



GRANTS & CONTRACTS

ANNUAL REPORT

Fiscal Year 2011

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Office of Finance and Treasurer
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EXECUTIVE SUMMARY

Grants and contracts are formal agreements between the University of Maine System (University) and third party sponsors. They provide assistance and represent a mutual joining of interests on the part of the sponsor and the University in the pursuit of a common objective, or they may be used to provide services for the direct benefit of the sponsor. Grant and contract revenues include a combination of federal, state, and private sources and support a wide variety of instruction, research, and public service activities. This report does not include grants of student financial aid (see FY2011 Financial Aid Report) or State Stabilization funds.

REVENUES AND COST SHARING

- The University generated \$134 million in grant and contract activity for FY2011 and contributed \$34 million in cost share, for total activity of \$168 million.
- Research-related activities accounted for \$93 million or 55% of all grant and contract revenues and cost sharing activity.
- Federal sources accounted for 44% of total funding with the National Science Foundation and the National Institute of Standards and Technology providing the largest Federal share.
- The State of Maine Department of Human Services provided \$22 million or 56% of all State funding.
- Grant and contract activity for FY2011 increased by \$21 million over the prior year to \$168 million and is up \$30 million from FY2007.

EXPENDITURES

- All campuses had grant and contract activity with the University of Maine (UM) and the University of Southern Maine (USM) accounting for 89% (or \$150 million) of total expenditures.
- Total research expenditures from all sources in FY2011 were \$113 million. Funding for these expenditures came from a combination of grant and contract revenues and University cost sharing (\$93 million), educational and general funds (\$5 million), and the State of Maine research and development appropriation (\$15 million).

STATE RESEARCH AND DEVELOPMENT APPROPRIATIONS [MAINE ECONOMIC IMPROVEMENT FUND (MEIF)]

In FY2011 total MEIF expenditures were \$19 million, funded by \$4 million of University cost sharing and \$15 million from State appropriation. More detailed information regarding the Maine Economic Improvement Fund may found in the annual report provided at <http://www.maine.edu/system/oft/RandD.php>.

UNIVERSITY COST SHARING EXPENDITURES

- Total cost sharing in FY2011 was \$34 million of which 47% was associated with activities of the Maine Agricultural and Forest Experiment Station, UM Cooperative Extension Service, and USM Muskie School of Public Service.
- As in previous years, the majority (over 60%) of cost sharing expenditures was for Federally funded grants and contracts.

FACILITIES AND ADMINISTRATIVE (F&A) COSTS AND RECOVERY

- Total allowable University F&A costs for FY2011 were \$27 million with \$13 million (48%) in net F&A cost recovery.
- The Federal government continued as the largest contributor to F&A recovery, providing \$7 million (54%) of net F&A recovery.

