CHICO STATE
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Finance and Investment Committee

Meeting Minutes
Monday, December 7, 2020, 1:00pm-2:30pm

https://csuchico.zoom.us/j/87261060952?pwd=aU5KYzBMRWdYRGptclFEWkNMNzlnQT09&from=addon

Committee Members Present: Bob Kittredge, Annabel Grimm, David Stachura, Tod Kimmelshue

Members Absent: None

Other Board Members Present: Debra Larson, Ann Sherman, John Unruh

Also Present: Vance Kelly, Mary Sidney, Natalie Carter, Michelle Flowerdew

1. **Call to order at 1:01 pm**
2. **Approval of Minutes from October 9, 2020**
   (Kittredge/Grimm)
   Motion carried (4/0/0)
3. **Public comments and announcements - none**
4. **Finance and Investment Committee Report**
   a. **Introduction to a Proposed New Methodology for Calculating F&A (CEO Presentation)** – Sidney shared the proposed new methodology for calculating Facilities and Administration (F&A) distribution. She explained that F&A costs are general costs that are not readily associated with a single project or account. Examples include pre- and post-award management, HR, payroll, utilities, custodial, and interest. She shared that there is often a disconnect between approved F&A rates for proposals and the awarded F&A rates. F&A is generated to help cover both CSE and CSU Chico's costs in supporting sponsored programs. The annual F&A distribution to campus considers these costs.

      Currently, since May 2018, F&A is calculated by looking at the net income shared with the different academic areas, and 80% of the first $50,000 in the general fund net income is shared, and then 60% of the remaining general fund net income is shared. This method relies exclusively on CSE's finances.

      Sidney shared a new methodology, based on each project's F&A surplus or loss. First determining if a project covered its administrative costs, then calculating each project's percentage of the surplus F&A funds, and finally distributing the surplus F&A based on that percentage.

      By comparing the revenue and expense of Sponsored Programs Fund, with the revenue and expense of the entire CSE general fund you can determine the percent of CSE's general fund activity that is associated with Sponsored Programs. This percentage can be used to determine the cost of administering an individual project, by using the percentage of each project's spending as compared to the entire enterprise. Sidney shared example calculations. By comparing the cost to administer each project with the project's actual F&A, it can be determined if the project operated with a surplus or loss of F&A. Projects that operate at a loss, will not be eligible for an F&A distribution. Projects that operate at a surplus will receive a distribution based on their percent of the overall CSE F&A surplus.

Stachura asked about how to handle projects that continually operate at an F&A loss. Sidney shared that those projects are effectively subsidized by projects that generate an F&A surplus, which is why they would not be eligible for a distribution. Larson asked about projects that have a low F&A rate but can include administrative costs into their budget (i.e., including an Analyst position). Sidney suggested that when that is the case, the projects can be flagged to allow for an adjustment in their F&A calculation. Kittredge asked about the current distribution method, transactionally. Sidney shared that the distribution is a series of journal entries. Flowerdew clarified that the distribution is from the CSE General Fund to individual PI's incentive funds, as well as to college Dean's incentive accounts. She added that projects operating at an F&A loss have been receiving a distribution under the current methodology. She continued that projects whose expenditures represent less than 5% of the total expenditures, currently do not receive a distribution. Larson asked for a detailed comparison of the current methodology and proposed methodology, with examples of different sizes of projects, as well as different F&A rates.

Sidney shared examples of how each project's percentage of the total F&A surpluses will be used to calculate the percentage of the total available F&A distribution that they will receive. She proposed that any distribution be divided into thirds, split between the PI, Department Chair, and Dean. Flowerdew shared that currently the distribution is divided between the Dean (73%) and the PI (27%). Sidney shared that, to introduce this new methodology, it will need to be socialized with the campus community, and that will include a comparative impact analysis. Sidney shared that this method is consistent with treating the F&A distribution as a reimbursement of costs, that is transparent and equitable. Kittredge asked about the federal guidance for F&A rates. Sidney shared that while the guidance suggests 41%, many grants offer significantly less. Sidney shared that low and no F&A rates are approved for a number of reasons (pilot programs, establishing a critical relationship, etc.).

Kittredge expressed appreciation for the transparency of the new methodology as compared to the existing one. He asked about the current perspective of the F&A distribution on campus. Sherman shared that she has heard complaints from PI's relating to the low amounts they receive. Larson shared that some PIs rely on Department Staff for administrative support, but that currently, the departments do not receive a portion of the F&A distribution. Stachura shared that some PIs had concerns relating to infrastructure, like heating and cooling during breaks, impacting research.

5. **Next meeting date / time TBD**
6. **Adjourn at 2:04 pm**

Respectfully submitted

Mary Sidney
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