
Special Guest: Representative Phyllis Gutierrez Kenney (46th Legis. Dist.)

The minutes were approved.

The meeting began with Chair Asuman Kiyak’s introduction of Rep. Phyllis Kenney who began with introductory remarks about her background, noting 30 years of involvement with higher education and some observations about legislative policy and higher education. Noting that the Governor’s budget will come out today, she stated that she understands there may be additional funds for the university over-enrollments. With the improvement in the economy, she suggested that this might be a time where some progress can be made on faculty salaries, although it is a slow process. Another important development in which she has been involved has been a master plan from the HEC Board that has some real teeth and goals. The legislature will be considering this proposal and there will be some changes, particularly in regards to the governance proposals in the plan.

After her remarks, members of the Council engaged Kenney in a dialogue that ranged over the following points:

- The effect of salary increases on the ability to obtain extramural funding, and to resist raiding efforts from other universities
- The relationship of the K-20 system, and higher education in particular to economic stability, and the need for the University to do a better job in marketing its role as an “investment” in the economy
- The multiplier effect of the research investment made in the University and how that generates jobs as well as the benefits of the actual research
- More outreach to the legislative community about the research that is conducted at the University that really lets legislators understand what we are doing
- The library’s dilemma as it faces sharply rising costs for periodicals and monographs, noting that $4.5 million in subscriptions have been cut in the last four biennia, and whether the budget allocations for the library need to be handled in a different fashion
- The possible need to the library system to do more outreach to the legislature and the public about its contributions to the state
- The tensions and trade-offs between various parts of the educational system: K-12, community colleges and four year regional and research universities, and how these tensions are regarded in Olympia, especially when it comes to retention, funding and articulation between the systems
- A state income tax
- The utility of comparisons to peer institutions whose states of location may have completely different funding and economic pictures
• The need for the University to do better public outreach, including better and more positive media coverage, and working with students and parents in the high schools

2. Presentation: The Facilities and Administrative (F&A) Costs of Doing Research by Sue Camber, Assistant Controller, Grant and Contract Accounting and Jane Wiseman, Director, Management Accounting and Analysis

After an overview of the office of Financial Management, concentrating on those staff who provide support for research, the initiatives regarding indirect cost rates and the faculty effort certification were the focus of a power point presentation. Facilities and administrative costs of research represent 51.6% of the modified total direct costs of organized research. While some might propose a different formula than that which currently sets this figure at 55%, this is the figure determined by cost accounting. Heath pointed out that as a major player we could push for change in the way this is calculated so that it is calculated at the lower figure. Studies show that we spend approximately 3% more than the amount allotted for indirect costs (29.01% vs. 26%) so we take a loss in this category. This is distinguishable from a private company like Boeing or a private Sec. 501(c)(3) institution that would get full reimbursement for government contract. That puts universities at a significant disadvantage when state governments that provide their support are under pressure.

A lot of the accounting described in the presentation is the result of negotiations or federal requirements and/or expectations. For example, federal formulas make it difficult to allocate library costs to research rather than instruction. Similarly, administrative costs cannot go over 26%, negotiated rates are often less than calculated rates, and federal regulation prohibits recovery of certain costs, such as fund raising, goods and services for personal use, and sponsored agreement cost overruns. On the other hand, there has been an effort to argue that health and safety costs should be funded rather than remain an unfunded mandate. Another factor in recovery rate is that some private groups reimburse at a much lower rate, e.g. 8%, 0%. The bottom line is that the University is losing a lot of dollars in the difference between actual F&A costs versus recovery at negotiated rates.

Last, the 2003 F&A proposal process and timeline were outlined. The final proposal will go out in late March or early April 2004.