Minnesota State University, Mankato

Facilities and Administration Costs (formerly called Indirect Costs)

All externally funded projects must include facilities and administration (F&A) costs. Project Investigators (PI)s are responsible for including F&A costs in their budget.

Definition of Facilities and Administration (F&A) Costs

F&A costs are broad categories of costs. "Facilities" is defined as depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses. "Administration" is defined as general administration and general expenses, departmental administration, sponsored projects administration, student administration and services, and all other types of expenditures not listed specifically under one of the subcategories of Facilities (including cross allocations from other pools). See OMB Circular A-21 http://www.whitehouse.gov/omb/circulars/a021/a021.html

F&A Rates

Federal Grants and Contracts: (The federal rate was negotiated with the Department of Human and Health Services Central States Office and dated February 18, 2005.)

On campus 46% of MSU personnel cost, excluding fringe benefits
Off campus 15% of MSU personnel cost, excluding fringe benefits

State, Local, Foundation or Corporate Grants and Contracts:

8% of Total Direct Costs or the maximum allowed by the agency

Policy on Variances or Waiver of F&A Costs

In accordance with Minnesota Statute 16A.127, Minnesota State University, Mankato (MSUM) requires F&A recovery on all externally funded activity. MSUM reserves the right to reject any proposal that does not include F&A costs. MSUM does not allow variances or waiver of F&A recovery except as allowed by these guidelines. If the funding entity has a policy prohibiting full F&A recovery or has special requirements regarding F&A cost recovery to the University, the PI is responsible for submitting a copy of that policy to the Office of Research and Sponsored Programs with the Campus Approval for Externally Funded Projects (CAEFP) form.

F&A Budget Distribution

The purpose and goal of the Grants and Contracts F&A Recovery budget distribution is to provide funding and support for continued and new activity in research, grants, and contracts to the University.

Distribution Formula

By October 1 of each year, University funds equivalent to the amount of F&A costs recovered from grants and contracts in the previous year will be distributed as follows:

50% to the appropriate division or college generating the activity in the previous year

30% to Office of Research and Sponsored Programs to provide administrative support to faculty and staff for research, grants and other outside funding

10% to Library Services for research support and resources
10% Student Affairs Initiative/Post Award Support

Use of Funds Distributed to Divisions and Colleges

- Proposal development costs (postage, printing, staff time)
- Travel to seek possible funding, to engage in research or creative activity, or to present research or creative results
- Equipment and supplies purchased or leased to support research or creative activity
- Matching funds required by granting agencies
- Service Contracts
- Research Assistantships (including tuition reimbursement) and student help
- Adjunct or other staff time to replace time reassigned for research, project support, or proposal development
- Other expenditures that provide direct benefit to projects supported by external funding.

Use of Funds for Administrative Support to Faculty and Staff

- Funds allocated to the Office of Finance and Administration will be used to provide post award support.
- Funds allocated to the Office of Research and Sponsored Programs (RASP) will be used to supplement its operating and personnel budget. Additionally, the RASP allocation will be used for the following:
  1. No less than 15% of the RASP Allocation will be used to support proposal development activities by faculty and staff such as grant writing assistance; project investigator training; undergraduate or graduate student help during proposal development or project implementation such as preliminary data acquisition and analysis; peer review and research mentoring; travel to meet with collaborators, program officers and institutions with which MSUM must subcontract.
  2. Subscriptions to external funding search services
  3. Training and Workshops for faculty and staff
  4. Salary for graduate assistants who will provide grant mining and proposal development assistance to colleges

Use of Funds Distributed to Library Services

- Acquisition of resources that support faculty research and scholarship beyond normal purchases that support curriculum or departmental needs
- Acquisition of research-related resources of university wide interest
- Purchase of trial subscriptions to research resources

Distribution Process

1. A unique F&A account will be established in each division or college from which expenditures will be made.
2. By October 1, the budget for F&A recovery from activity collected in the previous year will be added to the appropriate division or college cost center and the pre and post award cost centers.