REVENUES & UNIVERSITY COST SHARING

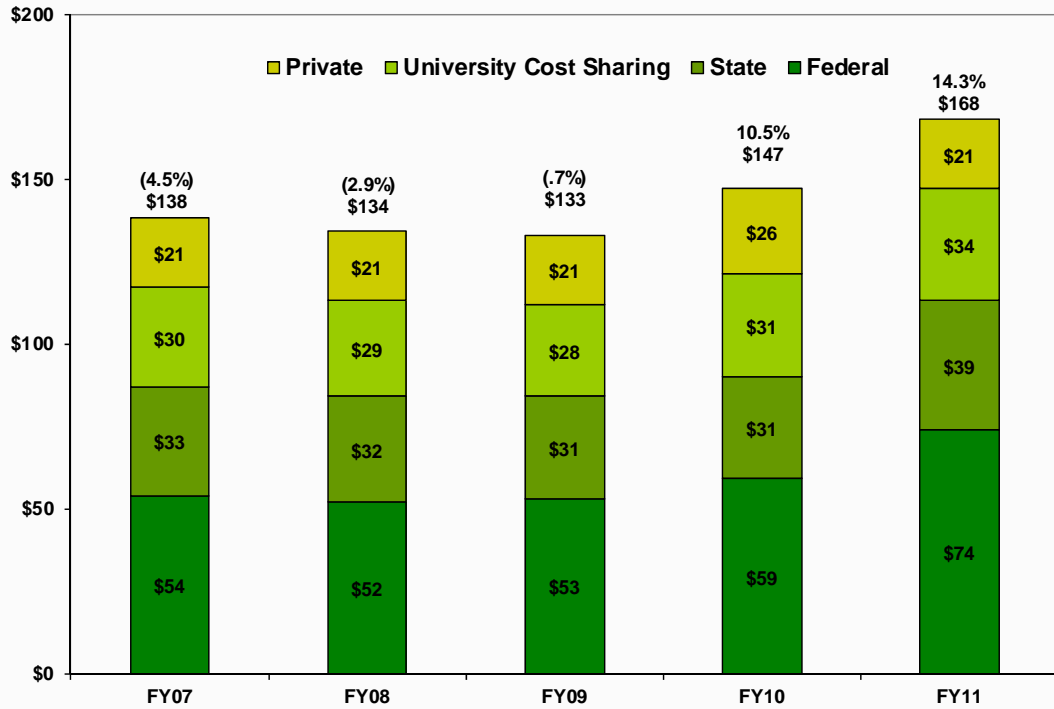
By their nature, grant and contract revenues are used only to meet expenditures and are not profit-generating. Total revenues for FY2011 were \$168 million, an increase of \$21 million or 14.3% from FY2010 and, as seen below, an increase of \$30 million or 21.7% from FY2007. (University cost sharing is discussed on page 8.)

GRANT AND CONTRACT REVENUES BY SOURCE & UNIVERSITY COST SHARING
(\$ in millions)

	FY2007		FY2008		FY2009		FY2010		FY2011	
	\$	%	\$	%	\$	%	\$	%	\$	%
Federal	\$ 54	39	\$ 52	39	\$ 53	40	\$ 59	40	\$ 74	44
State *	33	24	32	24	31	23	31	21	39	23
Private *	21	15	21	15	21	16	26	18	21	13
University cost sharing	30	22	29	22	28	21	31	21	34	20
Total	<u>\$ 138</u>	<u>100</u>	<u>\$ 134</u>	<u>100</u>	<u>\$ 133</u>	<u>100</u>	<u>\$ 147</u>	<u>100</u>	<u>\$ 168</u>	<u>100</u>

* Includes federal pass-through funds (see pages 5 and 6).

GRANT & CONTRACT REVENUES BY SOURCE & UNIVERSITY COST SHARING
(\$ in millions)



EXPENDITURES

Grant and contract revenues are recognized to the extent of allowable expenditures. Expenditures increased \$21 million (or 14%) from FY2010 to FY2011 and \$14 million (or 11%) from FY2009 to FY2010. Grant and Contract activity at UM accounts for the vast majority of this increase.

GRANT AND CONTRACT EXPENDITURES (INCLUDING COST SHARING) BY CAMPUS (\$ in millions)

	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>
University of Maine Augusta	\$ 3	\$ 3	\$ 3	\$ 3	\$ 4
University of Maine Farmington	4	4	3	3	3
University of Maine Fort Kent	-	-	-	-	-
University of Maine Machias	-	-	-	1	1
University of Maine	76	75	76	88	104
University of Southern Maine	51	48	46	47	46
University of Maine Presque Isle	1	1	2	2	2
System-Wide Services	3	3	3	3	8
Total	\$ 138	\$ 134	\$ 133	\$ 147	\$ 168

The table below shows that the percentage distribution of total grant and contract expenditures over instruction, research, and public service areas has remained relatively consistent over the past five years, with research activities accounting for over 50% of total expenditures.

