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GRANTS & CONTRACTS
AND FEDERAL APPROPRIATIONS
ANNUAL REPORT

Fiscal Year Ended
June 30, 2012

Issued January 2013

Office of Finance and Treasurer
16 Central Street
Bangor, ME 04401-5106

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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 includes federal appropriations but does not include grants of student financial aid (see FY2012 Financial Aid Report) or State Stabilization funds.

REVENUES AND UNIVERSITY COST SHARING

- The University generated \$129 million in grant and contract activity for FY2012 and contributed \$36 million in cost share, for total activity of \$165 million.
- Research-related activities accounted for \$81 million or 49% of all grant and contract revenues and cost sharing activity.
- Federal sources accounted for 36% of total funding with the National Science Foundation and the Department of Agriculture providing the largest Federal share.
- The State of Maine Department of Health and Human Services provided \$21 million or 51% of all State funding.
- Grant and contract activity for FY2012 decreased by \$3 million over the prior year to \$165 million and is up \$31 million from FY2008.

EXPENDITURES

- All campuses had grant and contract activity with the University of Maine (UM) and the University of Southern Maine (USM) accounting for 88% (or \$145 million) of total expenditures.
- Total research expenditures from all sources in FY2012 were \$99 million. Funding for these expenditures came from a combination of grant and contract revenues and University cost sharing (\$81 million), educational and general funds (\$3 million), and the State of Maine research and development appropriation (\$15 million).

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

In FY2012 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 be found at <http://www.maine.edu/system/oft/RandD.php>.

UNIVERSITY COST SHARING EXPENDITURES

- Total cost sharing in FY2012 was \$36 million of which 44% 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 FY2012 were \$32 million with \$15 million (47%) in net F&A cost recovery.
- The Federal government continued as the largest contributor to F&A recovery, providing over \$8 million (53%) of net F&A recovery.

REVENUES AND UNIVERSITY COST SHARING

By their nature, grant and contract revenues are used only to meet expenditures and are not profit-generating. Total revenues for FY2012 were \$165 million, decreasing \$3 million or 2% from FY2011 but increasing \$31 million or 23% since FY2008.

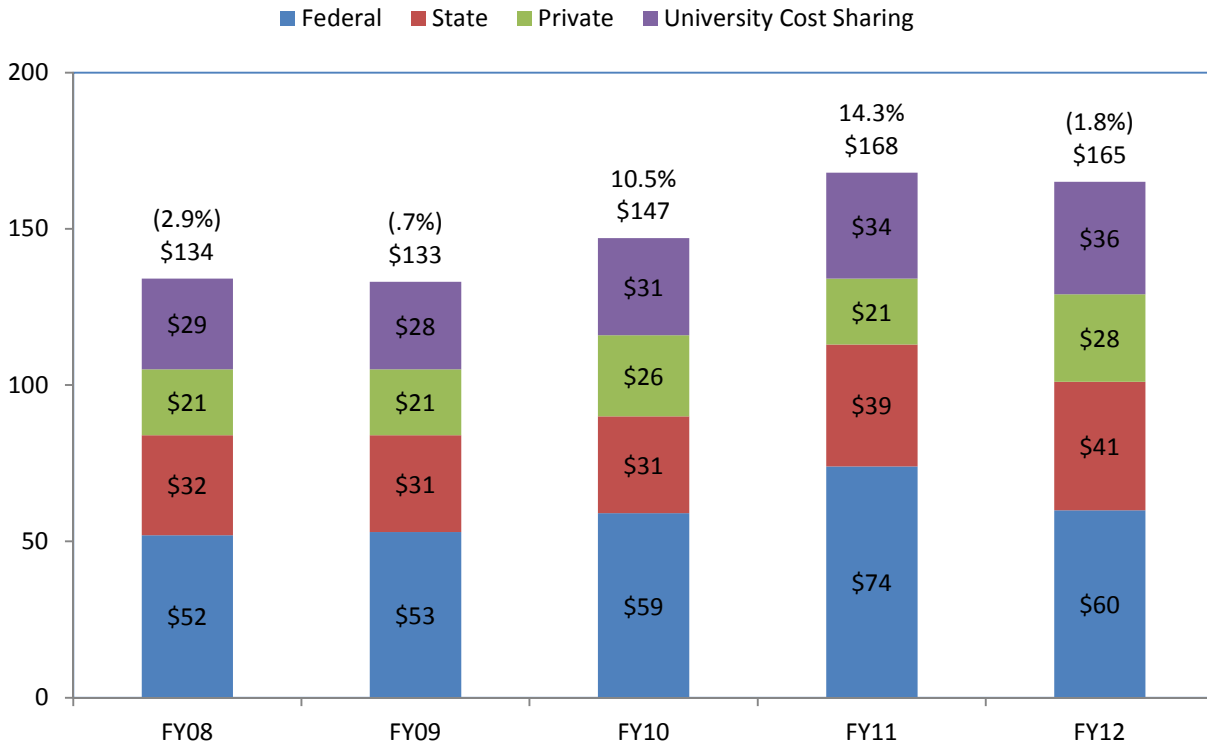
As discussed later in this report, federal revenues declined \$14 million or 19% from FY2011 to FY2012 while private revenues increased \$7 million or 33%. University cost sharing is also discussed later on page 8.

