

UNIVERSITY OF HAWAI'I

INTERIM EXECUTIVE POLICY - ACADEMIC AFFAIRS

April 2003

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E5.216 - Research and Training Revolving Fund (RTRF)

I. OBJECTIVE OF THIS POLICY

The objective of the University's Research and Training Revolving Fund policy is to establish policies and procedures to ensure proper financial management of the fund and compliance with Chapter 304-8.1, Hawai'i Revised Statutes.

II. APPLICABLE LAW

Chapter 304-8.1, Hawai'i Revised Statutes, states

- (a) There is established a University of Hawai'i research and training revolving fund into which shall be deposited one hundred per cent of the total amount of indirect overhead revenues generated by the university from research and training programs. The board of regents of the University of Hawai'i is authorized to expend one hundred per cent of the revenues deposited in the fund for:
 - (1) Research and training purposes which may result in additional research and training grants and contracts;
 - (2) Facilitating research and training at the university; and
 - (3) Further deposit into the discoveries and inventions revolving fund and the University of Hawai'i housing assistance revolving fund.
- (b) The University of Hawai'i shall prepare and submit an annual report of the status of the research and training revolving fund to the legislature twenty days before the convening of each regular session. The annual report shall include but not be limited to a breakdown of travel expenses.
- (c) Notwithstanding sections 304-10, 304-8.92 and 304-8.96 to the contrary, the board of regents or its designee, may establish a separate account within the research and training revolving fund for the purpose of providing advance funding to meet reimbursable costs incurred in connection with federally financed research and training projects. Any reimbursement received as a result of providing advance funding shall be deposited into the research and training revolving fund to be used for

the purpose of meeting reimbursable costs incurred in connection with federally financed projects.

- (d) Revenues deposited into the fund shall not be used as a basis for reducing any current or future budget request or allotment to the University of Hawai'i unless the university requests such a reduction.

III. DEFINITIONS

- (a) "Campus head" means the chancellor of a campus.
- (b) "Commitments" means funds earmarked for specified future purpose(s) which have not been reserved through the official encumbrance policies of the University.
- (c) "Direct costs" are costs that can be identified specifically with a research or training activity or which can be directly assigned to such activities with a high degree of accuracy and typically include expenses such as project staff salaries, cost-sharing, lease rentals, etc.
- (d) "Encumbrance" means funds for specified future purpose(s) which have been reserved through the official encumbrance policies and procedures of the University.
- (e) "Indirect costs" are costs that are incurred for common or joint objectives and which cannot be identified readily or specifically with a particular research or training activity and typically include expenses such as administrative support, telephones, utilities, library support, etc.
- (f) "Returned indirect costs" is that portion of sponsored project funds that is identified as indirect costs or overhead, via agreement with the University's cognizant Audit Agency, and collected by the University as project funds are expended.
- (g) "RTRF" is the Research and Training Revolving Fund. This fund is the accounting entity into which returned indirect costs are deposited and from which allocations are made.
- (h) "Systemwide executives" are Vice Presidents for system wide programs or any other University executive whose program is not organizationally associated with a campus or systemwide program.

IV. STATEMENT OF PHILOSOPHY

As stated in the University of Hawai'i System Strategic Plan, the common purpose of the University of Hawai'i System of institutions is to serve the public by creating, preserving and transmitting knowledge in a multi-cultural environment. The goals and objectives of the UH System Strategic Plan form the basis for this system-level policy.

One of the several goals of the UH System Strategic Plan is developing a learning, research and service network which engages diverse elements of the UH system in intellectual capital formation that enables Hawai'i to flourish. An objective associated with that goal is to excel in basic and applied research for the discovery and dissemination of new knowledge.

Strategies to achieve that objective include: assuming leadership in knowledge creation by building on existing research strengths, addressing critical gaps, and capitalizing on Hawaii's natural advantages; promoting research through collaboration across disciplines, among campuses and with international colleagues; and providing administrative leadership, support and infrastructure to facilitate research and training across the system.

Another goal of the UH System Strategic Plan is investing in faculty, staff, students and their environment. An objective associated with that goal is to create a University culture of excellence by recruiting, rewarding and empowering top-performing faculty and staff and to foster *a spirit of joint enterprise and appreciation* (italics added) for all University employees, including graduate students and student employees.

This policy recognizes that the total annual allocation of the Research and Training Revolving Fund is in direct proportion to the recovery of indirect costs from extramural research and training grants, awards, and contracts that are the direct result of faculty and staff efforts, as well as from the leadership, reputation and facilities of the University. To ensure a healthy research enterprise, then, a strong partnership between researchers and the Administration must be fostered.

It is in the best interests of the University to invest RTRF funds in a fashion which recognizes this partnership, and which includes consultation in a collaborative manner with faculty researchers at all levels of decision-making that affect the allocation of RTRF. Such decision making processes should result in an appropriate sharing of the RTRF resource such that excellent support is provided for the performance of current research commitments, and that incentives are provided for continued excellence in research and for an evolution of the research enterprise that reflects developments in science and technology.

The University should aim to maintain and increase the level of the RTRF, recognizing that the sustainable volume of extramural funding and the indirect cost recovery rate are inextricably interlinked. RTRF allocations and their use should balance the need to support indirect costs with the need to support evolution of the research enterprise, and should be consistent with the appropriate distribution of responsibility and authority.

V. PRINCIPLES OF ALLOCATION AND CONTROL

- (a) All allocations from the RTRF shall be made to further the purposes of Chapter 304-8.1, Hawai'i Revised Statutes and shall not be used for any other purposes.

If a cost item will provide only partial support for a purpose specified in the statute, then to the extent practicable the use of RTRF shall be proportional to the support or benefit for that purpose.

- (b) Allocations to systemwide executives and to campus heads shall be made centrally by the President or his designee in accordance with procedures developed via consultation in a collaborative manner with an Advisory Group to the Vice-President for Research, which will include in its membership faculty researchers, representatives appointed by the chancellors of the University of Hawai'i at Manoa and the University of Hawai'i at Hilo campuses, the Office of Research Services, and other entities as appropriate. Allocations by campus heads and in turn the heads of research units -- that is, a college, an institute, a school, a program or another research entity -- shall be made in a similarly consultative and collaborative fashion.
- (c) Allocations from the RTRF shall be in accordance with the following:
 - (1) It is the expressed intent of the University to minimize the creation and accumulation of contingency reserves in the financial management of the RTRF. To this end, allocations to the campus heads shall be made on a fiscal year basis. Unless a campus head requests an extension, which is approved by the Vice President for Research, all campus allocations that are unexpended, unencumbered or uncommitted as of June 30 shall be deposited into a central administration account that shall be established for working capital purposes pursuant to Chapter 304-8.1(c), Hawai'i Revised Statutes. Funds allocated to campus heads that are encumbered or committed may be extended for a second year subject to submission of a notice of intent to extend funding, a commitment by the responsible campus head, and receipt of acknowledgement from the Vice President for Research.
 - (2) The President, at his discretion, may use as much of the working capital as may be necessary to meet the costs of unanticipated contingencies when it would be in the best interests of the University to do so, provided that the costs are statutorily allowable. All working capital used for unanticipated contingencies shall be reported to the Board of Regents.
- (d) The University of Hawai'i System Vice-President for Research has responsibility for the implementation of this policy, to include the establishment of accounting systems and procedures, particularly with respect to annual account establishments and abolishments, and appropriate post-audits.
- (e) The University shall submit an annual report to the legislature regarding the status of the RTRF, as statutorily required. A copy of this report shall be concurrently submitted to the Board of Regents.