

‘Workshop on Financial Strategies and Cost Recovery Systems’

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Isn't it great, that as research station managers, we get to participate in these wonderful meetings and share new ideas with other colleagues? This RCAS group has a great value in its common interests and trust among members who attend these meetings.

There is a wealth of knowledge in this room and my job today will be as a catalyst and moderator. Your participation will determine its success. During this 30 minute workshop we will tackle the issue of changing finances.

Today we are targeting ideas only. In 30 minutes “the poison is in the details.” So I will ask you to give ideas and we will share details with handouts or via the RCAS web site or with Dennis Onks’ proceedings.

I asked Bob to use the Power Point and Chuck to record ideas on the flip charts.

Thank you guys.

Workshop Notes:

What are the three most common forms of financing?

Traditional Funding Sources

Hatch Funds
State Line Items
University Funding

How many states use one or more of these sources?

Generally are these growing or shrinking?

Shrinking!

So lets look for other big traditional sources?

Commodity Sales
Grants

Let's look for Alternative Ideas!

How about Alternative Labor Sources?

Department of Corrections
Department of Human Resources
Americore
Fed H2A

Endowments

From gifts
Land Sales

Donations

Real Estate
Equipment
Supplies

Others

Mineral rights
Gas rights
Oil rights
Limestone quarry sales
Timber sales
Wind Turbine agreements
Easements across property

Rental space to commodity groups. Office space and/or field plot space.

Save America's Treasures Grants with Matching Funds

Some Institutions use Project Fees

Cost Recovery Systems
Fee/Acre or Turf Fee/ Sq. Foot
Fee per Service

Know the USDA recharge rules!

Note: 4 groups provided handouts. Arizona, Ohio State, California, & Purdue

**Ohio Agricultural Research and Development Center
Outlying Agricultural Research Stations, Wooster, Ohio
Kenneth Scaife, Assistant Director Field Operations****Cost Recovery Measures**

1. Income from sale of animals or animals removed from herds for experimental purposes. Each location has a dedicated earnings account where proceeds from sale of animals covers the operating costs of the herd. Expenses to maintain the herd include feed, forage, bedding, veterinary care and supplies, breeding animals (bulls, semen for AI), repairs of fences, gates and fences. Earnings accounts are to maintain 20% of a year's operating costs in reserve.
2. Services for plot research conducted by external (non-university) companies where research and extension faculty are not involved. Fees vary based on crop species and level of services provided by the research station. These clients usually collect their own data, and use services of the research station to establish and maintain the crop.
3. Research Station Managers solicit contributions from faculty to contribute funds for seasonal labor, materials or equipment. Where research station personnel apply a significant number of experimental treatments or collect data, the investigators provide labor funds to offset seasonal labor expenses.
4. In the future we are working towards establishing endowments, and will continue to access investigator grant funds since state and federal funds allocations are flat to decreasing. Another source under consideration is to return overhead monies charged to grants directly to the research station where the projects are conducted.
5. The OARDC Feed Mill operation adds an overhead charge on each ton of feed that is produced. These overhead dollars are used to cover operating costs of the mill.

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Research Center Financing and Cost Recovery

► **Field and Farming Operations:**

- ◇ Recharge Rate Calculation: Instead of tracking each project's actual costs for fertilizer, labor and supplies etc., the hours of work performed on each project is the medium used for determining the level of support received. In turn, each project is charged an hourly rate for the "normal and ordinary" hours of work posted against it.
 - Each project's support hours are estimated ahead, providing an estimate of future charges. Combining all projects' estimated hours provides an estimate of the total projected hours needed for the entire center.
 - Dividing the center's total projected support hours into the center's projected budget shortfall yields the hourly charge rate, which is then used for charging for the hours posted to each project.
 - The following formula determines the budget shortfall: The amount funded by the University, less the estimated total expenses for the coming season, offset by any carryover deficit or surplus, equals the budget shortfall.
 - Projected Expenses **LESS** University Funds (adjusted for carryover) **EQUALS** Shortfall
- | | | | | |
|-----------|---|-----------|---|-------------|
| \$524,797 | - | \$406,212 | = | \$(118,585) |
|-----------|---|-----------|---|-------------|
- \$(118,585) Shortfall DIVIDED BY 20,000 Estimated Hours EQUALS \$(5.93)/hour
- ◇ Expenses related to harvesting marketed crops are charged against that income.
 - ◇ Projects are charged additionally for "non-normal and ordinary" work in the field or laboratory (data collection or specialized work). A \$10.40/hour rate is used which equals the cost for the contracted labor brought in to backfill for our technicians' normal duties.
 - ◇ Purchasing nursery stock, specialized equipment or irrigation systems and their installation and maintenance within the research plot are borne by the researcher.

► **Physical Plant Operation:**

- ◇ Actual employee hourly rates, without benefits, are charged to the researchers for maintenance and repairs on researcher owned equipment (incubators, dryers, ovens, etc.).
- ◇ Cost recovery for utilities on research projects requiring high levels of utility usage (additional lighting in greenhouses, high usage fans required for air movement on air pollution study, etc.)

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