GRANT AND CONTRACT EXPENDITURES (INCLUDING COST SHARING) BY ACTIVITY (\$ in millions)

	<u>FY2007</u>		<u>FY2008</u>		<u>FY2009</u>		<u>FY2010</u>		<u>FY2011</u>	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Instruction	\$ 23	17	\$ 20	15	\$ 17	13	\$ 18	12	\$ 21	13
Research	72	52	72	54	70	53	78	53	93	55
Public Service	43	31	42	31	46	34	51	35	54	32
Total	\$ 138	100	\$ 134	100	\$ 133	100	\$ 147	100	\$ 168	100

EXPENDITURES

(continued)

Although not reflected in the table below due to rounding, all campuses within the University of Maine System have some level of grant and contract activity. UM and USM accounted for 89% of total FY2011 grant and contract expenditures. Expenditures for these two campuses were, however, concentrated in different areas. At UM, 74% of total grant and contract expenditures were for research while USM's expenditures were spread more evenly among instruction, research, and public service.

**GRANT AND CONTRACT EXPENDITURES (INCLUDING COST SHARING)
BY ACTIVITY BY CAMPUS
FY2011
(\$ in millions)**

	<u>INSTRUCTION</u>		<u>RESEARCH</u>		<u>PUBLIC SERVICE</u>		<u>TOTAL</u>	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
University of Maine Augusta	\$ 1	5	\$ -	-	\$ 3	6	\$ 4	2
University of Maine Farmington	2	10	1	1	-	-	3	2
University of Maine Fort Kent	-	-	-	-	-	-	-	-
University of Maine Machias	-	-	1	1	-	-	1	1
University of Maine	2	10	77	83	25	46	104	62
University of Southern Maine	9	42	14	15	23	42	46	27
University of Maine Presque Isle	-	-	-	-	2	4	2	1
System-Wide Services	7	33	-	-	1	2	8	5
Total	<u>\$ 21</u>	<u>100</u>	<u>\$ 93</u>	<u>100</u>	<u>\$ 54</u>	<u>100</u>	<u>\$ 168</u>	<u>100</u>

FEDERAL REVENUES

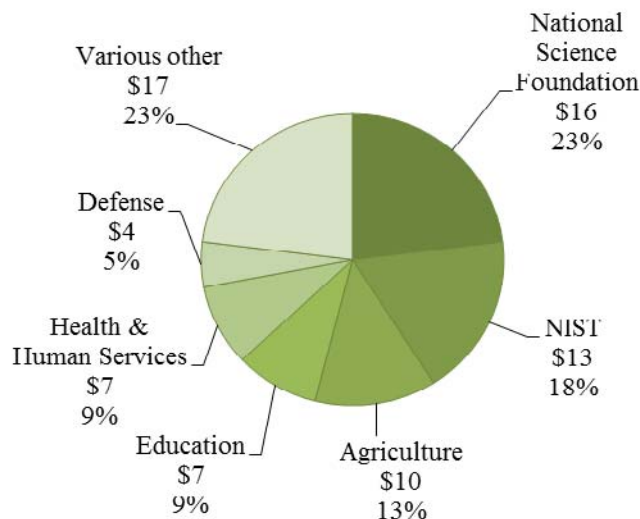
The table and graph below further identify grant and contract revenues by federal agency. Agencies consistently providing \$5 million or more each year are individually presented. The National Science Foundation (NSF) was the top source of federal revenues in each of the past five years. The National Institute of Standards and Technology (NIST), a relatively new funding source for the University, was the second largest provider of federal funds in FY2011 followed by the Department of Agriculture.

In FY2011 federal agencies provided a total of \$74 million in grant and contract revenues to the University. NSF awarded \$15 million or 89% of their funding to various departments at UM. NIST awarded all their \$13 million in funding to the UM Advanced Structures and Composites Center. The Maine Agricultural and Forest Experiment Station (MAFES) and UM Cooperative Extension Service (CES) received \$10 million in funding from federal sources of which \$9 million or 90% was provided by the U.S. Department of Agriculture, which accounts for the vast majority of the \$10 million in agriculture revenues seen below.