3. Each division or college will have a process for distribution of these funding during the fiscal year for use in generating new research, grant and contract activity or in support for continued activity through a written request for use of the funds made to the appropriate Vice President or Dean.
4. Funds in these accounts do not automatically carry forward to the next fiscal year. By September 1, each division or college will be required to submit a report to the Budget Office on the use of funds during the preceding fiscal year and a plan for the use of any fund balance to be carried forward for the next fiscal year.

Reallocation of Unused F&A Funds

The carry forward balance of any unused F&A funds by Colleges, Divisions or Pre/Post Award offices will be moved to the Grant and Contract Incentive Fund the following fiscal year unless a plan for the use of unexpended funds is submitted to the Budget Office. A Sub Group of BSMC and a representative of the Research and Sponsored Programs office will administer the Grant and Contract Incentive Fund. The purpose of this Grant and Contract Incentive Fund is to provide Colleges, Divisions and Project Investigators with support so that they might increase their competitiveness for external funding opportunities. Administrators, faculty and staff may apply for funds to support proposal development activities throughout the fiscal year. Applicants will be subject to the uses of funds detailed in this policy.

The Subgroup of BSMC will include a chart detailing how Grant and Contract Incentive Funds were reallocated in its year end report that will be submitted to the Budget Office by September 1.

Minnesota State University, Mankato
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10% to Library Services for research support and resources
<u>10% Student Affairs Initiative/Post Award Support</u>

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Use of Funds Distributed to Divisions and Colleges

- Proposal development costs (postage, printing, staff time)
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  2. Subscriptions to external funding search services
  3. Training and Workshops for faculty and staff
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- Purchase of trial subscriptions to research resources

Distribution Process

1. A unique F&A account will be established in each division or college from which expenditures will be made.
2. By October 1, the budget for F&A recovery from activity collected in the previous year will be added to the appropriate division or college cost center and the pre and post award cost centers.

3. Each division or college will have a process for distribution of these funding during the fiscal year for use in generating new research, grant and contract activity or in support for continued activity through a written request for use of the funds made to the appropriate Vice President or Dean.
4. Funds in these accounts do not automatically carry forward to the next fiscal year. By September 1, each division or college will be required to submit a report to the Budget Office on the use of funds during the preceding fiscal year and a plan for the use of any fund balance to be carried forward for the next fiscal year.

Reallocation of Unused F&A Funds

The carry forward balance of any unused F&A funds by Colleges, Divisions or Pre/Post Award offices will be moved to the Grant and Contract Incentive Fund the following fiscal year unless a plan for the use of unexpended funds is submitted to the Budget Office. A Sub Group of BSMC and a representative of the Research and Sponsored Programs office will administer the Grant and Contract Incentive Fund. The purpose of this Grant and Contract Incentive Fund is to provide Colleges, Divisions and Project Investigators with support so that they might increase their competitiveness for external funding opportunities. Administrators, faculty and staff may apply for funds to support proposal development activities throughout the fiscal year. Applicants will be subject to the uses of funds detailed in this policy.

The Subgroup of BSMC will include a chart detailing how Grant and Contract Incentive Funds were reallocated in its year end report that will be submitted to the Budget Office by September 1.

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Deleted: , including the following:¶
<#>Use of funds expended¶
<#>A plan for the use of any fund balance to be carried forward for the next fiscal year. If a plan is not submitted, fund balances will be moved to a Proposal Development Fund administered by

Deleted: <#>RASP.

Deleted: <#>a Subgroup of BSMC¶
Fund balance no longer needed, to be moved to a Proposal Development Fund administered by

Deleted: RASP

Deleted: a Subgroup of BSMC.

Deleted: <#>After review of reports submitted under 5 (a-c), the carry forward balance for any unused fund balance by division or college and Pre/Post Award support services will be moved to the Proposal Development Fund administered by

Deleted: <#>RASP

Deleted: <#>a Subgroup of BSMC.¶

Deleted: The Office of Research and Sponsored Programs (RASP) will allocate no less than fifteen percent (15%) of its F&A recovery distribution to a Proposal Development Fund.

