Meeting Synopsis:

1) Call to Order and Approval of Agenda
2) Review of Minutes from Oct. 21, 2011 FCR meeting
3) Announcements
4) Requests for Information and Updates
   a. Grants versus Contracts
   b. Activity Based Budgeting (ABB) and Research
5) Old/New Business
6) Adjournment

1. Call to Order and Approval of Agenda

The meeting was called to order by Council Chair Ron Stenkamp at 8:34 a.m.

2. Review of Minutes from Oct, 21 2011 FCR meeting

Minutes from both the October 21, 2011 and May 11, 2001 meetings were approved with revisions.

3. Announcements

Mary Lidstrom, Vice Provost for Research, announced that a team of Synthetic Biology students, graduate students and faculty from the University of Washington just won the grand prize in the international iGEM (International Genetically Engineering Machines competition). This marks the first time that a US team has won the iGEM international competition.

4. Requests for Information and Updates

   Grants versus Contracts

Lynn Chronister, Assistant Vice Provost for Research, Office of Sponsored Programs, offered to give presentations differentiating Contracts and Grants for departments. She commented that Grants and Contracts Accounting is cleaning up old debts, and bad debt issues are getting attention, with a total of nearly $700,000. She discussed that her presentation here is to differentiate between Grants, Contracts and Gifts and to provide some examples of cases where failure to understand these requirements or differentiations has caused issues.

1. Grants are assistance awards. There is generally some flexibility in scope of work, spending and outcomes are unknown. A deliverable is not always specified other than routine and final
reports. If federal, the accounting and reports are guided by OMB A-110 and A-21. They are not benefits or entitlements. A federal grant is an award of financial assistance from a federal agency to a recipient to carry out a public purpose of support or stimulation authorized by a law of the United States.

2. **A contract is a legally enforceable agreement between two or more parties with mutual obligations.** A contract is an agreement between two or more competent (approved by both authorized individuals at the University or the sponsor’s organization) parties in which an offer is made and accepted, and each party benefits. A Prime contract (the contract between the government and its contractors) is subject to the federal law i.e. the Federal Acquisition Regulations (FAR). Industry contracts that are flow through are also governed by FAR. Other industry contracts are governed by other laws and codes e.g. Uniform Commercial Code (UCC).

3. **A Gift is a “non-reciprocal transfer with no implicit or explicit statement of exchange, procurement of services or provision of exclusive information”** (CASE). There is no Quid Pro Quo and benefits would accrue to the general public. The Gift’s purpose or use may be restricted or unrestricted.

Chronister noted that direct payment of travel if working under a contract is “sticky” as you may have personal liability, and emphasized the importance of utilizing OSP’s services for negotiation. She discussed multiple liabilities faced by researchers through case studies, and questions came forth regarding the necessity to renegotiate contracts if there is a change in terms but not with grants, the policy to hold new proposals from researchers if final reports had not been submitted for preexisting ones. Following the presentation of a case, Mark Haselkorn requested to know the effects of negligence in following standard practices, and Lidstrom remarked though the faculty code states that the rules must be followed, no consequences are given for not doing so. Haselkorn was interested in what abilities FCR may have to address this. Additional concern was expressed in how researchers can better understand liabilities to avoid such cases, and ultimately, the best practice would be to meet with OSP administrator and department administrator before the project begins. Other suggestions were to have clear guidelines on deliverables, understand impacts of Mutual Transfer Agreements (MTAs) on other research, and not to purchase equipment with UW funds should the company own the title of the equipment.

*Activity Based Budgeting (ABB) and Research*

Lidstrom differentiated between old budgeting models and new Activity Based Budgeting. She noted the University of Washington will officially switch over to ABB on July 1st of 2012. She described the general flow of funds, to the units where revenue was generated. Central units and investments would be paid from a tax, which would be for the common good and University identified central units. She also discussed earned and unearned (supplement) income. Research related revenue will basically not be changed. Other universities with an ABB model tax gifts, direct and indirect costs. Lidstrom noted that

the University ultimately decided not to tax direct costs or gifts nor to change for space on a per square foot basis. Ideally the new structure would change costs based on utilities not spaces (called “Cost Attribution”), but we do not have the infrastructure for this.