FEDERAL REVENUES BY AGENCY
(\$ in millions)

Agency	FY2007		FY2008		FY2009		FY2010		FY2011	
	\$	%	\$	%	\$	%	\$	%	\$	%
National Science Foundation	\$ 13	24	\$ 13	25	\$ 13	25	\$ 14	24	\$ 16	23
NIST	-	-	-	-	-	-	1	2	13	18
Agriculture	10	19	9	17	10	19	10	17	10	13
Education	8	15	8	15	8	15	9	15	7	9
Health and Human Services	6	11	6	12	6	11	7	12	7	9
Defense	7	13	7	13	5	9	6	10	4	5
Various other	10	18	9	18	11	21	12	20	17	23
Total	<u>\$ 54</u>	<u>100</u>	<u>\$ 52</u>	<u>100</u>	<u>\$ 53</u>	<u>100</u>	<u>\$ 59</u>	<u>100</u>	<u>\$ 74</u>	<u>100</u>

FEDERAL REVENUES BY AGENCY
FY2011
(\$ in millions)



STATE REVENUES

The table and graph below further identify grant and contract revenues by State of Maine agency. These totals include both State funds and Federal funds passed through the State to the University. Agencies consistently providing \$2 million or more each year are presented individually. Health and Human Services continues to provide the majority of State revenues.

In FY2011 the State of Maine provided \$39 million in contract and grant revenues to the University. Of this amount, USM Muskie School of Public Service (MSPS) received \$17 million or 53% of its total grant and contract funding. Health and Human Services provided \$22 million or 56% of all State contract and grant revenues of which the MSPS received \$14 million or 64%.

STATE REVENUES BY AGENCY

(\$ in millions)

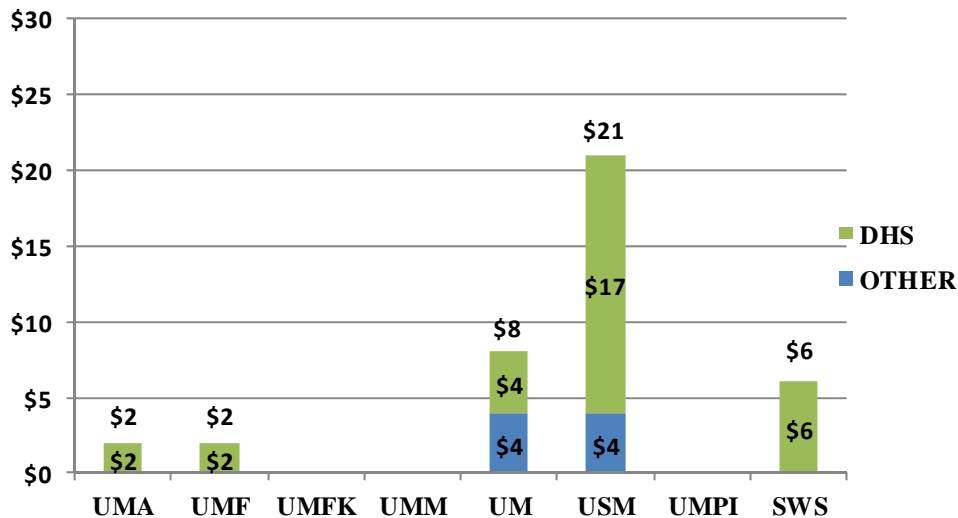
Agency	FY2007		FY2008		FY2009		FY2010		FY2011	
	\$	%	\$	%	\$	%	\$	%	\$	%
Health and Human Services	\$ 22	67	\$ 20	63	\$ 19	61	\$ 20	65	\$ 22	56
Public Utilities Commission	-	-	-	-	-	-	-	-	5	13
Agriculture	2	6	2	6	2	6	2	6	3	8
Education	4	12	4	13	4	13	3	10	3	8
Various other agencies	5	15	6	18	6	20	6	19	6	15
Total *	\$ 33	100	\$ 32	100	\$ 31	100	\$ 31	100	\$ 39 **	100
* Includes Federal Pass-through funds of	\$ 26	79	\$ 25	78	\$ 23	74	\$ 24	77	\$ 24	62

** The 26% increase from FY2010 to FY2011 is primarily attributed to the Maine State Library Project funded by the Public Utilities Commission

STATE REVENUES BY CAMPUS

FY2011

(\$ in millions)



PRIVATE REVENUES

The table and graph below present grant and contract revenues from private sources classified by four major categories which represent over 350 different entities. Non-profit organizations continue to provide the majority of private revenues.