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Deleted: the Proposal Development Fund

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Deleted: The fund will help support initiatives sponsored by RASP such as training for novice and first-time grant writers, peer review and research mentoring.

Deleted: Examples of allowable activities include:¶
<#>support for preliminary data acquisition and analysis.¶
<#>student assistance during proposal development¶
<#>travel to meet with collaborators or Co-PI's¶
<#>travel to meet with program officers as appropriate ¶
travel to meet with institutions/organizations with which PI must subcontract

Deleted: RASP

Grants and Contracts Incentive Fund Guidelines

The purpose of the Grants and Contracts Incentive Fund is to encourage faculty, staff, and academic units to seek external support for their scholarship (whether it is scholarship of discovery, integration, application, or teaching.) It does this by linking funds to activities that generate or have the potential to generate additional funds. The program provides a financial incentive to divisions and colleges, departments, and individuals based on their performance in the previous year, measured by the budgeted indirect costs awarded by grant and contract sponsors.

Distribution Formula

In the Fall of each year, University funds will be set aside for the Grants and Contracts Incentive Fund in rough equivalence to the amount of indirect costs recovered from grants and contracts in the previous year (the actual amount will be determined by the President.) The incentive funds will be distributed as follows:

50% College/Student Affairs Division (total of the 3 below)
- Up to 10% for Project Director/Principal Investigator
- Up to 10% for Department
- At least 30% to College/Student Affairs Division

30% Graduate College/Research Office
10% Library Research Collection
10% Academic Affairs/Student Affairs Initiative

A unique account will be established from which expenditures will be made for each recipient; funds in these accounts may be carried forward. If the principal investigator/project director is no longer a faculty member, that allocation will be assigned to the Academic Affairs/Student Affairs Initiative account. If a Division is the responsible "department," the department allocation will be assigned to the Academic Affairs/Student Affairs Initiative account.

The principal investigator and department must submit a written request for use of the funds to the appropriate Dean or Vice President for Student Affairs.

Use of Incentive Funds

The incentive funds may be used for reasonable and allocable expenditures related to grant, contract, research, and creative activity. These include:

- Proposal development costs (postage, printing, staff time)
- Travel to seek possible funding, to engage in research or creative activity, or to present research or creative results
- Equipment and supplies purchased or leased to support research or creative activity
- Matching funds required by granting agencies
- Research assistantships (including tuition rebate) and student help
- Adjunct or other staff time to replace time reassigned for research, project support, or proposal development
- Other expenditures that provide direct benefit to projects supported by external funding

Overload pay to compensate faculty for additional duties may be funded from College or Department funds, but not from principal investigator accounts.

Minnesota State University, Mankato
FY07 Ending Reserve

Data as of 9/20/07

FY06 Ending Reserve			$6,394,474
% of FY06 Expenditure Budget			5.56%
Beginning 07 Budget Deficit (to be covered with salary savings)		($1,109,058)	
Plus:			
Salary Savings (Includes unfilled positions, new VP position, new Affirmative Action position)	$161,856		
Fringe (One time Savings from Rate Adjustment)	$400,000		
Fringe (From unfilled positions, etc.)	$600,000		
Severance/Incentive Savings	$314,338		
Utilities Savings	$325,835		
Non Salary Savings (Includes divisional savings, institutional budget savings, unused Strategic Priority funds)	$739,820		
Equipment Budget Savings	$438,659		
5% of budget to maintain reserve	$250,000		
		$3,230,508	
Less:			
Contract Travel Over Budget	($90,838)		
Tuition Revenue Under Budget	($186,454)		
KMSU Tower	($200,000)		
Less One Time Funding	($45,545)		
Campus Master Plan	($68,000)		
Football Fields Renovation	($300,000)		
		($890,837)	
Estimated Net Unrestricted FY07 Ending Reserve			$7,625,087
% of FY07 Expenditure Budget			6.30%
Compensated Absences			$1,000,000

