

Budget Ad Hoc Group (BAHG) WebEx/Conference Call

June 12, 2014 (10a – 12:10p, MDT)

TWG Triennial Budget Input FY 2015-17 Meeting Minutes

BAHG Chair: Shane Capron

Participants:

BAHG Members:

Cliff Barrett, UAMPS

Marianne Crawford, USBR

Kevin Dahl, NPCA

Paul Harms, State of New Mexico

Leslie James, CREDA

Vineetha Kartha, State of Arizona

Glen Knowles, USBR

John Jordan, TWG Chair

Don Ostler, NM/WY

Jason Thiriot, State of Nevada

Mike Yeatts, Hopi Tribe

TWG Members & Others:

Dave Bennion, WAPA

Robert King, State of Utah

Jerry Myers, Federation of Fly Fishers

USGS/GCMRC

Dave Lytle, Jack Schmidt, Scott VanderKooi, Helen

Fairley

Purpose of Call: Follow-up from the May 20th call. Mr. Dave Lytle, SBSC Director, will provide additional information on how the USGS computes their burden rate.

Mr. Lytle distributed copies of his PPT (**Attachment 1**). There are three components to how USGS calculates their burden rate: (1) the Bureau charges 12% on reimbursable agreements to support USGS headquarters (IT work, leadership, etc.), (2) Center-level overhead (salaries, financial folks, desks, thing to keep operation running), charges 26%, and (3) AMP funds are only charged 7.5% for overhead. The difference between what the Center would earn over all agreements and what is made with AMP, has to be made up with USGS appropriations. Since 2002, USGS has been committing \$1 million to the SBSC to make up that difference. However, that number has gone down to \$875K over the last 2 years. That's not enough to cover the difference so SBSC science funds are now diverted to make up the difference. USGS is assuming that for FY FY15 there won't be more cuts and the amount will stay around \$875K, but don't know for sure and will need to see what happens from year to year. They won't know what the FY15 budget will be until next Jan-Feb-Mar and is based on what Congress does. He doesn't anticipate there will be any change to the 7.5% charge. The Southwest Biological Center has the lowest overhead rate among all science centers across the country. SBSC has a very low facility overhead charge. That's good for the AMP and other reimbursable agreements with partners across the country and even internationally.

Q: Why is it that the AMP pays for facilities?

A: The reason that USGS charges for facilities or the justification we use has its origin in the GCPA and the Mark Schaeffer memo in 2000 (**Attachment 2**) '...As authorized in the Grand Canyon Protection Act of 1992, funding for the operation of GCMRC, including salary and related expenses (benefits and travel) of the incumbents of GCMRC; space; equipment; and monitoring and research activities shall be derived primarily from the sale of electric power and energy from the Colorado River Storage Project and shall be reimbursed by the Bureau of Reclamation.' 70% of SBSC facility costs are paid with reimbursable funds

Q: What are reimbursable funds?

A: Those are provided to USGS from other sources for doing business, e.g., DOE, DOF, FWS, BLM and other sources like that. The unique thing about SBSC is that we receive so much of our funding from reimbursable agreements and that's different from all the other 17 USGS science centers. We get 30% appropriated funding and 70% reimbursable. The other centers get more appropriated funding than SBSC.

Dave: We lease facility through GSA from the City of Flagstaff. We occupy about 35,000 sq feet of space. We also occupy 3,000 sq ft at NAU. Total rent costs at SBSC is about \$350,000 a year and based on ratio of 30/70, we get \$125K from USGS and \$218K from reimbursable agreements. The facilities are beyond their design life. This building was built in the early 70's and not expected to be around 25-30 years. As a result of that and general decay of this building, the City of Flagstaff won't enter into another long-term agreement with USGS and GSA. They intend to destroy the buildings and build a new one. The extension lease will last for 2 years at an increased rate of 60%, from \$11/sf to \$18/sf. Those funds will have an impact on SBSC and GCMRC.

Q: What requirements do you have to do comparable rates in the community to ensure you're within the market?

A: Those market comparisons are handled by GSA.

Q: This is not related to current demolition of the current structure?

