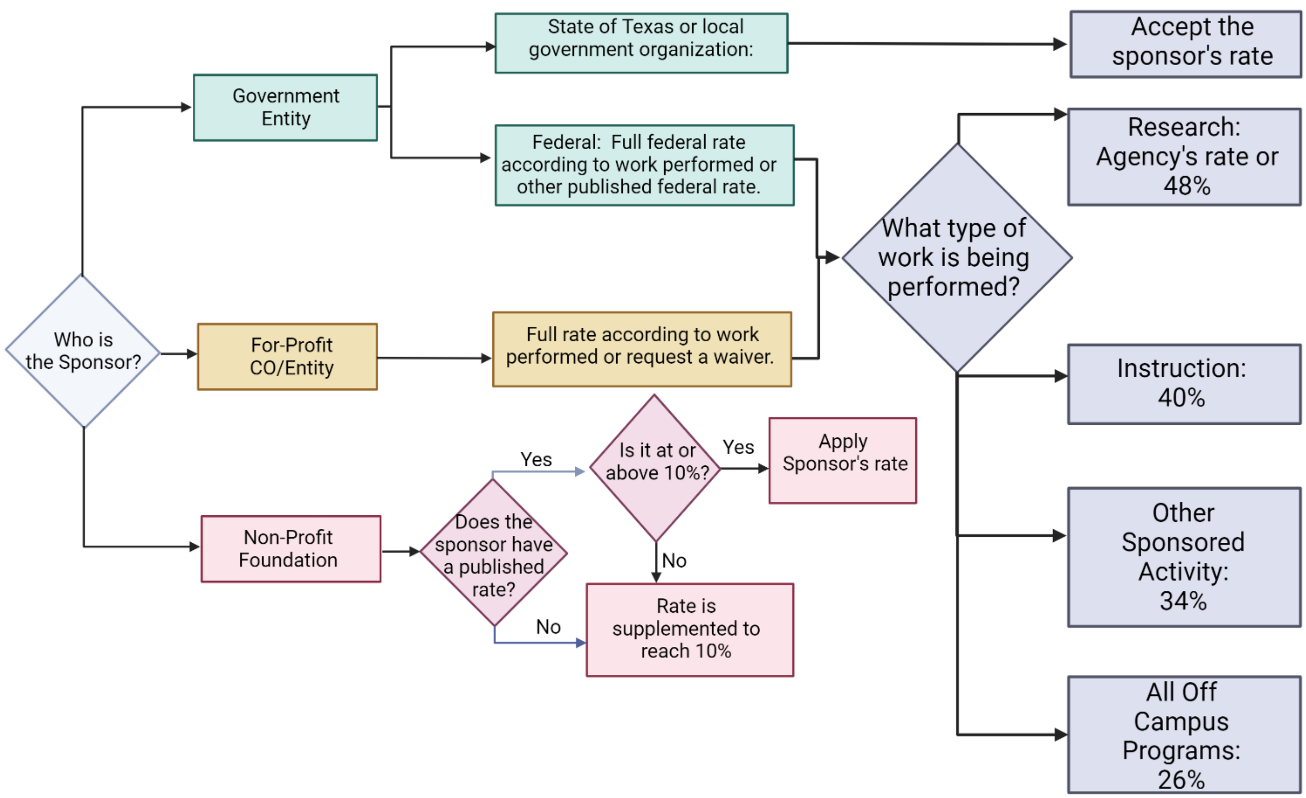
Procedure for Management Regarding Applications for Research Funding (grants, contracts, etc.)

Indirect Costs (IDC)

Indirect Costs are also known as Facilities and Administrative costs **(F&A)** as defined by federal Uniform Guidance. F&A costs are those incurred by a recipient for a common or joint purpose benefiting more than one cost objective, including utilities, building and lab management, telephones, libraries, grant administration support, maintenance, and other services that support and enable research at our institution.

The Decision Flow Chart below describes IDC rate determination:



Allocation and Use of IDC Funds

It is the policy of the University to use, wherever possible, IDC funds to support the sponsored research activities of its faculty, students, and staff as a way to contribute to the pursuit of knowledge, the enhancement of student learning, and the promotion of the common good. Thus, the University will allocate a percentage of indirect costs (Facilities and Administrative costs) to Principal Investigators (PIs), Project Directors (PDs), Departments, Colleges/Schools, the Office of the Executive Vice President for Research and Innovation (EVPRI), and the University Chief Operating Officer (COO) to help support the *research* enterprise, *research* training and the overall *research* infrastructure at HSC.

Portions of the recovered indirect costs will be returned to the PI/PD, Department, College/School, EVPRI's Office, and general operating budget according to the distribution plan described below.