Minnesota State University, Mankato
FY08 General Fund Budget Assumptions

Updated 10/3/07

	Scenario 1		Scenario 2		Scenario 3	
	% Inc (Dec)	Dollar Inc (Dec)	% Inc (Dec)	Dollar Inc (Dec)	% Inc (Dec)	Dollar Inc (Dec)
FY08 Revenue Projections:						
FY07 Tuition based on 13,225 FYE		13,425		13,525		13,575
Tuition Revenue						
Enrollment Assumption - FYE +/-	200	$1,000,000	300	$1,500,000	350	$1,750,000
Tuition Rate Assumption	4.00%	$2,548,000	4.00%	$2,548,000	4.00%	$2,548,000
Appropriation Assumption	3.07%	$1,585,992	3.07%	$1,585,992	3.07%	$1,585,992
Total Inc (Dec) in Revenue		$5,133,992		$5,633,992		$5,883,992
FY08 Expenditures Projections						
FY07 Salary Savings to Balance		$1,109,058		$1,109,058		$1,109,058
FY08 Anticipated Salary Savings		($500,000)		($500,000)		($500,000)
Compensaton	4.00%	$3,751,469	4.00%	$3,751,469	4.00%	$3,751,469
Compensation-Adjusted Base to Actual		$643,450		$643,450		$643,450
Contract Travel		$192,007		$192,007		$192,007
Division Non Salary/Equipment Allocation	0.00%	$0	0.00%	$0	0.00%	$0
Insurance Increases		$15,000		$15,000		$15,000
Utilities, Insurance, etc.	5.00%	$172,748	5.00%	$172,748	5.00%	$172,748
Library Materials	8.00%	$130,228	8.00%	$130,228	8.00%	$130,228
Talent Grant Scholarship Inflation	4.00%	$45,600	4.00%	$45,600	4.00%	$45,600
Grad Assistant Inflation	4.00%	$66,525	4.00%	$66,525	4.00%	$66,525
Debt Service		$200,000		$200,000		$200,000
Projected Inc (Dec) in Expenditures		$5,826,085		$5,826,085		$5,826,085
Net Surplus/(Deficit)		($692,093)		($192,093)		$57,907

Assumption Impacts: Increase/Decrease	1%	2%	3%	4%	5%	6%	7%	8%
Revenue Projections								
Appropriation	$491,775	$983,549	$1,475,324	$1,967,099				
Tuition								
Every 50 FYE Number Increase/Decrease	$250,000							
Tuition Rate	$637,000	$1,274,000	$1,911,000	$2,548,000	$3,185,000	$3,822,000		
Expense Projections								
Compensation	$937,867	$1,875,734	$2,813,601	$3,751,469	$4,689,335	$5,627,202		
Non Salary/Equipment		$0	$0	$0	$0	$0		
Library Materials	$16,279	$32,557	$48,836	$65,114	$81,393	$97,671	$113,950	$130,228

Assumption Bases

- Tuition Base
- Appropriation Base
- Talent Grant/Scholarship Base
- Grad Assist/Work Study Base
- Compensation Base
- Enrollment Base

Frequently Asked Questions

- **1. Does MSU/MnSCU receive a set amount of funding per student from the legislature?**
  - No, the legislature removed any link between enrollments and funding in the last legislative sessions.
- **2. Does MSU have the right to set any tuition level it wants?**
  - MSU has limited rights to recommend tuition levels. The Board of Trustees approves the tuition level.
- **3. How does the MnSCU Allocation Framework work?**
  - That's a longer answer…NEXT SLIDE!

Key Concepts of the MnSCU Allocation Model

- **Enrollment**
  - Enrollment does affect the allocation model
- **Autonomy of Institutions**
  - State Appropriation allocated as lump sum
  - College/university flexibility to set local budget priorities
  - Colleges/Universities keep their own tuition
- **Equity Funding**
  - Allocates only the funding that is available
- **Incentive-based**
  - Enrollment and cost effectiveness are rewarded
- **Actual Costs and External Benchmarks Are Used**