A: Yes. We are looking at a new facility in the same area on campus. We're about to go through internal processes and need to provide a list of spaces and square footage needed in order to do our jobs. The design of the facility will be handled through the City of Flagstaff and GSA. We're asking for about 38,000 sq feet. That's an 11% decrease in our total leased space. Looking at less than 25% decrease in office space and shrinking the footprint of the federal government. It doesn't include specialized spaces like labs to support the GCMRC work. We're getting rid of storage containers and proposing to move into warehouse storage space. The present containers are leaking and have rodents so it's a problem for storing field equipment. We're also looking at substantial increase in lab facilities. Looking at a 20-year, non-cancellable lease. It binds USGS for the space which has some drawbacks but does give us a predictable costs in the outyears.

Q: How much work is at that site?

A: We have 80 people at SBSC and probably 60 of those are GCMRC employees, so probably 75%. We have a big group in Moab and some scientists in Tucson.

Q: Will construction be done by the City of Flagstaff?

A: Yes, and we'll have to pay for some of that. When there is new construction, the provider of the lease is responsible for putting up the shell (basic structure of the facility – doors, windows, floors). The tenant is required to build the internal walls, desks, lab spaces, IT technology. The lease costs consist of two components – shell and the buildout. Much of the costs of the buildout get folded into the lease and amortized throughout the lease. Over the last several years, we have at SBSC have squirreled around \$3million to pay the tenant improvement costs and should have \$4 million by the end of the year.

Q: Have AMP funds been squirreled away?

A: Yes, that's part of the reimbursable costs. Of the estimated overhead revenues, we put that into working capital fund. We do the same for vehicles, major science equipment, rafts, boats, for those major capital expenditures.

Q: What does the square foot rate go up to in the 20-year lease?

A: We're looking at \$38/sf. Building 6 is under the same lease arrangement. It's much newer than Building 4 and is about \$24/sf. We think \$38 is reasonable for standard office space on campus.

Q: Is that fixed? In downtown SLC, we pay \$20/sf

A: We don't have a design and no agreement for construction. GSA is doing best to estimate for costs. The number could go up or down. GSA feels fairly confident that this is a good number and is within 5% up or down. Lab spaces are on order of \$100/sf when compared to office spaces. They are expensive spaces because of materials that are used (sediment grinders that create vibration so concrete slabs have to be put in) and require special construction needs. Of that \$1,600,000 in rent, USGS contribution is estimated at \$542,000. Reimbursable funding is for \$1,057,000. Because GCMRC is 80% of reimbursable funding, that is about \$846,000. These are

estimates. We won't know final numbers until the end of FY16. FY17 GCMRC overhead rate will be 27.4%. This rate is still less than other USGS science centers. There are concerns for the FY17 SBSC overhead rate = 66.3%.

Q: The GCMRC rate - is that 3 out of \$4 stays within the program?

A: The USGS uses an odd calculation for overhead rates. These numbers are a little bit higher than rates. You look at the total amount of money you receive and how much is retained, and that's the overhead rate. The USGS figures a "net" overhead. It's not quite right to say that 3 of every \$4 stays with GCMRC. It's probably \$3.25 out of \$4 stays with the program.

Dave: This is how we're trying to manage the costs increases. We'll continue to look at other opportunities as we move forward. Jack and I have been trying to make sure that these issues are in the minds of USGS and DOI leadership. The best way to deal with these cost increases is to come up with additional appropriated funding. If we can do that, we bring in more money and can spread the overhead rate over a larger amount of GCMRC and reduce that rate. We could change the rate and USGS would be reimbursable for 50% of the rate.

Q: How likely is it to get more appropriated funding?

A: It's hard to do in this budget climate.

Q: There was quite a bit of AMWG discussion prior to housing GCMRC at Flagstaff. Some stakeholders took a vote that got a lot of airplay. Can you provide that memo? I think there are some things in there that might support the appropriation discussions. I don't recall all the specifics.

C: I recall that discussion. It would be helpful to look at notes around that time frame.

Leslie: Look at GCPA and possibly arguments for appropriations.

Dave: I can encourage you to do.

Helen: The other part of history when we went from one year to a two-year budget and the argument was the perhaps non-federal stakeholders would want to get ahead of the budget cycle to make their pleas to Congress. Anyone else remember that?

Q: What can we expect in next couple of years in terms of impact of loss funding and impact with new facility?

