AMERICAN UNIVERSITY WASHINGTON, D.C.

University Policy: Spending Policy for Faculty Start-Up Funds and Institutional Support Funds

Policy Category: Operational Policies

Office Responsible for Review of this Policy: Office of the Provost

Procedures: Attached Exhibit A – Procedures for Approving and Spending Faculty Start-Up Funds and Institutional Support Funds

Related University Policies: Relocation Reimbursement Policy; Travel Policy; Procurement Policy;

I. SCOPE

This policy provides guidance for determining which expenses may be charged to faculty start-up funds and other institutional support funds. The purpose of this policy is to ensure sound business practices, timely and accurate recording of expenses, and compliance with tax regulations under the Internal Revenue Code.

II. POLICY STATEMENT

Faculty start-up funds and institutional support funds are provided by the university to pay for expenses incurred in support of new faculty member's transition to the university and transfer of research and scholarly activities from his/ her previous institution. (These guidelines do not address expenses related to sponsored research as specified by the university and federal guidelines). Faculty start-up and institutional support funds are not considered personal compensation and cannot be used to supplement a faculty member's academic year salary, to cover personal expenses (except for approved relocation reimbursements as specified in the Relocation Reimbursement Policy), or without explicit prior approval from the Office of the Provost for summer salary support. Faculty start-up funds not used for personal compensation are not subject to personal income tax.

The complete package of Faculty Start-up Funds, Relocation Costs, and Institutional Support Funds from all sources must be reviewed and approved by the Office of the Provost before an offer letter is issued to a newly hired faculty member.

III. DEFINITIONS

- **Faculty start-up funds:** Funds allocated by the Provost to academic units and/or allocated by deans from units' internally designated funds to cover approved start-up costs for newly hired faculty. Faculty start-up costs may include: new office computer; software; laboratory equipment; temporary transition costs for research activities.
- **Institutional support funds:** University funds allocated for specific purposes in support of faculty development, research and other scholarly activities. These funds may be included in the academic units' operating budgets, allocated by the Provost as supplements to existing

budgets, or internally reallocated by deans from the unit's discretionary or internally designated funds. These funds may include cost of building a specific facility, laboratory or center to support research and scholarly activities of new faculty.

- **Durable assets:** Assets or property that have a useful life of more than one year, and usually not consumable. Examples: computer or laboratory equipment.
- **Relocation Costs:** Costs incurred to relocate a new employee, his/her family and household effects from the original place of residence to the new place of residence upon acceptance of the university's employment offer. See AU's Relocation Reimbursement Policy -- http://www.american.edu/loader.cfm?csModule=security/getfile&pageid=2044455

IV. GUIDELINES

FACULTY START-UP FUNDS:

Typical costs covered by start-up funds for newly hired faculty include:

- New office computer, accessories and software.
- Books, journals, electronic resources, special laboratory and office supplies.
- Designated research travel associated with start-up or transition.

Special arrangements which are not typical start-up expenses include:

- Summer salary support.
- Research assistant for a limited time to support temporary transition activities.

Funding to conduct actual research studies, after transition, must be supported by sources other than start-up funds, preferably external sources. All expenses from faculty support funds need to be fully documented with specific reference to the research or scholarly activity being conducted and must follow all related university policies and procedures (*See Exhibit A).* Durable assets purchased with faculty support funds are the property of American University.

The academic unit dean or his/her designee is responsible for ensuring that approvals of faculty support expenses and reimbursements are made in accordance with this Policy and that an inventory of all durable assets in the unit is maintained.

Ordinarily, expenditures may be made from start-up funds within the first two academic years of the faculty member's appointment. Unspent start-up funds may be carried over to the next fiscal year as long as this is requested by the Dean and justified in writing to the Office of the Provost at least two months prior to the end of the first fiscal year. Extensions beyond two academic years from initial faculty appointment must be approved by the Dean in consultation with the Office of the Provost.

Upon the departure of a faculty member, any unspent start-up or institutional support funds, durable assets or items of value remain with the university.

The University prohibits the use of faculty start-up funds for gifts (employee and non-employee), donations, and any costs unrelated to faculty research or scholarly activities.

INSTITUTIONAL SUPPORT FUNDS:

Typical costs charged to institutional support funds which must be identified at the time of a position offer include:

- facility renovation for conducting research;
- services purchased from animal care and other research support facilities.

MOVING EXPENSES:

As part of a position offer the Office of the Provost or Dean may provide funding for relocation expenses. The policy for reimbursement of moving expenses can be found here :

- http://www.american.edu/loader.cfm?csModule=security/getfile&pageid=2044455

As long as funds are used within these guidelines, there are no tax implications, with the exception of summer salary support and relocation costs. Failure to abide by these guidelines may result in tax consequences. The IRS views faculty support funds that are used for personal expenses of a faculty member as additional income and would require the university to withhold taxes as a result.

V. APPROVAL

This Policy is effective May 1, 2011.

This policy needs to be signed by the appropriate officers (listed below) before it is considered approved.

Approved:

Scott A Bass

Provost

Date Approved: 5/1/11

EXHIBIT A
PROCEDURES FOR APPROVING AND SPENDING FACULTY START-UP FUNDS AND INSTITUTIONAL SUPPORT FUNDS

I. Faculty Start-Up Funds:

a. If faculty start-up funds will be offered to a newly hired faculty, the hiring unit must prepare a list of costs from all sources to be included in the start-up package.
b. The hiring unit dean will consult with the Office of the Provost and obtain approval of the start-up package before an offer letter is issued.
c. Facilities-related costs for new faculty need to be discussed by the hiring unit in advance with the Office of Facilities Development and approved by the Office of the Provost prior to inclusion in the offer letter.

II. Relocation reimbursements:
http://www.american.edu/loader.cfm?csModule=security/getfile&pageid=2044455

III. Procurement of durable assets, supplies and other goods/services.
http://www.american.edu/finance/controller/PC-Policies-Procedures-and-Guidelines.cfm

IV. Travel Expenses
http://www.american.edu/loader.cfm?csModule=security/getfile&pageid=2676033

V. Use of faculty support funds for research personnel.

a. Faculty must submit a request in writing to the teaching unit head or the unit dean describing the research activity and the need for hiring research personnel.
b. Unit dean's approval of the request is required for faculty support funds included in the unit's operating expense budget or internally designated funds.
c. Approval from the Office of the Provost is required when hiring research personnel or paying faculty's summer salary during the temporary transition period out of faculty start-up funds.
d. Faculty start-up funds, used for salaries and wages are taxable compensation to the recipient.

VI. Contacts:
Questions regarding these Policy and Procedures may be referred to:
Office of the Provost
provost@american.edu
(202) 885-2127