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

	FY2008		FY2009		FY2010		FY2011		FY2012	
	\$	%	\$	%	\$	%	\$	%	\$	%
Federal	\$ 52	39	\$ 53	40	\$ 59	40	\$ 74	44	\$ 60	36
State *	32	24	31	23	31	21	39	23	41	25
Private *	21	15	21	16	26	18	21	13	28	17
University cost sharing	29	22	28	21	31	21	34	20	36	22
Total	<u>\$ 134</u>	<u>100</u>	<u>\$ 133</u>	<u>100</u>	<u>\$ 147</u>	<u>100</u>	<u>\$ 168</u>	<u>100</u>	<u>\$ 165</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 decreased \$3 million (or 2%) from FY2011 to FY2012 and increased \$31 million (or 23%) from FY2008 to FY2012.

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

	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>
University of Maine Augusta	\$ 3	\$ 3	\$ 3	\$ 4	\$ 3
University of Maine Farmington	4	3	3	3	3
University of Maine Fort Kent	-	-	-	-	-
University of Maine Machias	-	-	1	1	1
University of Maine	75	76	88	104	99
University of Southern Maine	48	46	47	46	46
University of Maine Presque Isle	1	2	2	2	2
System-Wide Services	3	3	3	8	11
Total	<u>\$ 134</u>	<u>\$ 133</u>	<u>\$ 147</u>	<u>\$ 168</u>	<u>\$ 165</u>

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

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

	<u>FY2008</u>		<u>FY2009</u>		<u>FY2010</u>		<u>FY2011</u>		<u>FY2012</u>	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Instruction	\$ 20	15	\$ 17	13	\$ 18	12	\$ 21	13	\$ 23	14
Research	72	54	70	53	78	53	93	55	81	49
Public Service	42	31	46	34	51	35	54	32	61	37
Total	<u>\$ 134</u>	<u>100</u>	<u>\$ 133</u>	<u>100</u>	<u>\$ 147</u>	<u>100</u>	<u>\$ 168</u>	<u>100</u>	<u>\$ 165</u>	<u>100</u>

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 88% of total FY2012 grant and contract expenditures. Expenditures for these two campuses were, however, concentrated in different areas. At UM, 69% of its total grant and contract expenditures were for research while 56% of USM's expenditures were for public service.

**GRANT AND CONTRACT EXPENDITURES (INCLUDING COST SHARING)
BY ACTIVITY BY CAMPUS
FY2012
(\$ in millions)**

	INSTRUCTION		RESEARCH		PUBLIC SERVICE		TOTAL	
	\$	%	\$	%	\$	%	\$	%
University of Maine Augusta	\$ -		\$ -	-	\$ 3	5	\$ 3	2
University of Maine Farmington	1	4	1	1	1	2	3	2
University of Maine Fort Kent	-	-	-	-	-	-	-	-
University of Maine Machias	-	-	-	-	1	2	1	-
University of Maine	3	13	68	84	28	46	99	60
University of Southern Maine	8	35	12	15	26	42	46	28
University of Maine Presque Isle	-	-	-	-	2	3	2	1
System-Wide Services	11	48	-	-	-	-	11	7
Total	<u>\$ 23</u>	<u>100</u>	<u>\$ 81</u>	<u>100</u>	<u>\$ 61</u>	<u>100</u>	<u>\$ 165</u>	<u>100</u>