A: GCMRC facility cost is \$850K. That \$600K will go up. The difference between (FY17) 9.3 and 7.3 million. This is the most liberal way to look at it. If we kept that entire \$9.3 at GCMRC, we'd be left with \$7.3 million in funding. Some portion of the \$9.3 would be passed to other science centers. USGS would charge some pass through money.

Q: Am I seeing here that if we put in front of DOI, that we have a case for \$100K in FY17? It's disconcerting with the changes.

Jack: Another reason to take numbers as very approximate is that the CPI is less than 3%, then the hit to GCMRC is much greater. If the CPI is large, it's less and we don't know what the CPI will be. The dollars are flat, political persuasion, and if people think GCMRC activities should be scaling down. Another benchmark to compare is that the reality this year if you include the FY15 overhead ... I'm trying to structure a budget of \$8.8 million. All the GCMRC science leads and feel they have an important stake in how this money is to be spent. Right now it's to make things to fit. The \$9.3M includes the CPI. We don't charge 28% on everything. Every other entity charges more overhead than we do.

C: This looks like we're spending as much money as FY13, You had a cut in the amount of money that was available. In FY17, you take a huge cut in FY17 (7.3M).

R: This is the problem with the science budgets seen in USGS. When we're held flat because of CPI driven costs, the actual amount of money we have to spend goes down. This doesn't include increased costs to salaries and benefits. There are other ways that these dollars will be reduced.

Q: You said that FY17 is worst, what is the best case?

A: Looking at facilities costs there will be some additional monies taken out of the additional 7.55 because we're applying that 7.5% rate to a larger pool of money. It won't be \$2M, but might be \$1.5M or less. We don't know how much of the \$9.3M would stay in the GCMRC program.

Jack: This is a great discussion, make a mental note of this discussion and in the draft budget that will be sent out on June 6th, these costs and proportions will be made available to you.

Q: I'm troubled with what's on the screen. What would FY13 or FY14 look like using 28% burden rate?

A: We just assume that's the proper accounting of inflation and do the calculation and what's the difference between 11% and 28%.

C: I wonder Jack if you and Glen and Dave ought to consider this presentation to the AMWG itself.

Jack: Yeah, got it. In closing let me give you two alarmist numbers remembering that these are all the caveats we've given you. If we had a flat budget of \$8.4 million, 11.3% of that is \$950,000. 28% of 8.4 is \$2.4 million. Just the facts. There are many, many caveats. 28% is a much larger number than 11%.

Leslie: This topic was subject a lot of discussion in Congress for the RIP and Congress capped that program to 3%. There are a lot of issues that don't provide the program a lot of certainty.

Jack: It's interesting because I've heard over years and keep the science that we do. You're raising a very important issue. Many of you on this call, CREDA, WAPA, and states are aware of the internal accounting of the MSCP, and the RIPs and are forming your own opinions and how they compare to these numbers.

Dave: I appreciate your time and attention. This is a lot of information. Appreciate your effort in trying to understand this. Please contact me know if you have any questions.

Call ended: 11:34A MDT



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

MAR 31 2000

MEMORANDUM

To: Commissioner, Bureau of Reclamation
Director, U.S. Geological Survey
Secretary's Designee, Adaptive Management Work Group

From: 
Mark Schaefer, Acting Assistant Secretary for Water and Science

Subject: Institutional Home for the Grand Canyon Monitoring and Research Center

Consistent with the Grand Canyon Protection Act of 1992 and the "Operation of Glen Canyon Dam, Final Environmental Impact Statement" (GCDEIS) of 1995, the Grand Canyon Monitoring and Research Center (GCMRC) was established by directive of the Deputy Assistant Secretary for Water and Science on November 11, 1995 as one element of the Glen Canyon Dam Adaptive Management Program. The 1995 directive established GCMRC for an interim period, not to exceed two years, under the guidance and oversight of the Deputy Assistant Secretary for Water and Science, the Director of the U.S. Geological Survey (USGS), or his designee, and the Commissioner of the Bureau of Reclamation, or his designee. In 1996, a Record of Decision was issued implementing the recommendations contained in the GCDEIS and a directive was issued by the Deputy Assistant Secretary for Water and Science on August 3, 1998 extending the arrangements contained in the executive memo of 1995 up until this point in time.

