

13. Report of Facilities and Administrative (F&A) Receipts, 2014-15.....Michael Vollmer

Situation: Annually, the Board of Governors is required to report to the Joint Legislative Education Oversight Committee and the Office of State Budget and Management the sum of overhead receipts collected and expended by the University of North Carolina.

Background: The University of North Carolina serves the state's interests through a three-part mission of teaching, research, and public service. UNC's reputation as one of the nation's top public university systems has been built, in part, on the volume and quality of research and sponsored programs conducted by its faculty. Recognizing that research carries necessary administrative, facilities, and other expenses above and beyond the direct costs of the project, federal agencies have included in research grants and contracts a portion of funds to help offset these related costs – commonly called "indirect costs," "facilities and administrative receipts" or "overhead receipts." G.S. 116-11 (9a) directs the Board of Governors to report on the collection and use of these receipts by grant or program. The statute also directs the Board to report on the use of these receipts to provide for the maintenance and operation of facilities that were constructed with or at any time operated by funds from the General Fund.

Assessment: The University of North Carolina received \$230.1 million in overhead receipts during the fiscal year and expended \$317.2 million. Of the expenditures, \$100 million was used to provide for the maintenance and operation of facilities constructed with or operated by general fund appropriations. The systemwide ending fund balance supported by these receipts on June 30, 2015 was approximately \$164.8 million.

Action: This item is for information only.

**Report on Facilities and
Administrative (F&A) Receipts**



**The University of North Carolina
Board of Governors**

March 2016

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**UNC Report on Overhead Receipts
[Facilities and Administrative (F&A) Receipts]
2014-15**

Legislation enacted by the 2013 General Assembly (S.L. 2013-360) included the following special provision directing the Board of Governors to report annually on the amount and uses of facilities and administrative receipts:

UNC BOARD OF GOVERNORS REPORT ON OVERHEAD RECEIPTS

SECTION 11.6.(a) G.S. 116-11 is amended by adding a new subdivision to read: “(9a) The Board of Governors shall report to the Joint Legislative Education Oversight Committee and the Office of State Budget and Management by March 1 of each year regarding the sum of facilities and administrative fees and overhead receipts for The University of North Carolina that are collected and expended by each constituent institution. The report shall include all of the following information:

- a) The collection of facilities and administrative fees and overhead receipts by grant or program.
- b) The use of facilities and administrative fees and overhead receipts showing expenditures by grant or program.
- c) The sum of facilities and administrative fees and overhead receipts collected or expended by each constituent institution for maintenance and operation of facilities that were constructed with or at any time operated by funds from the General Fund.”

In response to that legislation, this report covers the state fiscal year ending June 30, 2015.

Background

The University of North Carolina serves the state's interests through a three-part mission of teaching, research, and public service. UNC's reputation as one of the nation's top public university systems has been built, in part, on the volume and quality of research and sponsored programs conducted by its faculty. With limited direct state appropriations for research, the University has depended heavily on obtaining competitive grants and contracts to support research efforts.

In recent decades, the federal government has increased efforts to promote scientific research at United States universities, as well as research conducted by federal, nonprofit, and commercial laboratories. Recognizing that research carries necessary administrative, facilities,

and other expenses above and beyond the direct costs of the project, federal agencies have included in research grants and contracts a portion of funds to help offset these related costs – commonly called "indirect costs," "overhead receipts," or "facilities and administrative (F&A) receipts." In keeping with current federal reporting practices, the term “facilities and administrative (F&A) receipts” is used for the remainder of this report.

Under federal OMB Circulars, facilities and administrative receipts generally reimburse for costs associated with supporting grants and contracts activities of the institution in a manner consistent with the formulae under which the funds were recovered. Internal university controls pertaining to the compliance requirements for sponsored project expenditures under OMB Circular A-133 are designed to provide reasonable assurance regarding the achievement of the following objectives:

1. Transactions are properly recorded and accounted for in order to permit preparation of reliable financial statements and reports and maintain accountability over assets.
2. Transactions are executed in compliance with laws, regulations and provisions of federal and state laws and in accordance with sponsored agreement terms.
3. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Research and other sponsored program awards to the 16 UNC campuses and the North Carolina School of Science and Mathematics totaled nearly \$1.36 billion for FY 2014-15. For the year, about three-quarters of research and sponsored program awards come from federal sources, with over 12 percent from private industry and nonprofit organizations, while State and local governments provide about 3 percent of the receipts. Every \$1 million of research supports a total of thirty-six jobs. That does not take into account the economic impact of inventions, patents, or spin-off companies started by University researchers.

