Memorandum

Date:	October 14, 2004
To:	Full Faculty
From:	Paul Glasserman
Subject:	Research grants and course buy-out incentive

Research grants provide a mechanism for faculty to generate revenue for the School (and for themselves) while pursuing their research interests. Grants produce revenue for the School through overhead charges; and they can enhance the research environment in the School by providing additional support for doctoral students, research assistants, data, and computers. In 2001-2004, eleven faculty members received approximately $5 million in research grants that flowed through the Business School. With more faculty applying for grants, we have the potential to increase the funds available for research.

This memo is a follow-up to the presentation at the September faculty meeting on support and incentives for faculty who apply for external research grants. This memo provides further details and describes some of the funding sources that support business school research.

1. Incentives

Overhead (or indirect costs) on research grants flow to the unit of the university in which the grant account is based. Research grants brought in by Business School faculty thus generate funds for the School in addition to those directly available to the grantees for research expenses.

Under the existing School policy (put in place when Glenn Hubbard was the Sr. Vice Dean), 30% of overhead flows back to the grantee's division to support research activities within the division. Under the expanded incentive program, an additional 30% will be credited toward a course buy-out for the faculty member. In addition, any grant funds used in place of off-term support from the School will be credited dollar-for-dollar toward a course buy-out.

To illustrate, here are two examples based on a course buy-out price of $35,000 and Columbia's current overhead rate of 61% for federal grants.

Example 1. Faculty member receives a two-year grant from the National Science Foundation with $200,000 in direct costs. The overhead on the grant is $122,000 (so the total budget on the grant is $322,000). Thirty per cent of the overhead is $36,600 – more than enough for a course off.

Example 2. Faculty member receives a two-year grant from the National Science Foundation with $150,000 in direct costs and $91,500 in overhead, for a total budget of $241,500. Thirty per cent of the overhead is $27,450, which falls short of the amount for a course off. In each of two summers, the faculty member takes $3,775 less in off-term support from the School, instead

charging this amount to the grant. The total credited toward a course buy-out is now $27,450 + $3,775+$3,775 = $35,000, which is enough for a course off.

Why is this in the Business School's best interest? We are betting that these incentives will (i) encourage more faculty to bring in grants and (ii) encourage faculty who apply for grants to channel their grants through Columbia Business School, rather than other departments or institutions

2. Restrictions and Implementation Details

- The course buy-out incentive applies only to new grants. Existing grants will continue to generate 30% of overhead for the division.
- The timing of any course off depends on the staffing needs of the division.
- Projects requiring substantial additional resources from the School (such as additional office space) may get lower credit toward a course off. This should be discussed with the dean's office in advance.
- Interdepartmental grants: If you collaborate on a grant with someone in another department, the University's Office of Projects and Grants can divide the grant into separate accounts based in the two departments. This ensures that at least the portion of the overhead generated by Business School faculty flows to the School.
- Overhead funds accumulated toward a course off cannot be used for additional compensation or additional COSTAR funds.
- The cost of a course buy-out may increase over time. Any course reduction is subject to final approval of the dean.