Distribution of Indirect Costs

Previously, the distribution of IDC, published on the Research Division website, was as follows:

Standard Distribution	
Principal Investigator	10.0%
Chair	5.0%
Dean	5.0%
Institutional Recovery	80.0%
	100.0%

VPR Designated Institutes	
Principal Investigator	10.0%
Chair	2.5%
Institute Director	5.0%
Institutional Recovery	82.5%
	100.0%

Recognizing a broader need and interest for research engagement, a new distribution model now allocates IDC to the Chair and Dean at the same amount for DRI-recognized Institute awards as for Non-Institute awards; the intent is to support the administrative cost associated with supporting faculty receiving externally funded awards. The new model is shown in the Table below.

	DRI-recognized Institute	**Non-Institute**
Principal Investigator (PI) or Project Director (PD)	10%	10%
Dean of College or School	5%	5%
Department Chair	5%	5%
Institute Director	5%	0%
Institutional Recovery	75%	80%

The PI/PD's account will be set up as a discretionary account. The funds will remain in that account for as long as the PI/PD is employed at HSC. Once the PI/PD indicates that they are leaving the University, their F&A Account funds will go into conservatorship (i.e., all expenditures will require the **Dean's and Chair's approval**). When the PI/PD leaves or retires from the University, any unexpended funds remaining in that PI/PD's indirect cost fund will be returned to the **department**.

Accountability for Distributed Indirect Cost Dollars

While the indirect cost rate is established based on facilities and administrative expenses, the University has the discretion to re-invest these funds towards the research and scholarship enterprise. The University's standard distribution of indirect costs recognizes the shared responsibility between central administration, academic units, research centers, and faculty in supporting research and other scholarly activities at HSC.

The following guidelines provide the parameters for the use of this allocated fund:

Program Incentives may be used for research/training/faculty development-related expenses, including student stipends, professional travel for the PI(s) or PD(s) and students, and teaching and student-learning enhancement initiatives. Use of funds is at the discretion of the PI(s) or PD(s). Acceptable uses include the following:

- Research equipment or laboratory-based materials and supplies.
- Student stipends or research assistants plus related benefits (e.g., FICA, Worker's Compensation) to conduct research.
- Fees for laboratory analyses, whether in Core Labs or external facilities.
- Travel expenses to conduct research (e.g., research library or collection, field site, conferring/working with collaborators).
- Travel expenses for PI/PD or student presentations at professional meetings
- Expenses for a PI/PD to attend professional research, training, or educational activities.
- Equipment purchases or maintenance.
- Student/employee labor costs during the academic year (e.g., work-study).
- Computer hardware and software (procurement must be coordinated with Information Technology Services).
- Miscellaneous expenses, including library acquisitions, journal subscriptions, society membership fees, publication costs, postage, copying, etc.

Note that IDC discretionary funds distributed to a PI, PD, Chair, Dean, or Institute Director may not be used to provide any form of salary increase to that same person (thus, one cannot give oneself a raise using discretionary funds they manage/control) and must comply with all state and federal laws, funding agency Uniform Guidance, UNTHSC policies and UNT System and Regent Rules.

Carry-Over of IDC Discretionary Funds

Discretionary funds derived from IDC recovery may carry over from year-to-year. However, it is the intent that such IDC funds are re-invested into the research enterprise and not overly accumulated. The maximum amount that may be retained year-to-year is $250,000. In the event that the amount is expected to exceed that limit, the holder of the account must provide to the EVPRI a detailed specific written explanation for the need to retain such an amount, and what future use is planned for the funds. A one-page proposal of how the retained funds will be used will be submitted to the appropriate Dean and EVPRI for approval. Failure to do so within 30 days after the end of the previous fiscal year will result in a transfer of retained (carry-over) IDC above the $250,000 limit to the general university account.

In either case, written approval from the EVPRI and the relevant Dean will be needed to avoid or reverse the transfer of those funds to the general university account.

At any time, the Dean and/or EVPRI may request a report to be submitted describing the use and impact of IDC recovered funds during the preceding fiscal year.

In the event that IDC Recovery funds are used for inappropriate purposes, the EVPRI and Dean of the Faculty member may revoke the PI/PD(s)'s access to those funds. In such cases, the allocation will revert to the operating budget of the University. The misuse of discretionary funds will also be reported to the appropriate HSC and UNT System officials for further action as needed.

Operational Procedure and Review

It is expected that before any grant application submission to OSP, relevant Chairs, Deans, and Institute Directors will conduct a due diligence review of financial and operational feasibility in a realistic and holistic manner. As such, there is no "form" or format for such a review. Various levels of leadership are expected to demonstrate operational awareness and oversight to approve research applications and proposals that are not feasible, add additional unfunded costs to HSC, do not align with HSC objectives, or are intended only to satisfy requirements for an individual's desire for tenure and promotion.

