

# Biochemistry Guidelines on F&A, Salary Savings, Gifts and Reserves

Approved by the faculty 04/11/22 for full implementation on 07/01/22

The policies are based on university guidelines that were approved and became effective on December 01, 2021, and a mandate from CAFNR that Divisions revise their policies in a consistent manner. The Departmental policies are described below.

(Policies drafted below are based on preliminary plans of CAFNR / SoM and may need to be adjusted depending on final policies from School / College.)

The distribution of F&A will be according to accepted university policies of shared credit. Thus, the policies below pertain only to the fraction of the F&A that is attributable to the faculty member and the Biochemistry department and the portions attributable to appointments in SoM or CAFNR shall be treated separately in accordance with their policies. Similarly, salary savings policies will apply to the fraction of salary savings that comes to the Biochemistry Department and shall be divided according to fractional appointments, each part subject to the policies of the parent College / School.

Disbursements will be made in arrears, calculated after the close of each University fiscal year. Payments will be into accounts for research expenditures and cannot be used as a salary bonus.

Faculty are advised that funds dispersed are institutional and to be used, at the discretion of the individual for significant furtherance of the university's missions, particularly research, and with the approval of the Chair. They are not an earned benefit. In authorizing planned spending, the chair shall be guided by whether the investment of these institutional funds will likely provide a return to the institution in terms of improved prospects for future externally funded research.

## Return of F&A

Facilities and Administrative (F&A) costs, also known as indirect costs, are those costs associated with sponsored projects that are incurred by the University which cannot be readily identified nor specifically attributed with a particular sponsored project yet support research endeavors. Going forward, the University plans to return an equivalent of 20% F&A to the colleges/schools.

CAFNR intends to retain  $\frac{1}{4}$  (5%) at the College and SoM  $\frac{1}{3}$  (6.7%).

The larger of 4% F&A or \$500\* will be credited to a faculty member's research account. (\* The \$500 replaces the discretionary account allocation in the Department's previous policy.) For example, someone with an NSF grant with \$70,000 F&A, the credit would be  $\max(4\% \times \$70,000; \$500) = \$2,800$ ; for someone without F&A-producing grants, the credit would be \$500.

An additional amount will be credited to faculty who opt out of salary return benefits in writing before the end of the fiscal year. This amount shall not exceed the lesser of 8% F&A or 25% of the salary (not benefits) recovered by the department for effort on grant-funded activities. For example, for someone who opts out of salary return benefits and has a grant with \$100,000 F&A, the additional F&A return would be 8% or \$8,000 if  $\geq \$40,000$  of salary was grant-funded (for a total of 12% or \$12,000). However, it would be \$3,000 if \$12,000 of salary was grant-funded (for a total of 7% or \$7,000).

F&A will not be credited if the faculty member's discretionary account exceeds 1.5 x the annual research expenditures of a faculty member (averaged over the prior 3 years).

The department will use the balance of F&A to support communal expenses associated with the research enterprise, including 1<sup>st</sup> year graduate student support, common equipment maintenance and departmental staffing in research support. Note that previously the department retained all F&A-derived RIF, and so the fraction of F&A remaining with the department will likely cover only a fraction of the current \$200,000 budget. Bridging, investments, required matches and future startup contributions will depend on healthy salary savings (below).

## Salary Savings

These guidelines are presented with the goal of facilitating effective use of salary savings to advance research and scholarship.

### Salary Savings Plan

The Salary Savings Plan applies to all full-time, tenure-track faculty<sup>1</sup>, to the portions of salary budgeted to the Biochemistry Department through CAFNR. Salary savings on SoM-budgeted support is not permitted. Faculty have the option of opting out of salary savings and into the additional F&A returns (see above) such that faculty are not substantially disadvantaged, because (portions of) their support is SoM-derived.

The salary savings is directly determined by institutional base salary recovered from grants, not percent effort – salary that is cost-shared (for example because of the NIH cap) does not count. Additionally, salary savings only includes institutional base salary, it does not include fringe benefits.

The distribution of salary savings is dependent on faculty appointments (9-month versus 12-month). Summer salary for those on 9-month contracts is additional remuneration that does not generate any cost savings for the institution and there can be no return to faculty members accounts. Thus, for 9-month appointees, the plan pertains to the part of salary applied to the academic year.

Table 1. Salary savings distribution

Months	Faculty	Unit
<4	0% to 25%	75% - 100%
4 - 12	0% to 40%	60% -100%

Examples of the calculation of salary savings distributions are given in Appendix A.

### Grant salary coverage expectations

The following is put into context by noting that SoM has an expectation of 40% grant coverage within basic science departments; LSC has a 17% expectation; and in most other STEM departments it is 25% if summer salary is to be covered. The department's finances will be healthy if we average 40% in SoM and if the combination of grant and capacity funding and State match within CAFNR exceeds an average of 55%. Potential to generate coverage depends on field, for which we need to allow, if we are to maintain an appropriate balance of academic areas. The following is an attempt to be *approximately*

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<sup>1</sup> Since all unused reserves are subjected to 10% withdrawal, it is recommended that units continue to support productive research faculty with salary saving options.

equitable in terms of depth of challenge. By salary-capped, we mean funding agencies that have explicit NSF-like policies that limit the total principal investigator support from all grants.