Since the establishment of GCMRC in 1995, discussions have been underway regarding the appropriate institutional home for GCMRC. The recommendation contained in the GCDEIS (p. 36) is, "... that the Secretary establish a research center [GCMRC] within the U.S. Geological Survey (USGS) and/or National Biological Service with a small permanent staff in Flagstaff, Arizona." In its 1999 report, the National Research Council (p. 12) articulated the following criteria for consideration in selecting a permanent institutional home for GCMRC:

"The Center Should be housed in a premier science organization committed to physical, biological, and social science inquiry,

the institutional home should enable the Center to work effectively with all Grand Canyon and Glen Canyon Dam management agencies,

the institutional home should enable the Center to communicate scientific program issues and results directly with a management team at the Assistant Secretary level in the Department of the Interior, and

the Center should be independent from any single stakeholder management organization within the Adaptive Management Work Group."

Having reviewed the issue of a permanent institutional home for GCMRC with the DOI team established to provide guidance and oversight to GCMRC, as well as with the members of the Adaptive Management Work Group, I have decided, consistent with the original recommendation contained in the GCDEIS and the criteria developed by the NRC, to place the GCMRC within the USGS.

In doing so, it is my intent that the following policies and protocols will guide the operation of the GCMRC:

1. As authorized in the Grand Canyon Protection Act of 1992, funding for the operation of GCMRC, including salary and related expenses (benefits and travel) of the incumbents of GCMRC; space; equipment; and monitoring and research activities shall be derived primarily from the sale of electric power and energy from the Colorado River Storage Project and shall be reimbursed by the Bureau of Reclamation. Funding from power revenues shall be capped at the FY 2000 level, indexed for inflation in subsequent years provided the results of the protocol evaluation panels currently underway do not result in recommendations for substantial increases or decreases in the program. The protocol evaluation process will be completed by FY 2002 and any adjustments in support from power revenues should be finalized at the same time.
2. The USGS will be responsible for seeking and providing additional appropriated funds for GCMRC activities, beyond the FY 2000 level provided from power revenues, indexed for inflation.
3. The GCMRC shall be led by a Senior USGS Science Advisor.
4. The GCMRC will be co-located with the USGS facility in Flagstaff, Arizona.
5. The GCMRC shall be composed of an appropriately sized staff of administrative and scientific personnel with relevant scientific and technical expertise. The staff shall be composed of permanent, term, and temporary employees, as appropriate; program staff shall be employees or contractors of the USGS. In addition, the GCMRC may use post-doctoral appointments and detailees to complete its staffing needs.
6. Monitoring and research activities conducted by GCMRC will be implemented primarily through a competitive request for proposals with Federal and state agencies, universities, the private sector and Native American tribes. The successful proposals shall be selected on the basis of advice provided by an independent external scientific peer-review.

7. A DOI Managers Committee composed of the Assistant Secretary for Water and Science or his/her designee, the Director of the U.S. Geological Survey or his/her designee, the Commissioner of the Bureau of Reclamation or his/her designee and the Director of the National Park Service or his/her designee shall provide policy and programmatic guidance to the GCMRC Chief.
8. The USGS will not charge bureau-level assessments against the funding provided by the Bureau of Reclamation to support the GCMRC and its scientific activities.
9. USGS researchers who compete successfully for GCMRC funds will charge the standard USGS assessment rate to cover management, quality assurance and administrative needs for their project.
10. The annual budget for funds provided through the Bureau of Reclamation for activities of the GCMRC shall be proposed by the GCMRC Chief with the concurrence of the Director of the USGS and the Commissioner of the Bureau of Reclamation, and after consultation with the Adaptive Management Work Group.
11. Consistent with the GCDEIS, GCMRC shall utilize independent external review panels to ensure the technical excellence of its work.
12. GCMRC shall develop, in consultation with the AMWG, a five-year strategic plan to guide its operations. The strategic plan shall be stepped down into an annual work-plan to guide annual operations.