Feasibility reviews will not be required for fellowships, training grants, or awards submitted by PI/PD(s) who qualify as new investigators as defined by the National Institutes of Health.

Chairs and Deans should actively discourage or work with REAP to find alternatives for applications with the following features:

- The non-profit funding agency/entity does not have a published IDC rate.

  Note: In cases where a non-profit sponsor has no formal published policy on F&A cost reimbursement, OSP will accept an IDC rate of 10% of the Total Direct Costs (TDC) added to the proposed budget as a line item of administrative costs. If the sponsor does not allow administrative costs, 10% of the Total Direct Costs will be covered by a direct transfer, at the time of award, by departmental/unit local funds to the Office of the Vice President for Research and Innovation and will be distributed in accordance with HSC policy. A memorandum of understanding will be required to agree to this plan and amount *prior* to processing the proposal application.

- The requested total direct costs (TDC) amount is less than $20,000 annually.

- The proposal offers voluntary cost-share (salary and fringe benefits) in excess of 1% effort for any member of the project team.

- The proposal requires mandatory cost share (salary and fringe benefits) that exceeds the total direct cost dollar amount requested.

- The proposal application requests a waiver of all or some of the appropriate federally negotiated IDC rates or amounts. Note that there are NO waivers of IDC.

Note: For-profit or industry sponsors are expected to provide indirect cost recovery that equals the amount that would have been recovered through the application at the University's federal IDC rate. In situations with a for-profit or industry sponsor having a published IDC rate or policy of less than the federally negotiated rate or no published IDC policy, the relevant IDC must be covered by the principal investigator, department chair, or dean or a combination thereof.

All Department Chairs and School/College Dean or Institute Director over the PI/PD are expected to conduct a thorough and thoughtful feasibility review of the grant and contract proposals emanating from their unit before signing off and submitting those applications through OSP.

Such reviews by leadership - other than the proposed research team leader - should be conducted as early as possible in the stage of development, especially concerning appropriate budgeting, funds requested, and practical feasibility (i.e., can the study be done with the personnel involved, in the time frame proposed, with the funds requested, etc.).

Only after this feasibility review is conducted and determined suitable for further action should any application be sent to OSP processing (no "form" needed).

Waivers of Indirect Costs (Facilities and Administrative) or Applications involving IDC rates lower than federally negotiated rates

An F&A cost waiver is an institutional decision that F&A costs will be applied at a rate lower than the University's negotiated agreement.

Indirect Costs are "real costs" to the institution. Therefore, published F&A rates of sponsors are NOT waived nor reduced at the University of North Texas Health Science Center.

Using IDC as Cost-Share

IDC, as a cost-sharing mechanism in grant applications requiring cost-share, is not allowed.

This standard operation procedure is linked to UNTHSC Policy 8.107 *Sponsored Programs*

Summary Points:

- IDC Waivers are NOT allowed
- Voluntary Cost Share NOT allowed
- Use of IDC for Mandatory Cost-Share NOT allowed
- TDC < $20,000 per year NOT allowed…with following exceptions:
    - Applications from graduate students, postdoctoral fellows
    - Applications from Early Career Stage and New Investigators (as defined by NIH)
    - Applications to "high-visibility" sponsors such as American Heart Association, American Cancer Society, Bright Focus, and various foundations are allowed, primarily to generate pilot data and demonstrate prior success and credentials for subsequent "major sponsor" applications
        - Note: Recurring reliance on <u>only</u> seeking "small grant awards" is discouraged: NIH has small grant programs (for example, R03 provides $50K plus full IDC per year for 2 years)
- All state of Texas and Federal negotiated/stated rates apply, but will honor non-federal sponsor *<u>published</u>* IDC rates
- If no published IDC rate, apply 10%
- If IDC rate < 10% then the Chair, PI, Dean must offset to 10% using non-state funds, with the following exceptions:
    - Applications from graduate students, postdoctoral fellows
    - Applications from Early Career Stage and New Investigators (as defined by NIH)
    - Project fits in with HSC mission-oriented research program (Whole Health, Health Disparities) and the sponsor has high visibility or national reputation (e.g. AHA, ACS, RWJF, Bright Focus, Ford Foundation, Pew Charitable Trust, etc.)

      Note: Professional associations with 0% IDC do not meet this criterion.
    - Educational research is exempt from these requirements
- Annual IDC "balance retention" greater than $250,000 requires written justification for EVPRI review and approval
- Chairs/Deans must show due diligence prior to sign-off, essentially an unofficial feasibility review to address all of the above.

Effective December 1, 2023