In FY2011 private revenue sources provided \$21 million in grant and contract revenues of which the MSPS received \$4 million or 19%; accounting for 13% of the MSPS' total grant and contract revenues.

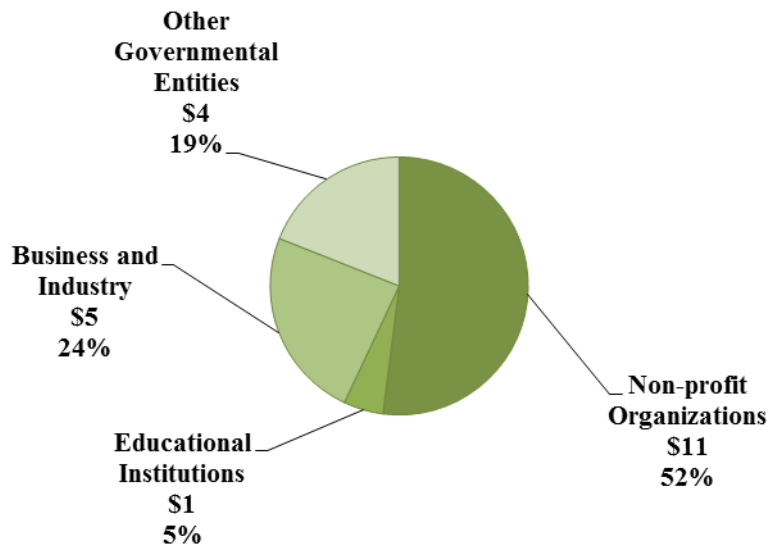
PRIVATE REVENUES BY SOURCE
(\$ in millions)

	FY2007		FY2008		FY2009		FY2010		FY2011	
	\$	%	\$	%	\$	%	\$	%	\$	%
Non-Profit Organizations	\$ 11	53	\$ 11	53	\$ 12	57	\$ 15	58	\$ 11	52
Business and Industry	3	14	3	14	3	14	6	23	5	24
Educational Institutions	4	19	4	19	4	19	3	12	1	5
Other Governmental Entities*	3	14	3	14	2	10	2	7	4	19
Total	\$ 21	100	\$ 21	100	\$ 21	100	\$ 26	100	\$ 21	** 100

* Entities other than the Federal Government and State of Maine agencies.

** Includes Federal Pass-Through funds of \$14 million.

PRIVATE REVENUES BY SOURCE
FY2011
(\$ in millions)



RESEARCH EXPENDITURES

The University's research activities include not only research conducted under grants and contracts, but also institutes, research centers, and project research funded by Educational and General (E&G) monies, as well as projects funded with the State of Maine Research and Development (R&D) Appropriation [related to the Maine Economic Improvement Fund (MEIF)]. Total expenditures for research related activities in FY2011 were \$113 million, a growth of \$22 million or 24% since FY2007.