FEDERAL REVENUES

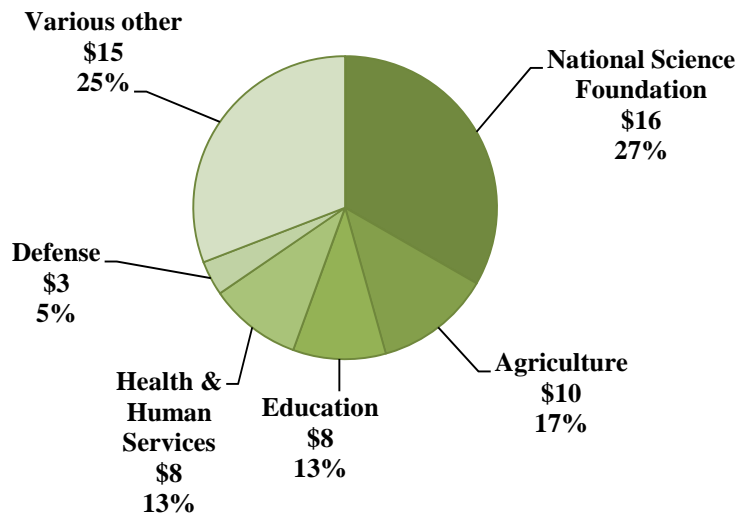
The table and graph below further identify grant and contract revenues by federal agency. In FY2012 federal agencies provided a total of \$60 million in grant and contract revenues to the University, a decrease of \$14 million or 19% from FY2011. Most of this decrease is attributed to a large capital construction grant awarded to UM by the National Institute of Standards and Technology (NIST) which was completed in FY2011.

The National Science Foundation (NSF) was the top source of federal revenues in FY2012 followed by the U.S. Department of Agriculture. NSF provided \$14 million or 88% of their funding to various departments at UM. The U.S. Department of Agriculture provided \$10 million in funding of which \$9 million or 90% was provided to the Maine Agricultural and Forest Experiment Station (MAFES) and UM Cooperative Extension Service (CES).

FEDERAL REVENUES BY AGENCY
(\$ in millions)

Agency	FY2008		FY2009		FY2010		FY2011		FY2012	
	\$	%	\$	%	\$	%	\$	%	\$	%
National Science Foundation	\$ 13	25	\$ 13	25	\$ 14	24	\$ 16	23	\$ 16	27
NIST	-	-	-	-	1	2	13	18	-	-
Agriculture	9	17	10	19	10	17	10	13	10	17
Education	8	15	8	15	9	15	7	9	8	13
Health and Human Services	6	12	6	11	7	12	7	9	8	13
Defense	7	13	5	9	6	10	4	5	3	5
Various other	9	18	11	21	12	20	17	23	15	25
Total	\$ 52	100	\$ 53	100	\$ 59	100	\$ 74	100	\$ 60	100

FEDERAL REVENUES BY AGENCY
FY2012
(\$ 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 continue to provide the majority of State revenues.

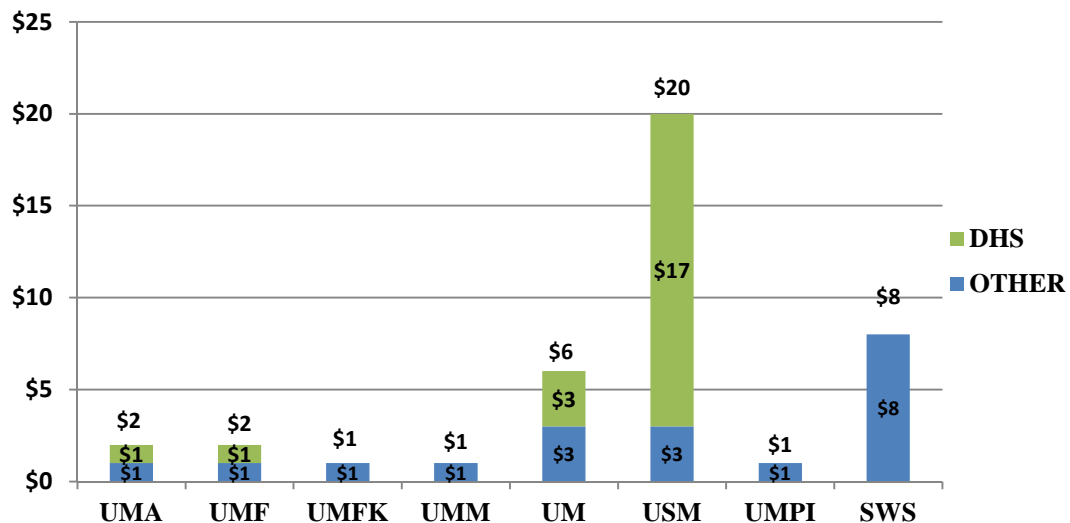
In FY2012 the State of Maine provided \$41 million in contract and grant revenues to the University. Health and Human Services provided \$21 million or 51% of all State revenues. The USM Muskie School of Public Service (MSPS) received \$15 million or 54% of its total grant and contract funding from the State.

