To: The University Faculty

From: President Flavius C. Killebrew

Re: Research Facilities and Administrative Cost (F&A or IDC) Distribution

In 2001, the Texas A&M University-Corpus Christi academic community decided to establish an enhanced research mission and a growing international reputation for research focusing on the Gulf of Mexico, early childhood, geographic information systems, and reading education. As we move forward with the implementation of Momentum 2015, the university's enhanced research mission will receive more prominence. Indeed, one of the twelve imperatives of the plan is to "enhance a culture of discovery and innovation." To that end, the university must establish a reasonable method of distributing indirect cost revenue (also called facilities and administrative revenue) so that the university can continue to support the research mission without sacrificing its finite resources. Recent changes in state legislation have allowed the university to reconsider how these funds should be distributed. The remainder of this memo describes the issues involved in sponsored research and the way that these monies will be distributed in the future. These changes were discussed by the college deans' council and research council before their adoption.

COSTS INVOLVED IN SPONSORED RESEARCH PROJECTS

Externally funded research projects involve both direct costs and indirect costs (IDC). Indirect costs are also known as facilities and administrative (F&A) costs. Definitions follow:

**Direct Costs**—Identifiable costs related to a specific project. General categories of direct costs include but are not limited to: salaries and wages, fringe benefits, supplies, contractual services, travel and communication, equipment, and computer use.

**Indirect Costs**—Costs related to expenses incurred in conducting or supporting research or other externally-funded activities but not directly attributable to a specific project. General categories of indirect costs include general administration (accounting, payroll, purchasing, etc.), sponsored project administration, plant operation and maintenance, library expenses, departmental administration expenses, depreciation or use allowance for buildings and equipment, and student administration and services.

**Facilities and Administrative (F&A) Costs**—Costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. F&A costs are synonymous with Indirect Costs.

Grant application budgets generally include projections for both direct costs and F&A costs. The budgeted F&A costs are usually based on an F&A cost rate that has been previously approved by the federal government. The federal government allows universities to be reimbursed for F&A costs based on specific guidelines. Recovery of the facilities and administrative costs of research projects is a necessary component of grants and contracts that allows for the recovery of monies to reimburse the university for the facilities used by sponsored projects and for administrative costs incurred by the university by accepting the grant or contract. In addition, portions of the F&A revenue are used for, and are essential for, promoting continuing growth in research.
STATE LEGISLATION ON OVERHEAD COST RECOVERY

State legislation allows the university to retain the revenue related to F&A cost recovery. Previously, Texas law permitted the state to retain 50% of the indirect cost reimbursement that universities received from research grants. In 2003, the 78th Legislature enacted HB 1887, which amended Section 145.001(c) of the Education Code to permit institutions to retain 100% of the indirect cost reimbursement they receive from research grants. The bill’s proponents said that such funds are specifically intended for “reimbursement to an institution for the costs of providing the underlying support facilities and services that make research possible.”

As amended, the Education Code says that “funds received from a funding entity designated for paying overhead expenses of conducting research . . . shall be expended under guidelines approved by the institution’s governing board for projects encouraging further research. . . .” Appropriate activities identified by the law include

• conducting early pre-grant feasibility studies;
• preparing competitive proposals for sponsored programs;
• preparing carryover funding for research teams to provide continuity between externally funded projects;
• supporting new researchers pending external funding;
• engaging in research programs of critical interest to the general welfare of the citizens of this state;
• purchasing capital equipment directly related to expanding the research capability of the institution;
• research or project administration costs.

Funds remaining after the above expenditures will be used by an institution to support research as approved by the institution.

DISTRIBUTION OF FACILITIES AND ADMINISTRATIVE REVENUE

Past Distribution

The following tables show how the recovered facilities and administrative funds were distributed prior to the change in state law. The table on the left refers to recovered F&A costs associated with research projects awarded to faculty members in specific colleges. The table on the right refers to research generated by centers or institutes on campus or Community Outreach.

For Colleges

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>22%</td>
<td>to Dean’s Office</td>
</tr>
<tr>
<td>22%</td>
<td>to Principal Investigator (PI)*</td>
</tr>
<tr>
<td>5%</td>
<td>to Central Administration</td>
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<tr>
<td>50%</td>
<td>retained by state</td>
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For Centers, Institutes, or Outreach

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>44%</td>
<td>to Center or Institute or Outreach</td>
</tr>
<tr>
<td>6%</td>
<td>to Central Administration</td>
</tr>
<tr>
<td>50%</td>
<td>retained by state</td>
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</tbody>
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*The Principal Investigator (PI) is the individual responsible for the conduct of research or other activity described in a proposal for an award.

