1. Indirect costs earned on ARDFA/IC projects shall be allocated among the following program areas, following a percentage recommended by the Associate Vice President for Graduate Studies, Research, and Faculty Development and approved by the President in the Fall of each academic year:

a) ARDFA facility development, operating costs, and reserves;

b) Foundation costs, consisting of Sponsored Programs administrative costs and reserves;

c) University research development costs, including Grants Development Office costs and reserves, and

d) The CARE grant program of the Academic Senate Research Committee.

2. The percentages to be recommended shall be set as follows:

a) Following the end of each fiscal year, the ARDFA Director shall prepare a report that describes ARDFA/IC projects, provides actual income and expenses for the previous academic year and gives estimates of income and costs for building development and operation for the next academic year. The director shall develop this report in consultation with the Dean of the School of Engineering, and shall send it to the Associate Vice President for Graduate Studies, Research, and Faculty Development before the beginning of the Fall Quarter.

b) The Associate Vice President shall prepare a report that combines the ARDFA report with data on income and costs in the previous fiscal year for Sponsored Programs administration, Grants Development administration and CARE grants. The report shall include a proposal that recommends the ARDFA percentage to be adopted for the current academic year. The maximum percentage for ARDFA/IC projects shall be 40%.
The proposal shall be incorporated into the annual report on proposed indirect costs utilization described in CAM 543 and will be reviewed by the ARDFA Director, the Academic Senate Research Committee, the Director of the Grants Development Office and the Director of Sponsored Programs before being sent via the Vice President for Academic Affairs to the President for approval before the end of the Fall Quarter.

3. The President shall set the ARDFA/IC percentage before the start of the Winter Quarter. The Foundation shall deposit funds monthly into the ARDFA Foundation account from indirect costs earned and received on ARDFA/IC projects as reimbursement is recovered from the sponsor.

4. The Academic Senate Research Committee may conduct an independent review of ARDFA each Spring Quarter and prepare a report for the President's review. Copies of the report shall be provided to the ARDFA Director, the Associate Vice President and the Director of Sponsored Programs.

Percentages for AY 1989-90, the first year of this experiment, are as follows:

- ARDFA/IC Projects (maximum) 40%
- Foundation Sponsored Programs 44%
- Grants Development 11%
- CARE Grants/ASRC 5%

Current projects and proposals covered as ARDFA/IC projects under this administrative bulletin shall be identified by the ARDFA Director. A list of these projects shall be sent to each department head to acknowledge their governance under the provisions of this administrative bulletin.

This is a very belated response to your memorandum to the President dated June 22, 1994, transmitting the above numbered Academic Senate Resolutions.

Resolution AS-423-94/RC, Resolution on Indirect Cost Sharing Agreement, has already been implemented, and will be before the Senate soon, so any further response would not be timely.

The other three resolutions (424-94/PRAIC, 425-94/PRAIC, and 429-94/EX) largely pertain to the internal workings of the Academic Senate and do not appear to require presidential approval to be useful.
To: Bonnie Long  
Academic Affairs

From: Mary Fiala  
President’s Office

Subject: Resolutions

Margaret Camuso of the Academic Senate called today to ask about the status of the following resolutions. Could you please check into them.

Resolution on Indirect Cost Sharing Agreement for ARDFA Sponsored Projects (AB 90-2) (AS-423-94/RC)

06/22/94 Resolution forwarded to the President for consideration and implementation.
06/29/94 Resolution forwarded to the Vice President for Academic Affairs for review and recommendation.

Resolution on Five-year Academic Program Review Schedule (AS-424-94/PRAIC)

06/22/94 Resolution forwarded to the President for consideration and implementation.
06/29/94 Resolution forwarded to the Vice President for Academic Affairs for review and recommendation.

Resolution on Academic Program Review and Improvement Guidelines Change AS-425-94/PRAIC)

06/22/94 Resolution forwarded to the President for consideration and implementation.
06/29/94 Resolution forwarded to the Vice President for Academic Affairs for review and recommendation.

Resolution on the Review of Existing and Proposed Lecture Courses Offered Through All Distance Learning Modes as New Courses (AS-429-94/EX)

06/22/94 Resolution forwarded to the President for consideration and implementation.
06/29/94 Resolution forwarded to the Vice President for Academic Affairs for review and recommendation.
From: DU521 --CALPOLY
Date: 03 Jan 95 11:44:44 PST
From: <DU521 AT CALPOLY>
To: Bonnie Long <DU002 AT CALPOLY>
Subject: Uncl: lost resolutions
Comments: Forwarding note of 27 Dec 94 13:34:08 PST from <DU521 AT CALPOLY>

From: Bob Koob
Here's Jack's reply to the message that follows. Would you draft up a memo based on my request? Thanks

Bob, you are correct, but in order to clarify for our records what has occurred would you please simply send me a memo stating what you stated in your e-mail? Thanks.-- Jack

*** Forwarding note from DU521 --CALPOLY 12/27/94 13:34 ***
Date: 27 Dec 94 13:34:08 PST
From: <DU521 AT CALPOLY>
To: Jack Wilson <DI465 AT CALPOLY>
Subject: Uncl: lost resolutions

From: Bob Koob
I uncovered some old paperwork that I apparently buried early in the year (it was dated June 29, 1994). This was a request from the President's Office to prepare responses for Senate resolutions 23, 24, 25, & 29 (as in AS-423-94). My take in looking at them is that the first is already completed, so a response now would not be timely, and that the remaining three pertain largely to internal workings of the Senate and don't actually require presidential approval to be useful. I'd appreciate your guidance in how you'd like the record closed on these. Thanks.