Expected efforts (single-investigator grants):

Grant-type	Single grant	2-grant total	3-grant total
<b>R01-like (NIH, VA, etc.)</b>	25% (3 mos.)	45% (5.4 mos.)	60% (7.2 mos.)
<b>Salary-capped NSF RPG</b>	12.5% (1.5 mos.)	16.7% (2 mos.)	16.7% (2 mos.)

Others mechanisms (R3, R21, DOE, USDA, AHA, ACS...) to be judged proportionately on direct costs and salary allowable.

Budget requests (single-investigator grants):

If expectations are to be met following typical budget cuts, the following would be considered usual budget requests:

Grant-type	1 <sup>st</sup> grant	2 <sup>nd</sup> concurrent grant	3 <sup>rd</sup> proposal
<b>R01-like (NIH, VA, etc.)</b>	33% (4 mos.)	27% (3.25 mos.)	20% (2.4 mos.)
<b>Salary-capped NSF RPG</b>	16.7% (2 mos.)	8.3% (1 mo.)	5.8% (0.7 mos.)

The chair will have to exercise discretion in approving proposals with the following considerations:

1. Efforts cannot exceed FTE that will actually be expended.
  - a. More active management is needed (in rare cases...) when the combined grant FTEs and MU allocations to teaching, service & administration approach 100%.
2. Budgets requesting less than either grant-stated efforts, or actual efforts that can be reasonably expected, constitute a cost-share that require approval. Such approval might be justifiable, but should be given extra scrutiny below the usual levels above.

Multi-investigator proposals, co-Investigators:

Efforts might be lower than for single investigator grants. Adjustments would be guided by the following assumptions, that:

1. The total of all faculty efforts could be scaled to single-investigator grants in proportion to the direct costs of the budget.
2. Expected efforts should not be less than those scaled for grant size, and then pro-rated among participating faculty according to their actual expected efforts. Thus, the expectation of Biochemistry faculty would not automatically be lowered by working with faculty that need not, or choose not, to put as much salary on a grant.

## Gifts

A gift is an unconditional donation to a faculty for which the donor does not expect to receive any reciprocal benefit. The department will retain 10% of unrestricted gifts to the research programs of faculty, and this 10% will be used to help pay the indirect infrastructural costs of supporting and administering efforts of the laboratory that would be difficult to account explicitly. The Chair shall have the discretion to waive the 10% assessment for donations from personal or private sources so as to comply with the written intent of the donor.

## Unused Reserves

### Carry-over

At the end of the fiscal year, 10% of unused reserves will be pulled back to campus for reinvestments. For every unit, these calculations will be based on their fund 0000 reserves. The amounts will be sent to every unit leader. Faculty may request protection of startup funds by submitting to the chair, at the end of the fiscal year, a brief time-line for planned spending out remaining funds. The department will have to pay the amounts due on all accounts, including startup funds, so the Chair will determine a rate that might exceed 10%, so that the cost of protecting exempted accounts is appropriately shared and not jeopardizing agreed priorities of the department. The chair is unlikely to approve a waiver for funds projected to remain five or more years after recruitment, as this creates a burden on the rest of the department.

### Resignation

Upon departure, remaining funds will be relinquished to the Department.

### Retirement

If a faculty member is seeking emeritus status to continue with a research program, the faculty member may submit a plan for spending out remaining funds and thereby delay relinquishment to the department. The plan will be reviewed annually and judged according to the potential for institutional return on its investment, including an assessment of the likelihood that it will lead to additional extramural funding.

## Appendix A: Examples of the calculation of salary savings.

Unless otherwise stated, it is assumed that: (1) annualized salary is below the federal executive level II cap (\$203,700); (2) any amounts listed below would be reduced for joint faculty or those with split affiliation, pro rated according to CAFNR-budgeted salary savings accruing to the Biochemistry Department.

- 12-month employee with 1.5 calendar months on grants: this person has 12.5% grant-funded effort, so, the following FY, a deposit equivalent to 3.125% of the FY salary would be made.
- 9-month employee with 2 summer months on grants: no deposit.
- 9-month employee with 1 summer month and 1 academic year month funded by grants: the deposit would be equivalent to 2.083% FY salary, corresponding to 25% of the academic year support.
- 12-month employee with 25% effort on a grant: the deposit would be 6.25% of FY salary.
- 12-month employee with 60% effort on grants and with an above-cap salary of \$230,000: returns would be based on the relevant cap (\$199,300 for 2021) or 86.7% salary. The return would be 4 months at 25% plus 3.2 months at 40%, so  $(33.33\% \times 25\% + 26.67\% \times 40\%) \times 86\% = 16.34\%$  FY salary.
- 12-month employee with 40% effort on grants and who is 50:50 affiliated jointly with CAFNR and SoM: for the CAFNR portion, the return would be  $50\% \times (33.33\% \times 25\% + 6.67\% \times 40\%) = 5.5\%$ ; for the SoM-Biochemistry portion, an opt-in to the additional F&A would return the lesser of (a)  $50\% \times 8\% \times \text{F\&A}$ , or about \$9,040 on a standard NIH/NSF research grants totaling ~\$400,000 modified direct costs; or (b) 25% of the SoM portion of salary on grants, i.e.  $50\% \times 25\% \times 40\% = 5\%$  FY salary.