Implementation of this directive shall begin as soon as practical. The Managers Committee shall review the policies and protocols contained in this directive that govern the operations of the GCMRC at least every five years.

cc: Anne Shields, Chief of Staff
David Hayes, Deputy Secretary
John Berry, Assistant Secretary for Policy, Management, and Budget
Donald Barry, Assistant Secretary for Fish, Wildlife and Parks



SBSC Facilities and Overhead

David Lytle

**Center Director – Southwest Biological Science
Center**

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U.S. Department of the Interior
U.S. Geological Survey

SBSC Facilities and Overhead

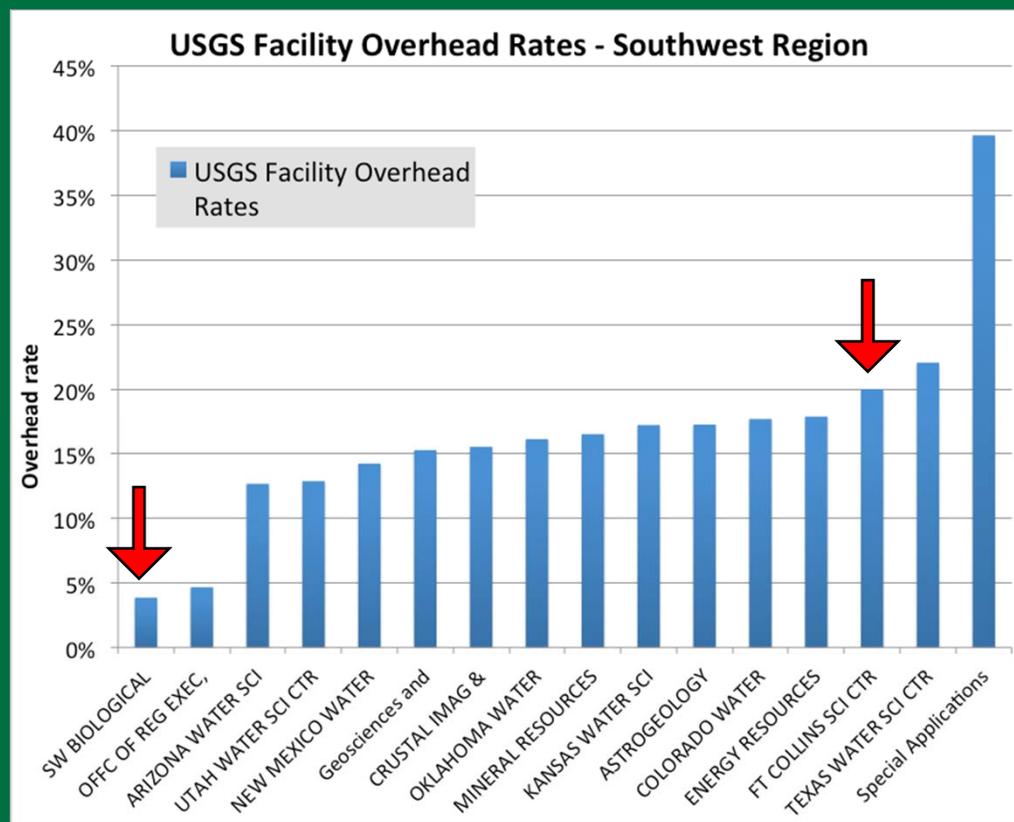
- **Overhead structure in the USGS**
- **Facilities overhead rates in the USGS**
- **Flagstaff facilities**
- **Effect of new facility on overhead rates at SBSC**
- **Mitigation efforts**

USGS overhead for GCMRC has three components

- **Bureau-level overhead (12%)**
 - By policy, this charge is waived
- **Center-level overhead (26%)**
 - By policy, this overhead rate is set at 7.5% for AMP funds
 - The difference **MUST** be made up with USGS appropriated funds.
 - Since 2002, USGS has committed ~\$1,000,000/year. Due to CPI – driven increases in AMP funding + USGS budget cuts, these funds are no longer sufficient.
 - SBSC science funds are now diverted to make up the difference.