STATE REVENUES BY AGENCY (\$ in millions)

Agency	FY2008		FY2009		FY2010		FY2011		FY2012	
	\$	%	\$	%	\$	%	\$	%	\$	%
Health and Human Services	\$ 20	63	\$ 19	61	\$ 20	65	\$ 22	56	\$ 21	51
Public Utilities Commission **	-	-	-	-	-	-	5	13	8	20
Agriculture	2	6	2	6	2	6	3	8	3	7
Education	4	13	4	13	3	10	3	8	2	5
Various other agencies	6	18	6	20	6	19	6	15	7	17
Total *	\$ 32	100	\$ 31	100	\$ 31	100	\$ 39	100	\$ 41	100
* Includes Federal Pass-through funds of	\$ 25	78	\$ 23	74	\$ 24	77	\$ 24	62	\$ 24	59

** 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 FY2012 (\$ in millions)



PRIVATE REVENUES

The table and graph below presents grant and contract revenues from private sources classified by four major categories representing almost 350 different entities. Non-profit organizations continue to provide the majority of private revenues. In FY2012 private sources provided a total of \$28 million in grant and contract revenues to the University, an increase of \$7 million or 33% from FY2011. Most of this increase is attributed to awards received from the Maine Technology Institute.

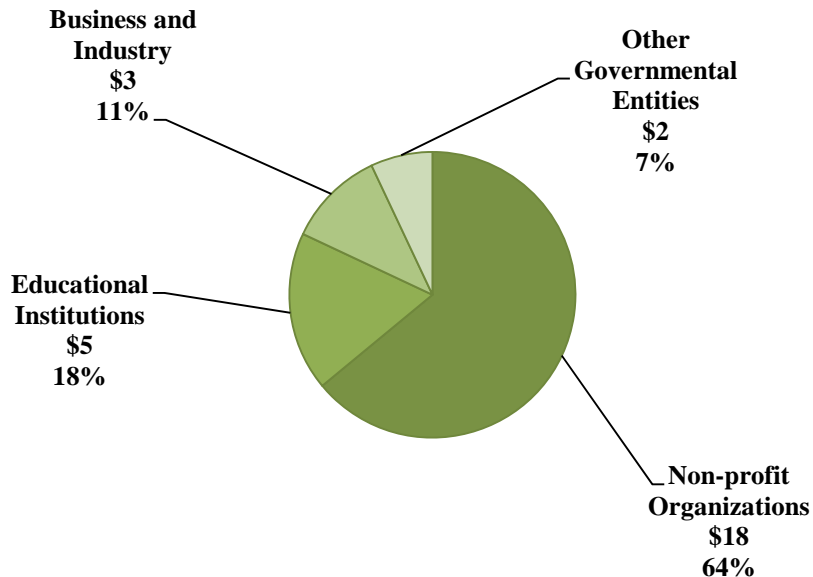
PRIVATE REVENUES BY SOURCE
(\$ in millions)

	FY2008		FY2009		FY2010		FY2011		FY2012	
	\$	%	\$	%	\$	%	\$	%	\$	%
Non-Profit Organizations	\$ 11	53	\$ 12	57	\$ 15	58	\$ 11	52	\$ 18	64
Business and Industry	3	14	3	14	6	23	5	24	3	11
Educational Institutions	4	19	4	19	3	12	1	5	5	18
Other Governmental Entities*	3	14	2	10	2	7	4	19	2	7
Total	\$ 21	100	\$ 21	100	\$ 26	100	\$ 21	100	\$ 28 **	100