Allocation Model Components

- **Set Asides**
  - Items the model does not address
    - (OTC, Centers of Exc., IT, Underrep. Students)
- **Priority Funds**
  - Incentive and Performance Funds – (MnSCU Grants)
- **Institutional Base Allocations (3.25% Increase from FY07)**
  - Fixed Costs (library, facilities, research)
  - Variable Administrative Allocations
  - Instructional Allocation
    - Banded Cost Per FYE by program (LD/UD/GR)
    - +/- 10% of system average

Allocation Framework Result

Example: Institution X

- **Calculated Component**

< Instruction	$8,737,432
< Administration	$5,403,382
< Facilities	$1,642,314
< Library	$ 946,988
< Research and Pub Svc	$ 438,329
< Enrollment Adjust	$ (483,810)
< **Total College X**	**$16,684,634**
< **Total Framework Amount**	**$575,753,726**
< **College X's Percent Share**	**2.9%**

- College X gets 2.9% of appropriation (Always < Framework Amount)

Question

How does the Biennial Budget Cycle Work?

Two Legislative Cycles

- **Odd Year Operating Budget Cycle**
  - Legislature Deals with 2 Year Operating Budgets of State agencies
    - Spring 2007 set appropriation for FY08 and FY09
  - Session Runs from January – May
    - Lately June/July Special Sessions
    - Primary Tax (revenue) Bills
    - Primary Appropriation Bills for next 2 year
  - MnSCU Tuition/Budget Hearings
    - May/June 2007 for FY2008
    - December 2007/January 2008 for FY09

Two Legislative Cycles (Contd)

- **Even Year Bonding Budget Cycle**
  - < Legislature Deals with Major Bonding Projects
    - Capital Projects (Trafton Phase II) and HEAPR
    - Session Usually February to Early May
  - < MnSCU Capital Cycle Starts 18 Months Prior
    - Projects for Feb-May 2008 Legislature began year long MnSCU Process in August 2006.
      - Predesign, Scoring, Board Hearings, Final MnSCU Prioritized List to Dept Admin July 1, 2007
  - < Two or Three Cycle for Major Capital Projects
    - Design – 1st, Construct – 2nd, Renovate 3rd

Setting the MSU Budget

- **Revenue Sources**
  - State Appropriation
  - Tuition

- **Expenditures**
  - Ongoing Base Budgets
    - Inflation Plus Any Required Adjustments
  - Strategic Initiatives/Investments
  - Fixed Costs
  - Reserve Requirements

Challenges in Setting The Budget for First Year in a Biennium

- **Appropriation/Allocation Unknown Until June**
  - < 3.25% added to Model, MSU received 3.09%
- **Tuition Rates Not Finalized Until June**
  - < 4.0% Cap in FY08
- **Bargaining Agreements Not Settled**
  - < Planning figure of 3.25%
  - < First settlement 3.25% ATB plus steps
    - Estimated total > 4%
- **Enrollments Not Known Until First Week of Class**

Current Budget Environment

- **Limited Unrestricted Appropriations**
  - 3.09% Increase for FY08, Similar for FY09
- **Limited Tuition Increases**
  - 4% for FY08, Board to discuss further 1% buy down for FY09
- **Bargaining Settlements More than Planned**
  - Plan for 3.25% total, currently 3.25% ATB plus steps
- **FYE Growth Needed to Balance Budget**
  - Where to get resources to fund investments?

Bargaining Scenarios

- **Classified Settlements Estimated > 4%**
  - < Included in Current Budget Estimates
- **Unclassified Settlement Estimated Impacts**
  - < Each 1% increase - $525,000 impact

FY2009 Budget Environment

- **MnSCU Board may cap tuition at 3%**
- **MnSCU Allocation Model 3.25% Inflation**
- **Bargaining Settlements Still Unknown**
  - Classified Settlements Estimated > 4%
- **Bring Trafton Addition online ($684,000)**
  - Staffing, Utilities, and Debt Service

Enrollment Scenarios

- **Enrollment Growth Required to Balance Budget**
  - < 400 FYE Increase - $308,000 Estimated Surplus
  - < 300 FYE Increase – ($192,000) Estimated Deficit
  - < 200 FYE Increase – ($692,000) Estimated Deficit
- **Summer Session Revenues > $500K Surplus**