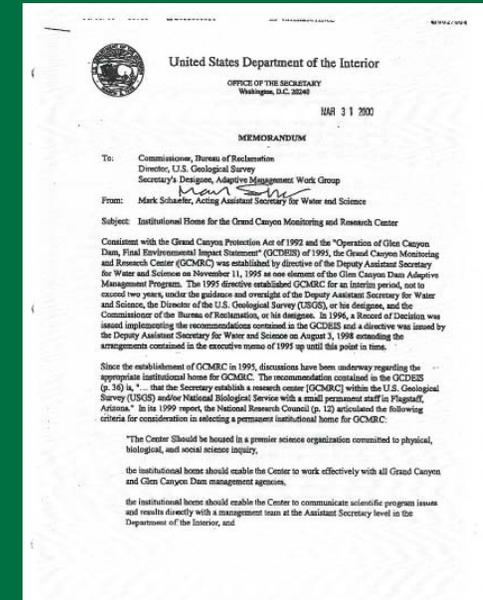
USGS overhead for GCMRC has three components

- Facility overhead (3.8%)



Authorization for facilities overhead

- 2000 Mark Schaefer (acting ASWS) memo
 - *“As authorized in the Grand Canyon Protection Act of 1992, funding for the operation of GCMRC, including salary and related expenses (benefits and travel) of the incumbents of GCMRC; space; equipment; and monitoring and research activities shall be derived primarily from the sale of electric power and energy from the Colorado River Storage Project and shall be reimbursed by the Bureau of Reclamation.”*



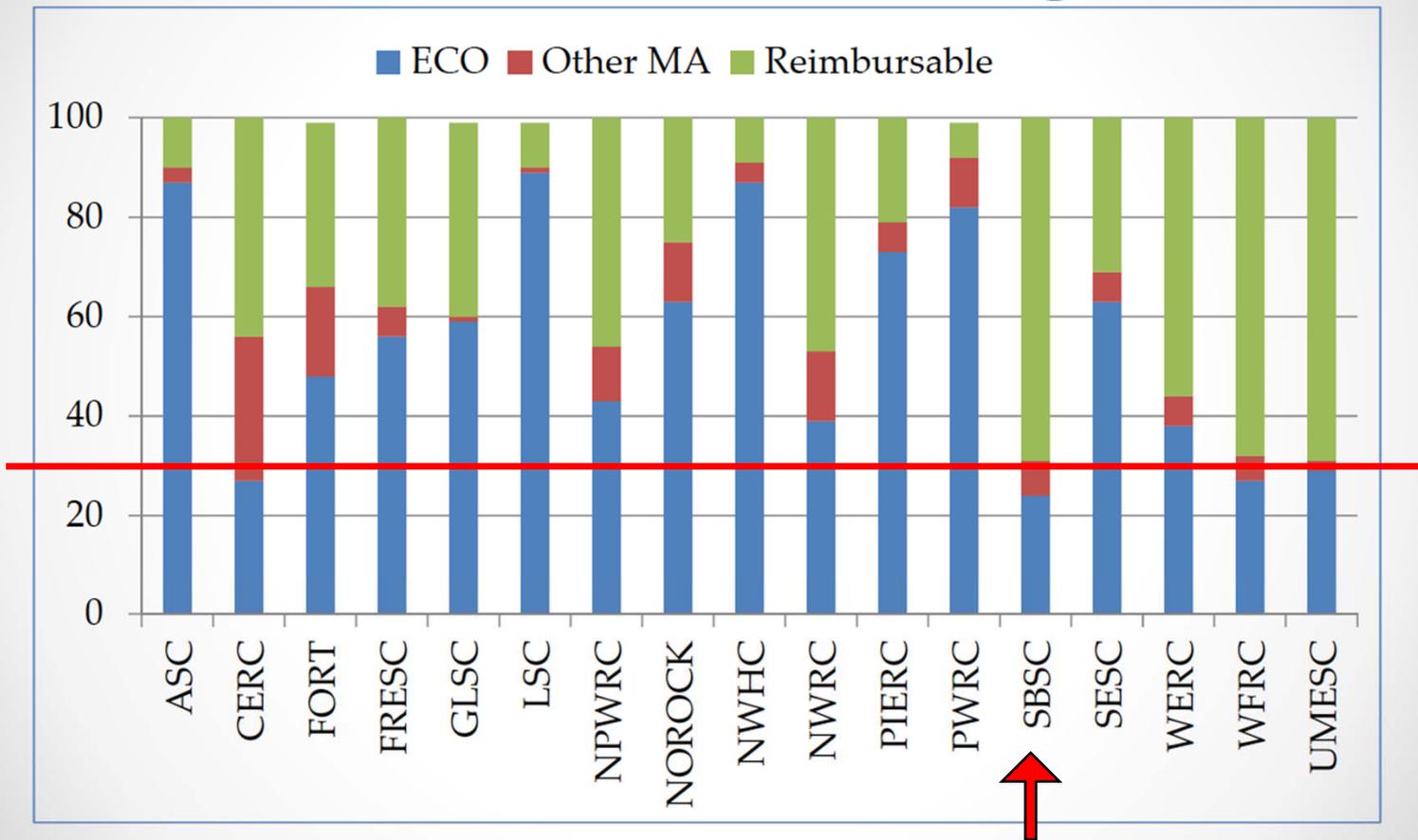
How does USGS pay for facilities?