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

** Includes Federal Pass-Through funds of \$15 million.

PRIVATE REVENUES BY SOURCE
FY2012
(\$ in millions)



RESEARCH EXPENDITURES

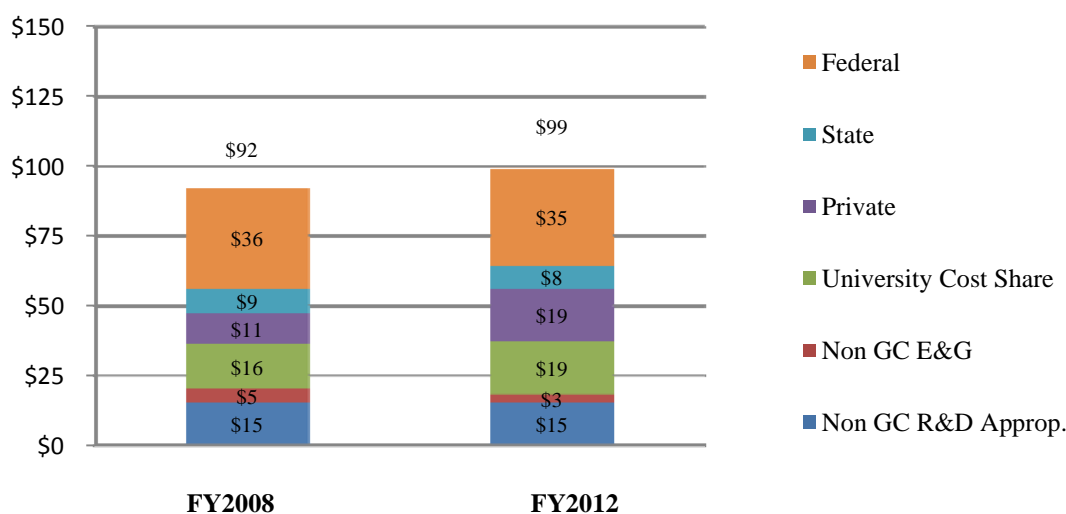
The University's research activities include not only research conducted under grants and contracts, but also institutes, research centers, and project research funded by Educational and General (E&G) monies, as well as projects funded with the State of Maine Research and Development (R&D) Appropriation [related to the Maine Economic Improvement Fund (MEIF)]. Total expenditures for research related activities in FY2012 were \$99 million, an increase of \$7 million or 8% since FY2008.

The following table shows total research expenditures funded by grants and contracts, E&G monies, and State R&D Appropriation from FY2008 to FY2012. 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)

	FY2008	FY2009	FY2010	FY2011	FY2012
Grants and Contracts:					
Federal	\$ 36	\$ 34	\$ 38	\$ 53	\$ 35
State	9	8	7	8	8
Private	11	13	16	14	19
University:					
MAFES Cost Sharing	8	7	8	7	7
Other Direct Cost Sharing	3	4	4	6	5
Other Indirect Cost Sharing	5	4	5	5	7
	<u>16</u>	<u>15</u>	<u>17</u>	<u>18</u>	<u>19</u>
Total Grants and Contracts & University Cost Share	<u>\$ 72</u>	<u>\$ 70</u>	<u>\$ 78</u>	<u>\$ 93</u>	<u>\$ 81</u>
Non Grants and Contracts Funding:					
University E&G Research Costs	5	6	7	5	3
State R&D Appropriation	15	16	15	15	15
Total University E&G and State R&D	<u>\$ 20</u>	<u>\$ 22</u>	<u>\$ 22</u>	<u>\$ 20</u>	<u>\$ 18</u>
Total Research Expenditures	<u>\$ 92</u>	<u>\$ 92</u>	<u>\$ 100</u>	<u>\$ 113</u>	<u>\$ 99</u>

TOTAL RESEARCH EXPENDITURES BY SOURCE
(\$ in millions)