Grants and contracts support thousands of individual projects that improve human health, understanding of the natural world, education, national defense, and other areas critical to the nation and state. Not only do grants and contracts support leading-edge science and public

service, but these funds are also used to support the state's workforce. Grants and contracts support salaries for faculty, post-doctoral fellows, staff, graduate assistants, and undergraduate researchers, all of whom keep the University of North Carolina in the forefront of regional economic development and training.

In 2014-15, UNC earned a total of \$230.1 million in facilities and administrative receipts. F&A receipts were expended by each campus to support costs associated with maintaining an environment conducive to conducting research and scholarly advancement and ensuring competitiveness for attracting additional research funds. In 2014-15, UNC expended a total of \$317.2 million of these facilities and administrative receipts. It is important to note that F&A receipts and expenditures for a given year are often not the same due to timing differences between receipts and expenditures and planning F&A receipt supported projects.

UNC institutions also expended \$100 million of F&A receipts to operate or maintain facilities constructed with or operated by general fund appropriations.

Amount of Facilities and Administrative Receipts

University-wide, a total of \$230.1 million was earned in facilities and administrative receipts during the 2014-15 fiscal year. Consistent with their research missions, the two major research universities, North Carolina State University (21.7%) and UNC-Chapel Hill (67.1 %), accounted for 88.8 percent of the University-wide total. Receipts for seven institutions – Appalachian State University, East Carolina University, North Carolina A & T State University, North Carolina Central University, UNC Charlotte, UNC Greensboro, and UNC Wilmington accounted for most of the remaining F&A receipts. Research has increased at these seven campuses, which has translated into increased facilities and administrative receipts.

Uses of Facilities and Administrative Receipts

Facilities and Administrative receipts are expended in a manner consistent with the earning rates negotiated with the federal government to recover a part of the actual costs of conducting federally sponsored research that are otherwise not reimbursable from grants and contracts.

The principal priorities for programmatic expenditures were designed to:

- maintain and expand research infrastructure
- provide matching funds/cost-sharing for external grants
- support research-related administrative functions
- encourage new research activity
- foster research/creative activity in the classroom
- provide for research support and assistantships
- promote grantsmanship education
- fund faculty "start-up" packages (support staff, laboratory facilities, equipment, and operating expenses)
- sustain academic programs, including the libraries
- provide for capital improvements and debt service
- support strategic initiatives
- provide scientific equipment

Each of the campuses also reported on the purpose its expenditure priorities for the year in one of the fourteen following programs:

Program	Expenditure
Institutional Support	\$ 98,512,214
Organized Research	70,038,447
Multi-Activity (transfers to capital)	55,512,929
General Academic Support	29,207,833
Regular Term Instruction	26,657,882
Physical Plant	18,920,307
Student Financial Aid	12,022,032
Libraries	3,653,203
Student Services	1,506,280
NCSU Veterinary Medicine	631,479
Community Services	520,062
Other Auxiliary Operation	15,389
UNC-CH School of Government	6,309
Extention Instruction	3,782
Total	\$ 317,208,148

In addition to the programmatic summary, each institution also provided an accounting of how F&A receipts were spent in FY 2014-15. Across the system, expenditures and percentages of each were categorized as follows:

Expenditures	Amount	Percent of Total
Personal Services	95,054,539	30%
R&R Construction Debt Service	91,642,085	29%
Purchased Services	62,334,305	20%
Property, Plant & Equipment	20,815,491	7%
Supplies	20,738,170	6%
Aids & Public Assistance	14,376,145	4%
Other Expenses & Adjustments	12,247,413	4%
Total	317,208,148	100%

Expenditures by UNC-Chapel Hill and North Carolina State University account for 88.8 percent of the total F&A expenditures. The University as a whole spent more F&A receipts than were brought in during 2014-15 reducing the F&A fund balance by just over \$87.1 million. System-wide F&A receipts supported approximately \$164.8 million of fund balance on June 30, 2015. UNC-CH accounted for 23% of this total or \$38 million; for UNC-CH this represents a decrease in fund balance from June 30, 2014 of \$100.9 million. Since the beginning of fiscal year 2015, UNC-CH has allocated this balance to the following major projects:

- Mary Ellen Jones Renovation - \$47 million
- ConnectCarolina Implementation and Post Go-Live Support - \$16 million
- Research Facilities Debt Service/R&R - \$22 million

In addition each campus has highlighted its major F&A expenditures for the year:

Appalachian State University

- ◆ Personnel necessary to carry out the research and sponsored programs mission (3.5 FTE Pre-Award, 3.5 FTE Post-Award, and other essential personnel)
- ◆ Supplies, software, equipment, memberships, and maintenance agreements on equipment used for research

East Carolina University

- ◆ Fund direct costs related to research activities, such as: safety, regulatory compliance, hazardous waste disposal, business services, and information technology
- ◆ Provide funds for strategic research program enhancement as directed by senior leadership on campus
- ◆ Renovate and outfit research facilities and purchase and maintain research equipment and to provide start-up funds for new faculty

Elizabeth City State University

- ◆ Fund contracts and grants positions
- ◆ Fund annual audit of federal grants and programs
- ◆ Provide seminars and training workshops for faculty and staff to enhance proposal writing and grants management skills
- ◆ Support research management tool and management of federally mandated research compliance
- ◆ Critical and/or emergency needs identified by the Chancellor

Fayetteville State University

- ◆ Support indirect grant administration overhead
- ◆ Provide grant writing workshops and seminars to promote and encourage faculty and staff to apply for new grants
- ◆ Fund e-procurement and e-payment business innovation initiatives
- ◆ Fund single audit cost with State Auditor costs for federal programs

North Carolina Agricultural and Technical State University

- ◆ Provide research services for workshops, training classes for faculty and graduate students on grant writing, budget preparation and management, research opportunities, and research compliance
- ◆ Support for patent protection, outreach, and economic development related to research
- ◆ Production of research communications materials and promotion through social media
- ◆ Support of pre-award and post-award research administration functions for sponsored activities

North Carolina Central University

- ◆ Provide support for research infrastructure, including but limited to personnel, research databases, compliance tools, workshops and maintenance of scientific equipment
- ◆ Support for protection of university intellectual property and research related economic development initiatives
- ◆ Provide seed funding for further grant and proposal submissions which will spur research activities

University of North Carolina School of the Arts

UNCSA had no F&A receipts or expenditures in 2014-15.

North Carolina School of Science and Mathematics

NCSSM had no F&A receipts or expenditures in 2014-15.

North Carolina State University

- ◆ Acquire specialized research equipment and provide operational support for shared research facilities and in support of faculty recruitments and retentions
- ◆ Provide operational support for research units and research training programs
- ◆ Fund building repairs and renovations necessary to support research activities
- ◆ Invest to support research administration and regulatory compliance as well as to stimulate new research programs

University of North Carolina at Asheville

- ◆ Fund 2.25 FTE of pre and post award staff to support faculty and staff activities for the procurement, administration, and compliance of externally funded projects
- ◆ Provide campus research infrastructure support and equipment maintenance
- ◆ Provide a limited re-distribution of F&A receipts to qualifying departments to advance further research and programming initiatives

University of North Carolina at Chapel Hill

- ◆ Fund major repair and renovation projects for research facilities
- ◆ Fund the centralized research administration operation to ensure quality research and compliance with award terms and conditions
- ◆ Support strategic initiatives, faculty start-ups and research computing

University of North Carolina at Charlotte

- ◆ Debt service for the Partnership, Outreach, and Research to Accelerate Learning (PORTAL) facility, a premier workspace and innovation center for regional and global business pioneers. PORTAL is the University of North Carolina at Charlotte's latest commitment to industry-university partnership designed to spur business growth and job creation, promote research and innovation, and support the entrepreneurial ecosystem in the Charlotte region.
- ◆ Capital improvements and infrastructure, including a partnership with the City of Charlotte for renovation of campus utilities to accommodate for the future light rail station on campus
- ◆ Increased research administration operations including patent development