- **Appropriated funds**
 - \$92 million; \$6 million shortfall
- **Reimbursable funds**
- **Center facility funding based on the ratio of appropriated and reimbursable funds**
 - SBSC (30% appropriated:70% reimbursable)
 - 70% of SBSC facility costs paid with reimbursable funds

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Sources of Funding (%)



SBSC Facilities in Flagstaff - Current

- Through the General Services Administration (GSA), SBSC leases space from the City of Flagstaff
 - ~35,000 sf at the USGS headquarters
 - ~5,000 sf in additional storage in shipping containers
- ~3,000 sf at Northern Arizona University
- Total rent costs: \$343,500 (\$125k USGS: \$218k reimbursable)



Current Flagstaff Campus Site Map

SBSC Facilities in Flagstaff - Current

- Current facilities are beyond design life
- City of Flagstaff will not enter into a new long-term lease
- Short-term lease extension (2 years) needed in FY14
 - Rates will increase by 60%, from \$11/sf to \$18/sf

SBSC Facilities in Flagstaff - Proposed

- Through the General Services Administration (GSA), SBSC leases space from the City of Flagstaff
- FY17 – proposed occupancy
 - ~38,000 sf in new office, lab, and warehouse space at USGS headquarters
 - 11% decrease in total leased space
 - >25% decrease in office space
 - Substantial increase in warehouse and lab space
 - 20-year, non-cancellable lease

SBSC Facilities in Flagstaff - Proposed

- **FY 17 estimated rent - \$1,600,000 (\$38/sf)**
 - **USGS contribution : \$542,000**
 - **Reimbursable sources : \$1,057,000**
 - **GCMRC : 80% - \$846,000 (~ \$600,000 increase)**
- **FY17 estimated facilities overhead rate**
 - **19.9% (from 3.8%)**
- **FY17 GCMRC overhead rate**
 - **19.9% + 7.5% = 27.4% (from 11.3%)**
- **FY17 SBSC overhead rate**
 - **19.9 % + 28.6% + 12% = 66.3%**

Mitigation efforts

- **Space reductions**
 - SBSC space in the new facility will be 11% smaller than in the current facility
 - Increase in shared space among Flagstaff science centers
- **DOI and USGS leadership engaged**
 - Looking for additional appropriated funding for SBSC/GCMRC
 - Center facility funding based on the ratio of appropriated and reimbursable funds
 - SBSC (30% appropriated:70% reimbursable)

Long-term Implications of Increased USGS Burden Rates on Funding for Monitoring and Research

	Total GCDAMP funds available to GCMRC	USGS burden rate	GCDAMP funds available for scientific work led by GCMRC, including GCMRC administrative costs
FY13	\$8.4 million	11.3% (actual)	\$7.4 million
FY14	\$8.5 million	~11.3%	~\$7.5 million
FY15	~8.8 million	~16%	~\$7.5 million
FY16	~\$9.0 million	~22%	~\$7.4 million
FY17	~9.3 million	~28%	~\$7.3 million

SEC. 204. (a) IN GENERAL.—For fiscal year 2001 and each fiscal year thereafter, the Secretary of the Interior shall continue funding, from power revenues, the activities of the Glen Canyon Dam Adaptive Management Program as authorized by section 1807 of the Grand Canyon Protection Act of 1992 (106 Stat. 4672), at not more than \$7,850,000 (October 2000 price level), adjusted in subsequent years to reflect changes in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.