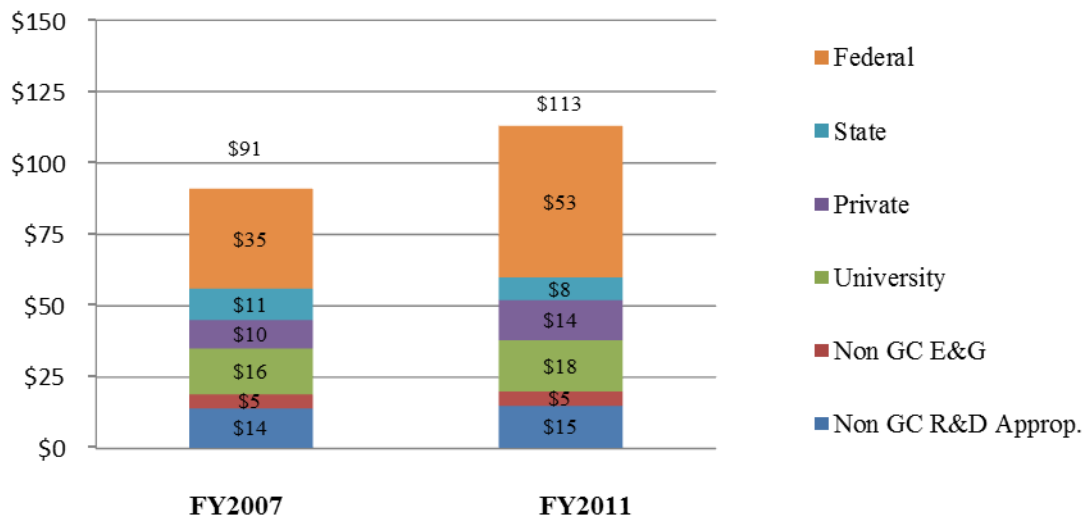
The following table shows total research expenditures funded by grants and contracts, E&G monies, and State R&D Appropriation from FY2007 to FY2011. Research expenditures related to grants and contracts are separated by funding source: Federal, State, Private, and University cost sharing.

TOTAL RESEARCH EXPENDITURES BY SOURCE
(\$ in millions)

	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>
Grants and Contracts:					
Federal	\$ 35	\$ 36	\$ 34	\$ 38	\$ 53
State	11	9	8	7	8
Private	10	11	13	16	14
University:					
MAFES Cost Sharing	7	8	7	8	7
Other Direct Cost Sharing	4	3	4	4	6
Other Indirect Cost Sharing	5	5	4	5	5
	<u>16</u>	<u>16</u>	<u>15</u>	<u>17</u>	<u>18</u>
Total Grants and Contracts & University Cost Share	<u>\$ 72</u>	<u>\$ 72</u>	<u>\$ 70</u>	<u>\$ 78</u>	<u>\$ 93</u>
Non Grants and Contracts Funding:					
University E&G Research Costs	5	5	6	7	5
State R&D Appropriation	14	15	16	15	15
Total University E&G and State R&D	<u>\$ 19</u>	<u>\$ 20</u>	<u>\$ 22</u>	<u>\$ 22</u>	<u>\$ 20</u>
Total Research Expenditures	<u>\$ 91</u>	<u>\$ 92</u>	<u>\$ 92</u>	<u>\$ 100</u>	<u>\$ 113</u> *

* The University's research activities include not only grants and contracts research (see page 3 of this report), but also research funded by E&G monies and State R&D appropriations. This total represents all research expenditures.

TOTAL RESEARCH EXPENDITURES BY SOURCE
(\$ in millions)



UNIVERSITY COST SHARING

Many sponsors require recipients to share in total project costs. University cost sharing (or matching) is the contribution of University resources in support of a grant or contract. **Direct** cost sharing occurs when University funds are used to fulfill a matching requirement of costs directly associated with an individual grant or contract. **Facilities and Administrative (F&A)** (also known as indirect) cost sharing occurs when the University agrees to recover less than the federally negotiated facilities and administrative cost rate.

As seen in the chart below and in the table on the following page, in FY2011, the University provided \$20 million in direct cost sharing and \$14 million in F&A cost sharing for grants and contracts. Since FY2007, total cost sharing as a percentage of total grant and contract expenditures has remained relatively constant, ranging from 20% to 22%. In FY2011, total cost sharing was 20% of total grant and contract expenditures.

Most notable is the cost sharing the University provides for MAFES, CES, and the MSPS with 47% (or \$16 million) of the \$34 million in total University cost sharing benefiting these three areas. In FY2011, the University cost shared \$12 million for MAFES and CES and \$4 million for MSPS operations.

**University Cost Sharing
(\$ in millions)**



UNIVERSITY COST SHARING

(continued)

Over the past five years, the vast majority (80% - 90%) of the University's **direct** cost sharing has been related to federally funded grants and contracts. In contrast, the majority (41% - 60%) of **F&A** cost sharing has been related to State of Maine funded grants and contracts. Research activities have historically accounted for about half (52% to 55%) of total cost sharing (both direct and F&A).