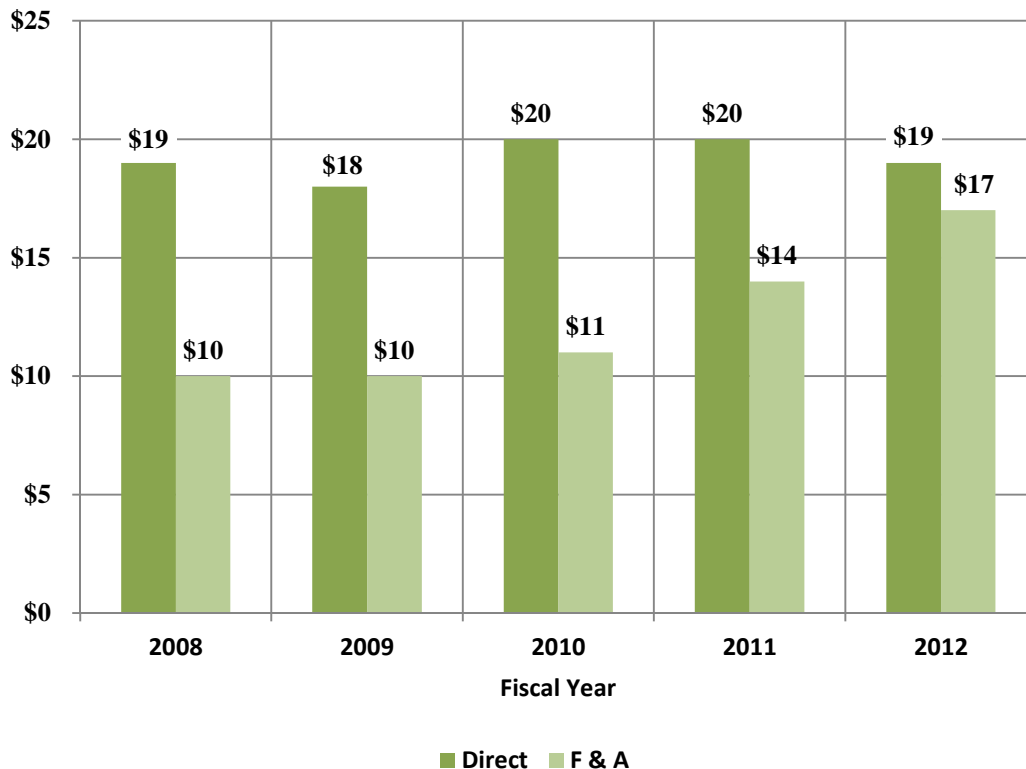
UNIVERSITY COST SHARING

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 FY2012, the University provided \$19 million in direct cost sharing and \$17 million in F&A cost sharing for grants and contracts. Since FY2008, total cost sharing as a percentage of total grant and contract expenditures has remained relatively consistent, ranging from 20% to 22%. In FY2012, total cost sharing was 22% of total grant and contract expenditures.

Most notable is the cost sharing the University provides for MAFES, CES, and the MSPS with 44% (or \$16 million) of the \$36 million in total University cost sharing benefiting these three areas. In FY2012, 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, whereas 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)

	FY2008		FY2009		FY2010		FY2011		FY2012	
	\$	%	\$	%	\$	%	\$	%	\$	%
<u>DIRECT COSTS</u>										
Federal	\$ 17	90	\$ 16	88	\$ 16	80	\$ 16	80	\$ 16	84
State	1	5	1	6	1	5	1	5	-	-
Private	1	5	1	6	3	15	3	15	3	16
Total	\$ 19	100	\$ 18	100	\$ 20	100	\$ 20	100	\$ 19	100
<u>F & A COSTS</u>										
Federal	\$ 2	20	\$ 3	30	\$ 3	27	\$ 5	36	\$ 7	41
State	6	60	5	50	5	46	6	41	7	41
Private	2	20	2	20	3	27	3	23	3	18
Total	\$ 10	100	\$ 10	100	\$ 11	100	\$ 14	100	\$ 17	100
<u>TOTAL</u>										
Federal	\$ 19	66	\$ 19	68	\$ 19	62	\$ 21	62	\$ 23	64
State	7	24	6	21	6	19	7	21	7	19
Private	3	10	3	11	6	19	6	17	6	17
Total	\$ 29	100	\$ 28	100	\$ 31	100	\$ 34	100	\$ 36	100

