FACULTY COUNCIL MEETING
NOVEMBER 30, 2005
LINFIELD HALL, ROOM 113
4:10 AM – 5:00 PM
MONTANA STATE UNIVERSITY-BOZEMAN, MONTANA
Minutes

Members Present: Amin, Bailey, Becker, Brown, Cherry, Christopher, Croy, Dyer, Giusti for Catoira, Jones, Larkin, Locke, Lynes-Hayes, C. McClure, M. McClure, Neeley, Ryker, Seymour, Stringam, Taper, Yoo

Members Absent: Ashley, Bennett, Bradley, Erickson, Idzerda, Jackson, Johnson, Levy, Marlow, Pratt, Prawdzienski, Psychology, E. Schmidt, Scott, Stroup, Taylor, Watson for Metz

Others: Dooley, Fedock, Lansverk, McCoy, Phillips

Chair Shannon Taylor called the meeting to order at 4:10 PM. A quorum was present. The minutes from November 7, 2005 and November 16, 2005 were approved.

F&A Funds - Tom McCoy, Vice President for Research and Creativity

- MSU Administration and the Commissioner's Office have been discussing research and indirect cost issues with the Student Senate as early as the second week of ASMSU meetings and have continued to the present. Those meetings have been with Geoff Gamble, Jim Rimpau, Dave Dooley, Tom McCoy and Cathy Conover.
- The current terminology for "Indirect Costs" is "F&A" costs. It is a complicated negotiation process with the federal government. MSU hires an outside consulting firm, who also negotiates for major research universities across the country. The process takes approximately 6 months in which you submit claims, request a certain rate, and then negotiate. You almost never get the rate you ask for, and the federal government usually gives you a reduced rate. If anyone is interested in the entire process, Dr. McCoy stated that he would be glad to set up an audience with Leslie Schmidt and Dale Huls.
- John Baden, an economist and columnist for the Bozeman Chronicle, gave as an example, that if you do $100,000,000 in research, you should generate $41,500,000 in indirect costs. The reality is that the effect of the negotiated pay rate (through HHSOMB and applies as your maximum rate) is set differently with different agencies and the $41.5M is the most you may receive. If we have NSF and NIH that allow us to collect at the maximum rate (by policy), we collect $41.5M. Just so you all know, at $98.5M from last year when you talk about expenditures, that includes indirect costs. Go back and do a quick math, so your max is not $41.5M, your maximum is $28.9M because your direct costs being X, the expenditures are actually X+X(your IDC rate); you are adding direct and indirect costs and that removes $12.6M off the table. Then there are other factors and our rate last year was 15-16% as opposed to that maximum of $28.9M. There are many reasons for that. When you go through your grants and calculate your indirect costs which are a modified total direct cost. You may only elect indirects from that. That removes equipment and subcontracts from the proposal relative to what the final number is. Supposed you have $100,000 (direct costs) for you total grant cost. If your equipment costs ($25,000), your grant is now $75,000. If you had tuition at $10,000, now you have $65,000. If your were working with someone from another institution, they came to MSU, they would incur a "participant support cost" of $10,000. Therefore, if you had $100,000 collecting $41.5K, you are down to $50K collecting $21K. This is a very common event reflected in budget sheets. The only way you would have $41.5K is if your direct costs equaled your modified direct costs.
- It is important to remember that NSF, NIH, and NASA (and others) will allow MSU to collect $41.5M because we are a land grant institution. Last year the number one college for total expenditures was the College of Agriculture, who is heavily dependent on two sources of USDA funding. One is NRA, capped at 25%, and other special grants, which totaled $7M. By a statue in Congress, if we want a special grant from USDA, we cannot pledge any money in indirect costs. These are grants that are important in Montana since we are agricultural state. We cannot collect indirect costs, but it is money we can expend. I am trying to emphasize that many agencies cap well below the maximum allowable rate. The predominantly NSF and NIH, and we are still not getting the effective rate of $41.5 because of equipment. Are there rules that we are following? In 1989, the Montana legislature crafted this language and there has been no change and as our former budget director under Martz's administration, Chuck Wisgood, reminded Dooley and Gamble that he applauded the fact that we continued to follow legislative intent. Current legislatures do not have to follow past legislative directives. But there have been no other legislative directives since 1989.