COST SHARING BY FUNDING SOURCE

(\$ in millions)

	FY2007		FY2008		FY2009		FY2010		FY2011	
	\$	%	\$	%	\$	%	\$	%	\$	%
<u>DIRECT COSTS</u>										
Federal	\$ 17	90	\$ 17	90	\$ 16	88	\$ 16	80	\$ 16	80
State	1	5	1	5	1	6	1	5	1	5
Private	1	5	1	5	1	6	3	15	3	15
Total	\$ 19	100	\$ 19	100	\$ 18	100	\$ 20	100	\$ 20	100
<u>F & A COSTS</u>										
Federal	\$ 2	18	\$ 2	20	\$ 3	30	\$ 3	27	\$ 5	36
State	6	55	6	60	5	50	5	46	6	41
Private	3	27	2	20	2	20	3	27	3	23
Total	\$ 11	100	\$ 10	100	\$ 10	100	\$ 11	100	\$ 14	100
<u>TOTAL</u>										
Federal	\$ 19	64	\$ 19	66	\$ 19	68	\$ 19	62	\$ 21	62
State	7	23	7	24	6	21	6	19	7	21
Private	4	13	3	10	3	11	6	19	6	17
Total	\$ 30	100	\$ 29	100	\$ 28	100	\$ 31	100	\$ 34	100

Total Cost Sharing as a % of
Total Grants and Contracts
Expenditures

22% 22% 21% 21% 20%

COST SHARING BY ACTIVITY

(\$ in millions)

ACTIVITY	FY2007		FY2008		FY2009		FY2010		FY2011	
	\$	%	\$	%	\$	%	\$	%	\$	%
Instruction	\$ 3	10	\$ 3	10	\$ 3	11	\$ 4	13	\$ 5	15
Research	16	53	16	55	15	53	16	52	18	53
Public Service	11	37	10	35	10	36	11	35	11	32
Total	\$ 30	100	\$ 29	100	\$ 28	100	\$ 31	100	\$ 34	100

**FACILITIES AND ADMINISTRATIVE COST
AND BENEFIT RATES**

The University is required to negotiate rates with the Federal government to recover employee benefits costs and facilities and administrative costs associated with grant and contract activities. These rates are negotiated on a system-wide basis using past and estimated future costs. Facilities and administrative cost rates are generally negotiated for a four-year period and are currently negotiated at the amounts shown below. The rates shown for FY2013 are in effect through June 30, 2015. In addition, the employee benefit rate is negotiated annually and the approved rates are shown below for the five year period ended June 30, 2012.

FEDERAL FACILITIES AND ADMINISTRATIVE COST RATES

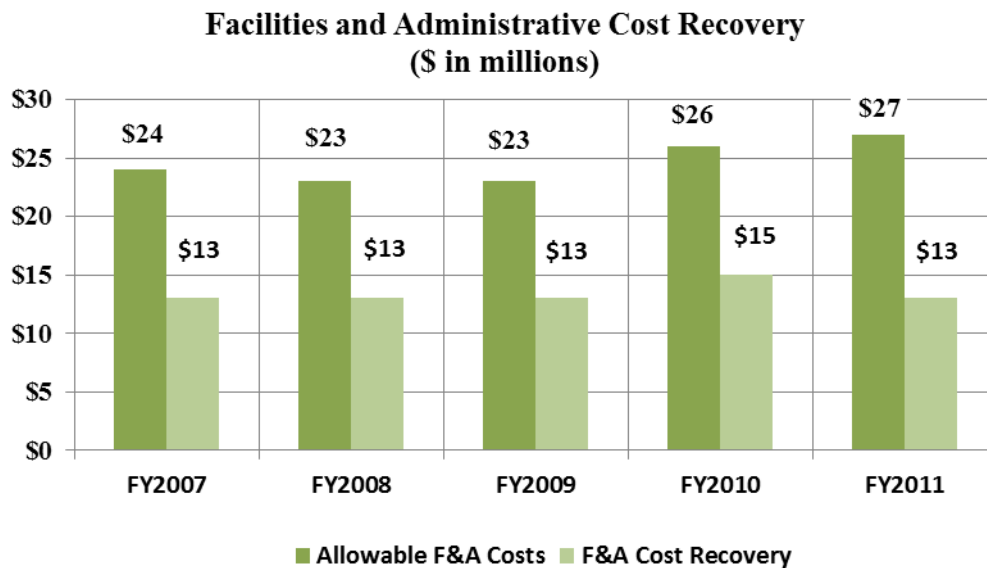
<u>RATE TYPE</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>
Research					
On-Campus	49.0%	49.0%	49.5%	42.8%	42.8%
Off-Campus	26.0%	26.0%	26.0%	26.0%	26.0%
Instruction					
On-Campus	52.8%	52.8%	52.8%	49.6%	49.6%
Off-Campus	26.0%	26.0%	26.0%	26.0%	26.0%
Other Sponsored Activities					
On-Campus	26.8%	26.8%	26.8%	32.8%	32.8%
Off-Campus	16.7%	16.7%	16.7%	26.0%	26.0%

