



MEMORANDUM

Date: August 19, 2021
To: Deans and Directors
From: Rob Cramer, Interim Vice Chancellor for Administration and Finance
Re: Federal indirect cost reimbursements

This memorandum documents the amount of federal indirect cost reimbursement carryforward balance that will be released to your unit in FY22. The project number, the amount, and the percentage increase over the previous year allocation are listed in Appendix A.

The source of funding for this allocation is overhead generated by federal research grants and contracts. The revenue represents reimbursements by the federal government for prior GPR-funded administrative (both central campus and divisional/departmental) and facilities (e.g., debt service, operations and maintenance) expenditures in support of the organized research program. The purpose of this allocation is to provide funding for investment in critical research staff and the capital needs of organized research programs. Federal overhead is the primary source of support for the underlying infrastructure of UW-Madison's research enterprise. UW-Madison's state-funded budget has never been sufficient to meet the infrastructure requirements of the overall research program.

Allocations to schools and colleges are distributed according to a formula based on a two-year average of direct expenditures and overhead generated. Overhead generated and direct expenditures as categories are given equal weight in the formula, and the most recent year is given twice the weight of the previous year.

The amount to be allocated for this coming year will **increase by \$5.9 million (20%) to \$35.5 million**. We trust these additional funds will be helpful in achieving your research objectives. Going forward we intend to adjust the amount of the allocation each year by the growth (or decline) in IDC generated, using the same methodology as described above to distribute the expanded pool to individual schools and colleges. Of course, we will continue to use the remainder of the 150 revenue to support units by directing a significant portion of it to the GPR pool and by using it to fund capital improvements and other research-based initiatives.

Please note that amounts listed in Appendix A relate only to your formula allocations. The Budget Office will follow up with units individually regarding specific purpose allocations. The Budget Office will contact your financial staff regarding allocations for specific initiatives. If you have any questions, please contact Jessica Hawkey (Jessica.Hawkey@wisc.edu) in the Budget Office.