University of North Carolina at Greensboro

- ◆ Fund direct labor costs related to research/contract, corporate and foundation proposal and award management, undergraduate and graduate student support, safety, and regulatory compliance
- ◆ Fund direct labor costs related to local and state requests for economic and community development assistance including commercialization and technology transfer
- ◆ Renovate and up-fit facilities in order to accommodate grant/contract facilities' requirements, operation and maintenance of lab facilities, and library expenses related to research

University of North Carolina at Pembroke

- ◆ Fund 2 FTE of staff positions in the Office of Sponsored Research to assist faculty and staff in proposal development, preparation, and submission
- ◆ Provide on campus grants workshops, databases and search tools

University of North Carolina at Wilmington

- ◆ Support costs associated with maintaining an environment conducive to conducting research and scholarly advancement
- ◆ Maintain and provide capital improvements and debt service for research infrastructure
- ◆ Support research-related administrative functions
- ◆ Foster research/creative activity in the classroom

Western Carolina University

- ◆ Pay salaries and other operating expenses associated with research activities
- ◆ Support research related professional development for faculty

Winston-Salem State University

- ◆ Support a program to initiate faculty research, maintain research databases, and support other faculty professional development
- ◆ Fund lab inspections, compliance committee training, and administrative overhead
- ◆ Provide assistance with leasing a space for the Center for Community Safety and Health Disparities unit.
- ◆ Provide assistance with start-up costs to support a new grant funded commerce initiative

University of North Carolina General Administration

- ◆ Provide related compliance infrastructure, including Director of Sponsored Programs and accountant position, to administer Uniform Guidance (2 CFR Part 200) compliance standards
- ◆ Support nominal F&A costs for sponsored programs not funded in the grant proposals, e.g., compliance systems/services, information technology support and supplies

Conclusion

Facilities and Administrative receipts are expended to support costs associated with maintaining an environment conducive to research and scholarly advancement and ensuring competitiveness for attracting additional research funds. Specifically, these funds support the staff and operating costs for research functions, audit and compliance related to grants and contracts, facilities and equipment repairs and maintenance, debt service for facilities that provide research space, maintenance and operation of the physical plant and offices that provide support to the universities' research endeavors, and investment in the libraries to maintain current research related collections and services. F&A funds are increasingly important as University research is a critical and growing economic driver for the State of North Carolina.

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University of North Carolina
2014-15 Facilities and Administration Receipts
Summary

Institution Name	F&A Receipts			Total Receipts
	Federal	State	Other	
Appalachian State University	\$ 562,999	\$ 234,178	\$ 332,780	\$ 1,129,957
East Carolina University	3,588,803	234,416	906,371	4,729,590
Elizabeth City State University	330,633	14,110	16,150	360,893
Fayetteville State University	328,033	143	20,000	348,176
North Carolina Agricultural and Technical State University	3,609,628	4,621	32,347	3,646,596
North Carolina Central University	1,936,847	132,228	150,185	2,219,260
North Carolina State University	28,966,701	4,548,024	16,322,923	49,837,648
University of North Carolina at Asheville	248,275	13,890	4,283	266,448
University of North Carolina at Chapel Hill	120,689,903	2,034,083	31,808,189	154,532,175
University of North Carolina at Charlotte	5,188,885	92,860	1,245,604	6,527,349
University of North Carolina at Greensboro	3,648,076	153,884	256,520	4,058,480
University of North Carolina at Pembroke	183,738		-	183,738
University of North Carolina at Wilmington	1,093,138	30,275	144,042	1,267,455
Western Carolina University	343,532	1,584	44,800	389,916
Winston-Salem State University	328,911	11,370	14,664	354,945
University of North Carolina School of the Arts			-	-
North Carolina School of Science and Mathematics			-	-
University of North Carolina General Administration	111,364	75,616	66,329	253,309
Total	\$ 171,159,466	\$ 7,581,282	\$ 51,365,187	\$ 230,105,935

University of North Carolina
2014-15 Facilities and Administration Receipts
Summary