**FEDERAL EMPLOYEE BENEFIT RATES
Applied to All Non-Student Salaries and Wages**

	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>
Temporary employees	8.5%	8.3%	8.5%	8.4%	8.1%
All other employees	40.3%	42.3%	48.4%	47.6%	47.9%

FACILITIES AND ADMINISTRATIVE COST RECOVERY

The amount of University allowable F&A costs is calculated on each grant or contract using the appropriate negotiated rate as previously described. The rate is applied to the modified total direct costs (MTDC)¹ of an individual grant or contract to arrive at the total allowable F&A costs. Total University allowable F&A costs for FY2011 were \$27 million. However, as shown in the chart below, net recovery of F&A totaled \$13 million or 48% of allowable F&A costs.



The Federal government is the University's major source of F&A cost recovery providing between 54% and 62% of total recovery since FY2007. Research activities have provided the vast majority (70%-77%) of total F&A recovery for this same period.

¹ Modified total direct costs, defined by Federal cost principles, consists of all salaries and wages, fringe benefits, materials, supplies, services, travel, subgrants and subcontracts up to the first \$25,000 of each subgrant and subcontract. Equipment, capital expenditures, charges for patient care and tuition remission, rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000 shall be excluded from modified total direct costs.

FACILITIES AND ADMINISTRATIVE COST RECOVERY

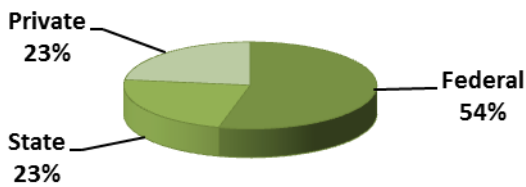
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FACILITIES AND ADMINISTRATIVE COST RECOVERY BY SOURCE/ACTIVITY

(\$ in millions)

	FY2007		FY2008		FY2009		FY2010		FY2011	
	\$	%	\$	%	\$	%	\$	%	\$	%
<u>SOURCE:</u>										
Federal	\$ 7	54	\$ 8	62	\$ 8	62	\$ 9	60	\$ 7	54
State	4	31	3	23	3	23	3	20	3	23
Private	2	15	2	15	2	15	3	20	3	23
Total	\$ 13	100	\$ 13	100	\$ 13	100	\$ 15	100	\$ 13	100
<u>ACTIVITY:</u>										
Instruction	\$ 2	15	\$ 1	8	\$ 1	8	\$ 1	7	\$ 2	15
Research	9	70	10	77	10	77	11	73	10	77
Public Service	2	15	2	15	2	15	3	20	1	8
Total	\$ 13	100	\$ 13	100	\$ 13	100	\$ 15	100	\$ 13	100

**NET FACILITIES & ADMINISTRATIVE COST RECOVERY BY SOURCE
FY2011**



**NET FACILITIES & ADMINISTRATIVE COST RECOVERY BY ACTIVITY
FY2011**