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

22% 21% 21% 20% 22%

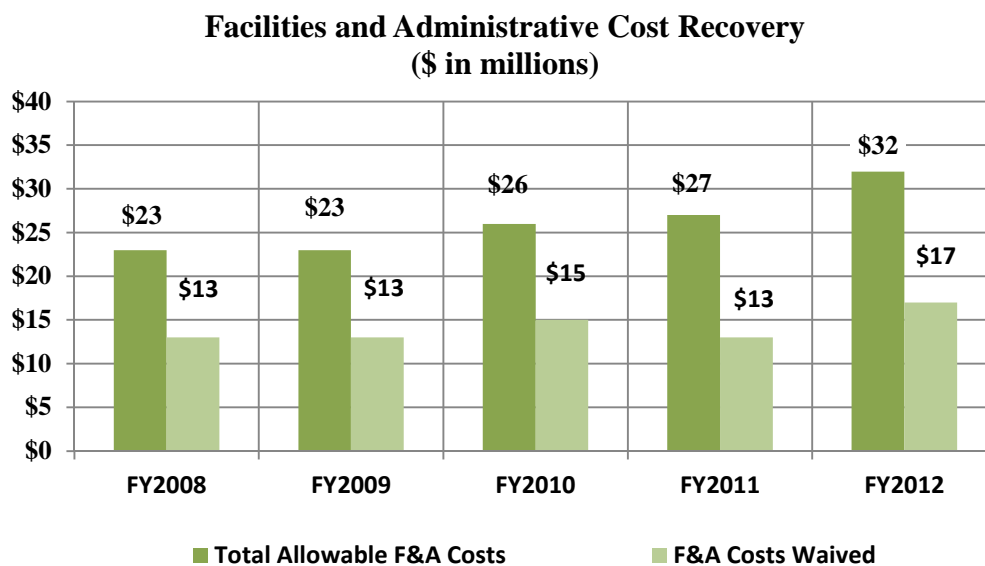
COST SHARING BY ACTIVITY (\$ in millions)

ACTIVITY	FY2008		FY2009		FY2010		FY2011		FY2012	
	\$	%	\$	%	\$	%	\$	%	\$	%
Instruction	\$ 3	10	\$ 3	11	\$ 4	13	\$ 5	15	\$ 5	14
Research	16	55	15	53	16	52	18	53	19	53
Public Service	10	35	10	36	11	35	11	32	12	33
Total	\$ 29	100	\$ 28	100	\$ 31	100	\$ 34	100	\$ 36	100

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. The University is required to negotiate rates with the Federal government to recover 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 through June 30, 2015.

The rate is applied to modified total direct costs (MTDC)¹ of individual grants or contracts to arrive at the total allowable F&A costs. Total University F&A costs for FY2012 were \$32 million. However, as shown in the chart below, net recovery of F&A totaled \$15 million or 47% of allowable F&A costs.



The Federal government is the University's major source of F&A cost recovery providing between 53% and 62% of total recovery since FY2008. Research activities have provided the vast majority (67% - 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.

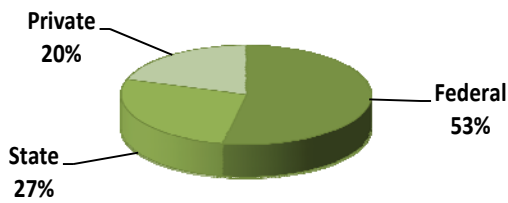
FACILITIES AND ADMINISTRATIVE COST RECOVERY

(continued)

FACILITIES AND ADMINISTRATIVE COST RECOVERY BY SOURCE/ACTIVITY (\$ in millions)

	FY2008		FY2009		FY2010		FY2011		FY2012	
	\$	%	\$	%	\$	%	\$	%	\$	%
SOURCE:										
Federal	\$ 8	62	\$ 8	62	\$ 9	60	\$ 7	54	\$ 8	53
State	3	23	3	23	3	20	3	23	4	27
Private	2	15	2	15	3	20	3	23	3	20
Total	\$ 13	100	\$ 13	100	\$ 15	100	\$ 13	100	\$ 15	100
ACTIVITY:										
Instruction	\$ 1	8	\$ 1	8	\$ 1	7	\$ 2	15	\$ 3	20
Research	10	77	10	77	11	73	10	77	10	67
Public Service	2	15	2	15	3	20	1	8	2	13
Total	\$ 13	100	\$ 13	100	\$ 15	100	\$ 13	100	\$ 15	100

**NET FACILITIES & ADMINISTRATIVE COST
RECOVERY BY SOURCE
FY2012**



**NET FACILITIES & ADMINISTRATIVE COST
RECOVERY BY ACTIVITY
FY2012**

