

Mark B Shasby

To: GS-B-FORT All

01/26/2005 09:09AM

cc: Elisabeth M Brouwers/BRD/USGS/DOI@USGS, Joseph L Henderson/BRD/USGS/DOI@USGS

Subject: FORT Business Practices and USGS DOI Cost Share Policy for Fiscal Year 2005

FORT EMPLOYEES:

The purpose of this memo is to state the Center's policy on charging Salary to our work, with a bit of background on the present strategies we are using to balance the budget this fiscal year. The two are obviously related.

BACKGROUND:

The FORT remains committed to bring the highest quality science to our customers within the budget allocated to the Center. However, in light of the current budget situation, we are all exploring creative ways to sustain our excellence through the expected budget constraints over the next few years. Unfortunately there will be impacts.

The budget situation we are facing may result in decisions that affect employees in various significant ways. Most obvious are the potential impacts on the work we are able to support, which in turn may require revision of some job responsibilities. Less obvious, but extremely important, is the stress and anxiety caused by the uncertainty of the situation.

It should be clear that the FMT as a body will make the final decisions. However, without your input and support we will not be able to achieve the final solution we need to move forward as a Center. The decisions we are making are programmatic business decisions, not personal decisions. Good organizations prioritize and focus their resource and capital investments on a regular basis. The best organizations increase some budgets, moving staff and resources to areas with strategic advantage. They also cut or eliminate budgets and retool staff in areas that are poorly positioned. Each Branch and body of work will be called upon to justify resources on the basis of whether they are adding real value to what are determined to be the Center's priorities. The long term strategy for the FORT is to operate under these premises as we look to position ourselves to succeed in the future.

In the short term our options are somewhat limited. As everyone is aware, FORT managers are engaged in an extremely Difficult process of trying to balance the FY 2005 Center Budget with a Combination of appropriated Base funds, Cyclical Program funds, and reimbursable funds. The bottom line is that appropriated Base funds no longer cover the salaries of the permanent Federal workforce. Therefore, one strategy being employed this fiscal year is that we are moving federal salaries first into cyclically funded tasks, as these are appropriated USGS funds, and lastly, where possible, into reimbursable funded tasks.

We will change reimbursable funded tasks only after collaboration with the funding entities.

Obviously, as salaries are moved into tasks, operating funds go down. Rather than do across-the-board cuts, we are trying to allocate funds strategically into tasks that Center managers feel are the highest priority. Our intent is to deliver quality science products as promised for those selected tasks. In the short term, staff and resources must be redirected to make these tasks whole. We are doing this in cooperation with our own Regional Office, USGS Program Coordinators, and the Science Coordinators of the customer Agencies. Tasks that are losing funds will be put on hold until the Center is back in a fiscal position of being able to either appropriately fund the tasks, or terminate the activity.

The Director of the USGS has acknowledged that due to flat budgets and rising costs the Survey is realistically accepting the fact it is in a position of having to do "less with less". The key to moving forward in this environment and ensuring that we will have a productive future is dependent upon strategically defining what the "less" is. Unfortunately, the FORT can't wait for USGS and the Biology Discipline at the national level to define what that is and what the process will be to get there from here. We have reached the crucial decision point and we are, as mentioned above, already very engaged in making some difficult decisions.

#### SALARIES INTO TASKS:

As we deal with the present, and look to the future, we must recognize the ever increasing need to include salaries in all task proposals, as well as accurately account for the time staff actually spend working on current tasks. I have included below the latest memo from Carol Aten on the implementation of DOI Reimbursable Cost Sharing Policy in FY 2005. I ask all PI's to please read the memo carefully, as well as the attachments, so that you understand the policies as well as the terminology that USGS and this Center are using to manage work under this directive. An extremely important distinction is now being made between the funds we use to "Cost Share" the indirect costs over and above the 15% we collect from DOI reimbursable, and the direct costs that we "Joint Fund" when the task does not collect all direct costs, like salary, from the customer (e.g., when we contribute a portion of the Federal salaries for the task). (These same terms apply to non-DOI customers, recognizing the fact that we normally do not have the option of not charging full indirect costs to them.)

The very first paragraph of the memo on full project-cost accounting is very important to understand and accept. It is expected that a PI will account (in BASIS) for all of the time they anticipate they will spend working on a task. For reimbursable tasks, it is the FORT's goal to request, at a minimum, 20% of the permanent Federal salary costs be covered in the funding agreement. Whenever possible additional funds should be negotiated for. The ideal would be to recover all direct costs associated with any reimbursable activity. Obviously that can't be the case for all tasks so it is at the discretion of the FORT and its Branches to "Joint Fund" priority projects. In an environment of doing "less with less", I

am asking the Branch Chiefs to strategically manage salaries. I will enforce this requirement on the whole Center.

The overall objective and strategy for the Center is to capture, at a minimum, 20% of its total permanent Federal salary from non-Base funded sources, i.e. cyclicals and reimbursables. The same objectives in turn apply to each of the Branches. Until those goals are met, we will need to be extremely creative in what we fund and how we staff our work.

This does not mean that there is a quota of only 20% salary recovery for each individual, but rather a goal for the Branch and/or a "team" of individuals that comprise a body of work. Nevertheless, each Branch must achieve the 20% salary recovery goal.

Another important change to the DOI cost share policy deals with the use of "Cost Share" funds to cover the indirect costs not collected by the 15% assessment on DOI reimbursable. Each Center is now given a mandated allocation of funds to be used for cost sharing DOI reimbursable work which is being held in a separate account that can only be used for the DOI Cost Share Agreements. This policy tied up \$304,000 of our budget this year, 2nd highest of all Centers in the country. Once our DOI Cost Share allocation has been accounted for through DOI reimbursable agreements, we have to seek assistance from the Regional Office before we can enter into any new DOI agreements. If the Region doesn't have "cost share" funds available in their Regional accounts then the FORT has the authority to request full indirect costs from the funding agencies, or turn down the work. This is a significant change in USGS policy and options and it applies to all Centers across the country.

#### FUTURE:

Realistically, we fully expect that this budget realignment process will take about two years before we stop feeling significant impacts from the "state change" we experienced this fiscal year. Some projects will go forward as normal. Others will stop. Without significant increases in our income and reductions in costs, we will be doing fewer projects with fewer people. We will work closely with our customers to identify their highest priority needs and balance that against the priorities of USGS, its Programs, and the new Regional structure we will be reporting to. We will emerge from this process a bit battered but still with a significant science program. What we need most at this point in time is for each employee to recognize we are all in this together and its time to pull together and support each other in whatever way we can.

The FMT and I intend to have an informal All-Hands, Town Hall question and answer session next week on Tuesday afternoon starting at 1:30 PM. We should have a nearly completed working budget by then and I'm sure everyone will have a lot of questions and issues to bring forward.

I want to finish by thanking all of you all for the level of cooperation you have shown so far in this difficult process. This is your Center and the solution must come from within. So far, for the most part, the response has been great.

Mark B Shasby  
Director  
USGS Fort Collins Science Center