

Date: 5/2/2006
To: Academic Affairs Faculty Members and Principal Investigators
Cc: Academic Affairs Deans and Chairs
From: Donald Lehman, Executive Vice-President for Academic Affairs, Elliot Hirshman, Chief Research Officer
RE: **Indirect cost recovery**

We are writing to inform you of important changes in the allocations of indirect cost recoveries from sponsored programs to Academic Affairs. These changes have emerged from on-going collaborative discussions between Academic Affairs and the Office of the Executive Vice-President and Treasurer regarding strategies for enhancing the financial base of the research enterprise at The George Washington University.

Effective for fiscal year 2007, 22.1% of indirect cost recoveries that exceed the fiscal year 2006 indirect cost recovery projection of \$7,431,000 will be allocated to Academic Affairs for distribution to faculty members and departments. This allocation will be in addition to the base budgeted amounts of \$655,000, \$300,000 and \$178,000 that are allocated for the REIA, REF and UFF programs, respectively.

The purpose of this additional allocation is to provide incentives to Principal Investigators in academic affairs to enhance indirect cost recoveries, thereby strengthening the financial base of the research enterprise.

Illustrative Example

To illustrate the incentives for indirect cost recovery provided by this new approach, we describe the allocation that would occur **if** 50% of the direct cost expenditures for sponsored programs produced full recovery of indirect costs. We assume that our direct cost expenditures of \$71,458,000 from Fiscal Year 2005 are constant for the purpose of this example.

At our current indirect cost recovery rate of 49.5%, full indirect cost recovery on \$35,729,000 would produce \$17,685,855 in indirect cost recoveries. 22.1% of the difference between \$17,685,855 and \$7,431,000 (the base budget projection) would produce an additional allocation of \$2,226,322 for faculty members and departments in Academic Affairs. Thus, changes in indirect cost recoveries can dramatically enhance allocations to support research in Academic Affairs under the new approach. (This example is for illustrative purposes only; allocations to Academic Affairs can increase under a number of scenarios (e.g., overall increases in expenditures with a fixed percentage of indirect cost recovery) in the new approach.)

4/18/2006

Indirect cost recovery

Distribution of Allocation

To ensure support of on-going sponsored research, as well as provide seed funds to enhance our research enterprise, the allocation will be divided in three equal parts.

Direct Distribution to PIs and Departments

One-third of the allocation will be distributed to PIs** and Departments to defray costs related to conducting sponsored programs. These costs include materials, supplies and general office equipment which are not generally allowable on sponsored programs. These funds will be distributed in direct proportion to indirect cost recovery and will be split evenly between Principal Investigators and Departments. This use of a directly proportional return formula is consistent with the recommendation to simplify the return formula presented in the March 26, 2004 Advisory Council on Research report "Research Universities and Research Incentives."

Moreover, consistent with our previous commitments, 2/3 of the base budget REIA funds will be distributed to Principal Investigators and Departments directly proportional to indirect cost recovery. Consistent with previous commitments, the remaining 1/3 of the base budget REIA funds will be allocated to the Schools in direct proportion to the indirect costs recovered by the Schools.

Distribution to Support Inter-disciplinary Collaborations

One-third of the allocation will be distributed to support inter-disciplinary initiatives across the Schools. The Chief Research Officer, in consultation with the Deans and the Associate Vice-President for Health Research, will allocate funds to foster inter-disciplinary collaborations. Strong preference will be given to collaborations that are expected to result in sponsored projects that recover full indirect costs.

The REF program, administered based on the recommendations of the Advisory Council on Research, will continue in its current form, including its support of inter-disciplinary collaborations.

Distribution to Support New Investigators

One-third of the allocation will be distributed to support individual investigators, with a special emphasis on the support of new investigators. The Chief Research Officer, in consultation with the Academic Affairs' Deans, will allocate these funds. Strong preference will be given to investigators who are pursuing proposals that are expected to result in sponsored projects that recover full indirect costs.

The UFF program, administered based on the recommendations of the University Committee on Research, will continue to support individual investigators in the Humanities, Social Sciences, and Natural Sciences.

** Special provisions may be made for allocations to co-investigators, as well as PIs.