University of Guam
Office of Research & Sponsored Programs **Guideline No. 2011-2**

Guidelines for Buyouts, Close-outs, and Indirect Distribution for Grants and Contracts

Buyouts are charges to grants and contracts that are then applied to salaries from extramural sources in place of local funds for salaried employees. Time and effort reports on grants and contracts are used as the basis to invoice funding sources; on receipt the funds replace the local funds which are then directed to non-appropriated funds (NAF) accounts. 50% of buyout amounts are directed to the Senior Vice President (SVP), and 50% are directed to the originating unit, where funds will be available to the faculty member for professional development or grant support, as approved by the authorizing administrator. The term "buyout is used to describe the allowable practice of reimbursing faculty compensation from federal and /or sponsored programs to local funds. The rate of reimbursement is allowable at the base salary rate (OMB A-21 J1d(1)). However, in the case of federally funded 9- and 12- month faculty reimbursement must be made at 100% to the source of which the faculty salary is paid. Where applicable the CFES (Compensation Faculty Evaluation System) will be the basis for determining effort allocation for faculty.

The intent of a buyout is to allow those faculty with identified full-time equivalencies (FTE's) on grants and sponsored agreements the opportunity to conduct research and other academic activities by "buying out" their time. The resources from buy-outs can be used in several ways. However the main intent is to release faculty from identified responsibilities by employing other personnel, or to utilize resources that enable or enhance programmatic compensation for the reduced FTE commitment to the funding source's programmatic responsibilities.

Time and effort reports on grants and contracts are used as the basis to invoice funding sources;

The buy-out requires an invoice, usually generated from the principal investigator which specifies the percent (%) programmatic FTE of the buy-out for the work performed. The buy-out funds are then directed to non-appropriated funds (NAF) accounts in the following manner:

- For local funds, 50% of the buyout amounts are directed to the Senior Vice President (cfs.) (SVP), and 50% are directed to the originating unit, where funds will be available to the faculty member for professional development or grant support, as approved by the authorizing administrator.
- For federal funds, as noted earlier positions which are federally funded must reimburse the source for 100% of the buyout to replace federal funds directed to the planned programs of the faculty's committed FTE, which support the faculty salary.

Close-outs refer to the unexpended funds identified in the closeout process that remainin fixed price, lump-sum contracts that have not been encumbered or expended by the expiration date of the contract. When the contract deliverables have been completed to the satisfaction of the funder, and this is documented in writing, then the remaining funds will be distributed 25% to the SVP, 25% to the AVP, and 50% to the unit supporting the activity. The exception is for federal or other cost-reimbursable projects, where any unexpended funds must be returned to the funder in accordance to procedures specified in the Federal Acquisition Regulation (FAR), or as specifically stated in the grant/award.

The Facilities and Administration (F&A), or indirect charge, on grants and contracts is currently 57% against salaries and wages, as audited by Health and Human Services, November 10, 2010. The indirect rate may vary according to the requirement of the funding source, but the audited rate is acceptable to most federal agencies. The off-campus rate is 22.5% against salaries and wages.

Indirect paid by funding sources to UOG is distributed following BOR Resolution No. 08-40 as follows:

i. 16% will be deposited into a Facilities and Administration Costs account for purposes of fiscal soundness and general operations;
ii. 42% will deposited to the unit generating the grant for purposes of research support and incentive; and
iii. 42% will be deposited to the President's Development Fund, net of $25,000 annually retained by the Board, for funding academic excellence initiatives, strategic planning, support for faculty and staff development and institutional development.

The Unit share should be divided 50% to the Unit and 50% to the PI on the grant or contract, as agreed by the Dean/Director.

The office of GSRSP operates on a share of various charges equal to approximately $100,000/year to support contract services for compliance activities and graduate studies services, research development, PI training, and travel.

~~As the total amounts due the Unit and to the University annually are variable, the percentage distributed to GSRSP from the total annual amounts will vary. Typically, a proportionate distribution of 4% from among the President's Development Fund, Facilities and Administration Costs account, and the Units should be provided to GSRSP annually.~~