



WORKERS' COMPENSATION RESEARCH CENTER

3636 EXECUTIVE CENTER DRIVE, SUITE G-22 • AUSTIN, TEXAS 78731

TELEPHONE (512) 346-6197 • FACSIMILE (512) 795-8139

*file # ML 17293-92
705-17293
MBJ*

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Opinion Committee

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Executive Director

Annette Gula

September 10, 1992

Ms. Madeline Johnson, Chief
Opinions Committee
Office of the Attorney General
Price Daniel Building, 7th Floor
Austin, Texas INTERAGENCY

Dear Ms. Johnson:

In June of this year I contacted Jerry Neef at the Office of the Comptroller of Public Accounts regarding the payment of indirect costs by the Research Center. While Mr. Neef provided assistance, he referred me to your office for an official opinion. Copies of my letter to Mr. Neef and his response are enclosed.

At this time, the Texas Workers' Compensation Research Center is requesting a written response to the following questions:

The Research Center will be contracting with state institutions of higher education for the performance of research projects. Will it be necessary for these institutions to recover indirect costs on these research contracts per the General Appropriations Act, Article 5, Section 69 on page 67? Can the Research Center contracts cover only direct costs and employee benefits?

If an official opinion is not immediately forthcoming, it would be helpful if someone from your office could call with an estimate of when it may be received.

Please call if you need additional information. Your assistance in this matter is very much appreciated.

Sincerely,

Annette Gula
Executive Director

AG/lg

Enclosures



WORKERS' COMPENSATION RESEARCH CENTER

3636 EXECUTIVE CENTER DRIVE, SUITE G-22 • AUSTIN, TEXAS 78731
TELEPHONE (512) 346-6197 • FACSIMILE (512) 795-8139

Board of Directors

June 16, 1992

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Mr. Jerry Neef
Office of Comptroller of Public Accounts
Fiscal Management, 9th Floor
LBJ State Office Building
111 East 17th Street
Austin, Texas 78774 — Interagency Mail

Dear Mr. Neef:

The Texas Workers' Compensation Research Center is requesting a written response to the following questions for our files.

The Research Center will most likely be contracting with state institutions of higher education for the performance of research projects. Will it be necessary for these institutions to recover indirect costs on these research contracts per the General Appropriations Act, Article 5, Section 69 on page 67? Can the Research Center contracts cover only direct costs and employee benefits?

If you should need additional information, please call. Your assistance in this matter is appreciated.

Staff

Sincerely,

Executive Director

Annette Gula

Administrative Assist

Lavon Guerrero

Annette Gula
Executive Director



COMPTROLLER OF PUBLIC ACCOUNTS
STATE OF TEXAS
AUSTIN, 78774

July 23, 1992

Ms. Annette Gula
Executive Director
Workers' Compensation Research Center
3636 Executive Center Drive, Suite G-22
Austin, Texas 78731

Dear Ms. Gula:

I received your letter dated June 16, 1992, asking for our thoughts concerning two questions you have. Our comments are as follows:

1. *Should the Workers' Compensation Research Center (Center) include employee benefits as an allowable cost for its research grants with state universities?*

The Center should allow employee benefits to be a cost component of its research grants. Article V, Section 67 of the current General Appropriations Act requires benefits to be paid proportional to the source of funding. Accounting Policy Statement 001 describes the process for paying employee benefits. Employee benefits should follow the same source of funding as was used to pay salaries. Universities must pay the employee benefits from the grant funds that paid the salaries.

2. *Should the Center include indirect costs as an allowable cost for its research grants with state universities?*

We do not believe that the Center is required to include an indirect cost reimbursement allowance in its research grants. Our opinion is based upon the following reasons.

Article 6252-5f, V.T.C.S. defines "indirect costs" to be the costs of administering a state or federally funded program, other than the actual cost of the program, and includes the costs of statewide support services. The contract or grant that you refer to will not include the administration of any program, nor will it include statewide support services. It merely involves the performance of research. The Center is charged with the actual administration of the project.

Article 6252-5f requires a state agency to implement its indirect cost recovery plan by setting fees and billing rates at amounts sufficient to recover the indirect cost of the agency when permitted by law. The definition of indirect costs is controlling and does not apply in this situation.

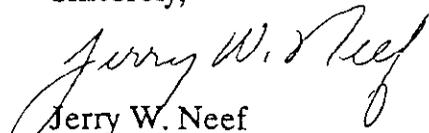
Ms. Annette Gula
July 23, 1992
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Also, the Center is charged with assuring "economy in use of funds." "Economy" is defined in Black's Law Dictionary as "frugality and prudent expenditure of money or use of resources." Considering this directive, costs of research must be carefully calculated in the contracts with the universities. Based upon this analysis, we do not believe that indirect cost recoveries must be included in the Center's research grants.

The opinions stated above are unofficial. If you seek an official opinion, you should ask the Attorney General.

Please feel free to contact me if you have additional questions.

Sincerely,


Jerry W. Neef
Accounting Policy Coordinator

Jan 1997