

June 3, 2013

To: George Breslauer, Executive Vice Chancellor and Provost

From: Janet Broughton, Vice Provost for the Faculty

Thank you for inviting me to chair a working group to advise you about distributing a portion of the indirect cost recovery funds that the campus receives each year. I facilitated three meetings of the group you convened, whose academic members were Senate Vice Chair Elizabeth Deakin, Executive Associate Dean Fiona Doyle, Dean Steven Martin, Associate Vice Chancellor Robert Price, and Professor George Roderick, Chair of the Senate's Committee on Research. Laurent Heller, Executive Director of the Budget Office, also participated and provided a careful analysis of the consequences of various solutions. I am pleased to report that after a thoughtful appraisal of several options, this group unanimously supports the recommendations below.

Indirect cost recovery: background

Indirect cost recovery (ICR) funding reimburses universities for costs of the facilities and administration (F&A) that support research. These are costs that cannot be funded through direct charges to grants, and because the costs have already been incurred when ICR is received, the use of the ICR funding itself is not restricted as to purpose.

Until two years ago, ICR was provided to the UC Office of the President (UCOP) and distributed to the UC campuses in a complex and opaque fashion. UCOP has worked to disentangle ICR from other funding streams, and ICR funding now remains on the campuses that generate the funds.

Like all universities, Berkeley finds that its total expenditure on F&A exceeds the ICR it receives. The campus nonetheless now proposes to distribute an annual sum of money that equals up to 10% of ICR received by Berkeley each year in order to help address our faculty's unmet needs and to support their efforts as fairly and effectively as possible.

Funding to address inequitable impacts of Central Shared Services

The indirect costs of research include research administration (RA), and at Berkeley, the funding model for RA within Central Shared Services has produced some inequities for several decanal units. These inequities have arisen as the inevitable by-products of a complex transition from our former "patchwork quilt" of arrangements for funding RA, and the working group believes that these disparities should be corrected. The reason is that the disadvantaged decanal units would have to come up with new sources of funding for RA, which would reduce the funding they would be able to use for other needs. Ultimately, this would produce inequitable hardships for the faculty, programs, and students within the disadvantaged units.

The working group considered several methods for eliminating these disparities by drawing upon ICR, which is the appropriate funding source for this purpose. The simplest method is to use 1.4% of ICR for this purpose, and that is what we recommend.

Funding for individual faculty members

Our group concluded that every faculty member on campus should automatically be provided with discretionary funding to support professional activities in research, which are often inextricably connected with activities in teaching and service. Our faculty members know what they need. For one faculty member, the need may be a new laptop; for another, travel to a conference; for a third, enhanced Library collections in a specific field. By providing all its faculty members with predictable funding that can be used flexibly, the campus can help its faculty members to achieve their goals.

The working group recommends setting aside 2.6% of ICR for distribution to all faculty (approximately \$2,000 per faculty member), and it strongly recommends that you identify additional resources in order to bring this annual distribution up to the level of \$4,000 per year per faculty member. The Senate representatives in the working group believe that the funds you currently provide to the Committee on Research to make relatively small grants to applicants could be redirected toward this end. In a separate memorandum, we will make several recommendations to you about the administration of such funding.

Additional funding to facilitate faculty research

Berkeley's faculty members excel as researchers through their individual entrepreneurial efforts, through collaborative research, and through participation in a community that extends its collegiality and concern across ranks and across fields of specialization. The working group deliberated especially carefully about the best way to provide funding that would reward and support all of these dimensions of research life on campus. The group gave thought to several possibilities: returns of ICR to individual Principal Investigators (PIs) in proportion to the ICR their grants generate; returns of ICR to the departmental or Organized Research Unit (ORU) level; returns to the decanal level and the level of the Vice Chancellor for Research (VCR); and returns that are pooled and deployed centrally.

Each of these models has its pluses and minuses. With too little pooling, important common needs will go unmet; with too much, very local needs will go unmet. More specifically, distributions to individual PIs in proportion to their generation of ICR would offer very little assistance to many PIs who do valuable, high-quality research. Such a distribution would also be expensive and complex to administer, and in the long run it could discourage collaboration. Pooling at the campus level would inevitably mean that nuanced responses to the needs and research directions of the faculty within a unit would be difficult to make. Weighing the options carefully, the working group recommends that 6% of ICR be provided annually to the deans/VCR in proportion to ICR generated in the decanal or vice-chancellorial unit. (Below you will see the distribution that would have resulted from such a recommendation in 2012.) The

deans/VCR will then be responsible for addressing the needs of faculty members across the campus's departments, schools, and ORUs.

These ICR dollars are generated through the efforts of faculty members, and for this reason, if no other, the faculty are entitled to assurances that deans/VCR are spending ICR funds for the support of faculty research at Berkeley. We thus recommend that the deans/VCR expend these funds in accordance with the principles below, reporting annually to the campus's faculty on their expenditures. Because this distribution of ICR is novel, we recommend that it be tried as a three-year pilot program and reviewed toward the end of that period in order to determine whether it has succeeded.

Principles for spending ICR funds returned to deans/VCR:

1. In using ICR funds, over time deans/VCR should address the needs of their research communities bearing in mind the rough proportion in which those communities generate ICR as well as the needs of all research constituencies within the unit.
2. In using ICR funds, deans/VCR should generally avoid covering costs of research that could be classified as direct costs on grants.
3. Deans/VCR should use ICR funds primarily to meet shared needs and to expand research opportunities. Examples might include these: purchase of shared instrumentation; provision of shared facilities; employment of technical staff who serve the needs of multiple researchers; maintenance and upgrades for buildings housing many research facilities; creation of programs of seed funding for research that invite applications from many individuals; provision of matches required by funding agencies for items that serve a common good.
4. Deans/VCR should support Berkeley's collaborative research environment by seeking, as appropriate, to pool funds to meet needs of faculty across varied campus units.
5. Deans/VCR should be open to hearing from faculty members about needs that might be appropriately addressed with ICR funds.
6. Deans/VCR will explain clearly, at least once a year, how much ICR funding was provided to them, how much they spent, and what they spent it on. They will provide their reports concerning ICR to the campus Budget Office, which will post the reports on its web site. The Senate will offer annual reviews of these reports. These processes will advance the general goal at every level of the campus to provide greater budget transparency.

Unit Description	2012 Ledger ICR Generated	Unit Research Support @ 6%
VC Research	35,952,235	2,157,134
Engineering	27,018,985	1,621,139
L&S Bio	14,859,034	891,542
SPH	9,412,585	564,755
L&S MPS	8,964,220	537,853
CNR	7,368,453	442,107
Chemistry	7,010,292	420,618
Optometry	2,523,781	151,427
Education	1,293,240	77,594
L&S SS	851,787	51,107
Information	447,905	26,874
Law	425,267	25,516
Social Welfare	267,532	16,052
Business	134,817	8,089
Public Policy	96,178	5,771
UC Library	94,285	5,657
Journalism	62,284	3,737
L&S A&H	44,100	2,646
L&S Undergrad	-	-
Env. Design *	-	-
	116,826,980	7,009,619

* Note: Faculty in the College of Environmental Design have run all their grants through other decanal units or through ORUs that report to the VCR. They may choose to change that arrangement going forward.