Lidstrom discussed the proposal for research-related revenue to only charge for indirect costs, with 35% going to the Dean’s level which earned it, and 65% to cover facilities and central research support units. There are Central units which earn revenue, such as the Primate Center and Applied Physics Laboratory, which will be handled separately. Concern was raised on the difficulty of accounting how much money is from indirect costs, and Lidstrom noted that she believes each department will have to keep this 35% in separate accounts. Indirect costs are reimbursement for past expenses; though it doesn’t have to be spent on research. If indirect costs are not spent on research, Lidstrom cautioned that the UW will be unable to get a rate to pay for ongoing services during the next negotiation. Currently the amount of indirect cost split to dean-level units vs. central is 34% and 66%, so under ABB, slightly more money will return to departments. Lidstrom also noted ARRA funds had been set aside to calculate this. On-campus grants will earn more indirect costs under the ABB model, where the off-campus grants will earn less. The Office of Planning and Budgeting will track the current RCR model versus the ABB model, to investigate the impact on academics units.

Overall, ABB provides incentives and disincentives, attempting to use space better, to raise funds for on-campus space. Lidstrom confirmed there will be no difference in the way grants are written. Stenkamp mentioned that the budget model shift probably will not affect faculty, but will greatly affect Deans. In order to document best practices, Haselkorn suggested a report noting different strategies by different deans, which Lidstrom thought viable but only for next year. Susan Spieker expressed concern if a department spends indirect costs towards teaching, it may jeopardize future federal research funding. Lidstrom addressed this by noting that the University of Washington currently spends 31% of direct costs on administrative support, much greater than the 26% cap, clarifying that it is a temporary cushion for future negotiation regarding indirect costs. Lidstrom noted there was a movement to raise the administrative indirect cost cap to 30%, but she has disagreed as it would take direct costs away from faculty. She believes that there should be a national movement to decrease the research administration work, which would require federal assistance in building electronic systems and launching efficiency measures. Lidstrom will report further on ABB later to the Council.

5. Old/New Business
FCR currently only has six faculty members, with both Haselkorn and Stenkamp rotating off in September. Stenkamp encouraged members to recommend potential members, suggesting a goal of 8 faculty members. He advised expansion of membership across the campus, would like to generate a list of quick appointments, with more appointments in the spring. There is no requirement to serve outside of being a faculty member.

Stenkamp brought up the additions within the “request for outside work form”, presented by Fiona Wills in the last meeting. He received an email from a colleague, Duane Storti, who wanted to know how much input faculty had in the revision of the form or in intellectual property issues and requested that
FCR look into this. Stenkamp believes that this would be too big of a role for FCR, and discussed the broad subjects which are pertinent to intellectual property concerns. Haselkorn noted that FCR had been involved jointly with other groups when the Libraries were recommending creation of a repository. Lidstrom emphasized that faculty members are at risk if they are not using the new form presented by Wills. She mentioned that there is no faculty council with advisory authority or expertise to handle these subjects. The Intellectual Property Management Advisory Committee’s policies were developed in early 2000s. Stenkamp was unsure if the Stanford vs. Roche case had changed this. Lidstrom clarified the language change to represent an implicit versus explicit ownership within the campus, but the policy is the same. Stenkamp will offer that if people are interested in investigating this, we can look in this but it is not something that is the charge of FCR.

6. Adjournment
The meeting was adjourned at 10:10 a.m.

Minutes by Jay Freistadt, Faculty Council Support Analyst.  jayf@u.washington.edu
Present: Faculty: Stenkamp (Chair), Haselkorn, Miller, Vogt, Spieker
        President’s Designee: Lidstrom
        Ex-Officio Reps: Gruhn, Spelman
        Guests: Poland, Chronister

Absent: Faculty: Roesler
        Ex Officio Rep: Nolan