- MSU invests in research/creative activities, and there is a distribution formula of 55/9 and 27/9. There are different scenarios for different situations, particularly with respect to earmarked funds. Exact numbers are available, as there are great details of line items under each category. The broad categories include "Recovered F&A" that are distributed to colleges, dept and PI's:
  - **What colleges and departments fund**.
    - Shared costs for start-up packages;
    - Equipment;
    - Support staff, e.g., accounting personnel;
    - Graduate student and undergraduate student support.
  - **Faculty start-up packages** from VP for Research. Recovered F&A funds are the only source MSU has for start-up packages for new hires. These are one to three-year commitments of support for new faculty in order to give them the resources to initiate a program that they can fund through competitive grants. Examples of items funded as part of start-up packages include:
    - Graduate and undergraduate student support;
    - Technician support;
    - Equipment;
    - Operations and supplies;
    - Summer salary (1-2 summers).
  - Within the overhead (fiscal) and operational infrastructure, we have **two broad categories**:
    - **Research/sponsored programs.**
      - In 2002, for research operation of $1.2M, we got $800,000 from the state, as indicated in the UPBAC budget. $400,000 went to the engineering experiment station. We get $800,000, .8% to run a $100M operation, which cannot be done. All OSP salaries (Technology Transfer Office), etc. are covered by IDC's.
      - MSU operates an animal research center that is very expensive and is financed from F&A. Associated funding of the director, operations support, collection of user fees for the facility do not cover the cost to run it.
      - Radiation safety/hazardous waste facility;
      - Image and chemical analysis lab;
      - Institutional review committee;
      - NMR faculty.
    - **Institutional costs.**
      - Overhead is handled by the VP of Admin and Finance, who may allocate where to invest the money in terms of personnel, utilities, O&M. It is a negotiated amount.
      - Library support, last year, was $115,000 went to the library to journals. They are dependent on F&A for funding.
      - O&M for Plant Bioscience Building.
      - Information Technology Center.
      - Internet 2 service costs.
    - **Space solutions.**
      - Space constraints on campus have impeded MSU's ability to expand learning/teaching/research facilities, therefore a significant portion of recovered F&A are used to solve space shortages on campus. The three major areas where F&A are being used are:
        - Servicing of debt for the chemistry building - Beginning in FY05 recovered F&A funds will be used to service the debt and cover the O&M costs for the new chemistry building. If we are successful in securing Gaines Hall renovation funding in the FY07 Legislature, this will allow a complete renovation of Gaines Hall into state-of-the-art classrooms and laboratories for the Department of Chemistry, Earth Sciences and Modern Languages, as well as the addition of registrar controlled classrooms.
        - Leased space – Currently, the Molecular Biosciences Building in Tech Park currently houses Veterinary Molecular Biology, Western Transport Institute (WTI), and Montana Manufacturing Extension Center (MMEC). Veterinary Molecular Biology (VMB) has been so successful, they are our first $10M expenditure department this past year. When we decided to first do the lease for VMB, they were $2M expenditure department. They do a lot of NIH and have exceeded their value within the space they are occupying. Beginning January 1, 2006, WTI and MMEC will move to building #2 of the former Video Lottery Technology facility south of the stadium.
        - Renovation – Projects that have been and will be supported by F&A funds have enabled MSU to convert under utilized and unacceptable space into modern research and teaching space.
    - **Grant Matching – Examples of programs MUS had to match using recovered F&A:**
      - Grants in support of education programs.
        - NSF Institutional Reform Grant;
        - Hewlett Foundation Grant; Reinventing the CORE;

- NSF IGERT grant;
- Minority apprenticeship program (MAP);

- Equipment grants for major equipment and instrumentation – NIH, NSF, USDA, Murdock Trust, etc.
- EPSCoR programs. We have received matching funds for the NSF, EPSCoR and NIH IDeA programs from the R&C Board; however, we have had to provide matches for DOD, DOE, and NASA EPSCoR.

- The students have a chart illustrating as tuition goes up, research goes up. This is a spurious correlation and causation effect that is not necessarily tied to each other. In reality, there is no relationship. There is no money going in from tuition to research activities on the Bozeman campus.

QUESTIONS/ANSWERS

1. Have you thought about writing a blurb in the EXPONENT and/or Chronicle on the numbers you have presented?
   The ideal situation would be to have someone from outside make the same points. It would give credibility to the information presented here today. It is more than just F&A. Decisions to embark on research in the university happened 30 years ago, and that is the path we have taken. Salaries associated with hiring research faculty make hiring those kinds of faculty more expensive.
2. I believe it would be helpful to explain something in the EXPONENT to give them a clear picture of the reality or where research funds come from and how they are allocated.
3. I would think that students would be happy to have research faculty on their campus, as they will be able to bring new findings and cutting edge information to them in the classrooms.
4. Research comes at a cost, no matter what. The students were looking at the numbers from a different perspective, and we need clarity about what is going on.
5. Regarding this idea that the administration is being proactive in making the research mission clearer, I would like to see more of a systematic approach, and not just in enhancing classroom prowess. I don't think people appreciate that some grants go to fund my students' stipend. They pay Montana state taxes. I think that things like that are not being presented to the legislature; I would like to see some kind of initiative to come up with a concise plan/program. Do you have a program like that?
   We will be making those presentations probably in the '07 legislature. Previous to that, we made arguments that we needed matching funds and would be lacking if we didn't get them. Our earlier language was easy to get by legislature, because the entire collection of IDC's with MSU and U of M was $1M. Last year is was over $25M. The MUS produced materials on the economic impact of the universities by campus in aggregate and has been widely used in legislation. The impact of MUS is staggering. Regent Mercer, who was skeptical, understood the numbers and is now a large proponent of higher education in Montana. We have not articulated very well our shared vision (part of our five-year goals at the university) and what it means to have undergraduate education take place in research intensive university and what we really mean by the integration of learning and discovery knowledge. We should collaborate on that endeavor.
6. For research space, where are the utilities coming from?
   Students and faculty support lines.
7. Could you elaborate infrastructure (earmarks)?
   Last year the expended amount of money out of the $98.5M was approximately $12M for earmarks. It was spent in a variety of ways across campus. At the present time, we use earmarks to build programs and invest in tenure track faculty. Earmarks are institutional funds. What we do collect, we hold centrally and invest it in programs that will give us a return.

The meeting was adjourned at 5:00 PM, as there was no other business.

Signature
Shannon Taylor, Chair

Signature
Gale R. Gough, Secretary