Institution Name	F&A Expenditures							
	Community Services	Extention Instruction	General Academic Support	Institutional Support	Libraries	Multi-Activity	NCSU Veterinary Medicine	Organized Research
Appalachian State University			\$ 740,241	\$ 286,132				\$ 20,000
East Carolina University								6,231,833
Elizabeth City State University			28,495	380,480				
Fayetteville State University	34,947		32,070	248,560				138,270
North Carolina Agricultural and Technical State University			1,009,501	260,235				689,152
North Carolina Central University				387,077				487,015
North Carolina State University	315,798		904,489	12,455,092	1,566,327		631,479	11,103,984
University of North Carolina at Asheville				176,973		57,981		
University of North Carolina at Chapel Hill		3,782	17,775,699	82,782,341	2,086,876	55,439,041		51,012,231
University of North Carolina at Charlotte			4,314,562	320,503				
University of North Carolina at Greensboro			3,580,362	499,478				
University of North Carolina at Pembroke	9,181		106,183					
University of North Carolina at Wilmington			640,831	16,428				276,768
Western Carolina University	1,954		14,877	395		15,907		19,464
Winston-Salem State University	158,182		60,523	271,896				59,730
University of North Carolina School of the Arts								
North Carolina School of Science and Mathematics								
University of North Carolina General Administration				426,624				
Total	\$ 520,062	\$ 3,782	\$ 29,207,833	\$ 98,512,214	\$ 3,653,203	\$ 55,512,929	\$ 631,479	\$ 70,038,447

University of North Carolina
2014-15 Facilities and Administration Receipts
Summary

F&A Expenditures (continued)

Institution Name	Other Auxiliary Operation	Physical Plant	Regular Term Instruction	School of Government	Student Financial Aid	Student Services	Total Expenses
Appalachian State University							\$ 1,046,373
East Carolina University							6,231,833
Elizabeth City State University							408,975
Fayetteville State University			18,515				472,362
North Carolina Agricultural and Technical State University		-	55,944		11,000	923	2,026,755
North Carolina Central University			947,197				1,821,289
North Carolina State University		7,582,356	2,738,253		108,000	429,854	37,835,632
University of North Carolina at Asheville			31,494				266,448
University of North Carolina at Chapel Hill	15,389	11,329,154	22,213,302	6,309	11,715,826	1,064,332	255,444,282
University of North Carolina at Charlotte							4,635,065
University of North Carolina at Greensboro		10,797					4,090,637
University of North Carolina at Pembroke			13,352				128,716
University of North Carolina at Wilmington		(2,000)			187,206		1,119,233
Western Carolina University			218,487				271,084
Winston-Salem State University			421,338			11,171	982,840
University of North Carolina School of the Arts							-
North Carolina School of Science and Mathematics							-
University of North Carolina General Administration							426,624
Total	\$ 15,389	\$ 18,920,307	\$ 26,657,882	\$ 6,309	\$ 12,022,032	\$ 1,506,280	\$ 317,208,148

University of North Carolina
2014-15 Facilities and Administration Receipts
Summary

Institution Name	Change in F&A Fund Balance			
	Receipts Total	Expenditures Total	Change in Balance	2014-15 Ending Balance
Appalachian State University	\$ 1,129,957	\$ 1,046,373	\$ 83,584	\$ 2,073,381
East Carolina University	4,729,590	6,231,833	(1,502,243)	9,778,345
Elizabeth City State University	360,893	408,975	(48,082)	553,853
Fayetteville State University	348,176	472,362	(124,186)	245,230
North Carolina Agricultural and Technical State University	3,646,596	2,026,755	1,619,841	2,235,993
North Carolina Central University	2,219,260	1,821,289	397,971	2,689,842
North Carolina State University	49,837,648	37,835,632	12,002,016	69,362,564
University of North Carolina at Asheville	266,448	266,448	-	684,889
University of North Carolina at Chapel Hill	154,532,175	255,444,282	(100,912,107)	38,102,311
University of North Carolina at Charlotte	6,527,349	4,635,065	1,892,284	24,402,121
University of North Carolina at Greensboro	4,058,480	4,090,637	(32,157)	8,798,724
University of North Carolina at Pembroke	183,738	128,716	55,022	466,210
University of North Carolina at Wilmington	1,267,455	1,119,233	148,222	2,250,073
Western Carolina University	389,916	271,084	118,832	1,592,263
Winston-Salem State University	354,945	982,840	(627,895)	523,743
University of North Carolina School of the Arts	-	-	-	-
North Carolina School of Science and Mathematics	-	-	-	-
University of North Carolina General Administration	253,309	426,624	(173,315)	1,073,315
Total	\$ 230,105,935	\$ 317,208,148	\$ (87,102,213)	\$ 164,832,857