F&A revenue allocated to the central administration has been used to fund the Sponsored Programs administrative positions in the Office of Graduate Studies and Research (GSR).
Future Distribution

Effective immediately, the F&A revenue that has actually been received (this may not be the same amount as given on a proposal) on regular sponsored programs will be allocated within the campus as described below. The basic distribution will be 50% to colleges/faculty and 50% to administration. All expenditures from these F&A accounts must be for research purposes as stated in the state legislation (HB 1887 enacted by the 78th Legislature). Each year all expenditures will be reported to the Associate Vice President for Research to identify the research activities that were supported by these monies."

An annual report detailing the usage of F&A funds must be submitted to the Provost/VPAA and the Executive Vice President for Finance and Administration. Inappropriate usage of funding can lead to reappropriation of these funds.

The 50% of the F&A revenue allocated to the central administration will be used to fund the Sponsored Programs administrative positions in the Office of Graduate Studies and Research (GSR). Sponsored Project employees are paid from the F&A. It is assumed that as the sponsored projects grow, that additional employees will be added and this pool will provide the salary money. In addition, since there is an impact on the Business Office, e.g., purchasing, for each person added to the GSR office, 0.5 persons will be added to the Business Office to cover some of their costs related to grants and contracts. Funds in excess of the amount required for this activity will be used to seed research projects.

Regular Sponsored Programs

Regular sponsored programs include research projects or other sponsored programs that result from proposals submitted by faculty members in specific college, by centers or institutes, or by Community Outreach. For regular sponsored programs, the future distribution will be as follows:

For Colleges
  50% to College
  20% to Principal Investigator (PI)
  30% to Dean’s Office (10% to be distributed to the originating department to support research,
  e.g., to fund service/maintenance for equipment)
  50% to Office of Graduate Studies and Research

The facilities and administrative revenue returned to the appropriate college is expected to be a primary source of money for start-up costs for new faculty members’ research activity. (This does not include the usual office equipment such as computers, printers, office furniture and supplies.)

In some cases, a college may renegotiate the distribution of the college’s 50% share (both principal investigator’s and dean’s office allocations) because of unique needs, such as equipment maintenance contracts or other special considerations. The college distribution must be renegotiated with the Provost and the Associate Vice President for Research and Scholarly Activity every 5 years.

For Centers*, Institutes*, Community Outreach or Central Administration
  40% to Center, Institute, or Outreach (Distribution to Principal Investigator if negotiated)
  10% to Dean of the College with which the Center/Institute is associated or the PI has an appointment.
  (Examples: The Conrad Blucher Institute is associated with the College of Science and Technology. Most Harte Research Institute Scientists will have appointments with the College of Science and Technology through participation in the Coastal and Marine System Science doctoral program.)
50% to Office of Graduate Studies and Research

*This category includes employees hired by centers or institutes, rather than colleges, but who serve college programs like the Coastal and Marine System Science doctoral program.

Federal Initiatives and Other Special Initiatives

The generation of funding for special initiatives differs from that of regular sponsored programs. Funding for regular sponsored programs typically is generated by research proposals submitted by faculty members. Funding for special initiatives, however, results from the efforts of the University President or designee(s) working with legislators or others to secure funding for special projects. F&A costs for federal initiatives and other special initiatives may differ from those of regular sponsored programs, and may be handled on a case-by-case basis. A general guideline for the distribution of F&A revenue related to special initiatives, however, follows:

For Colleges
- 20% Principal Investigator
- 30% College Dean’s Office
- 50% Central Administration/Graduate Studies and Research

For Centers, Institutes, Outreach and Senior Administrative Offices
- 30% Center or Outreach or Higher Administration
- 20% Dean’s Office in college with which the Principal Investigator or Center/Institute is associated
- 50% Central Administration/Graduate Studies and Research

SERVICES PROVIDED BY THE OFFICE OF GRADUATE STUDIES AND RESEARCH

The Office of Graduate Studies and Research provides many services to faculty members and others who wish to conduct research. Through its research and scholarly activity website, the office helps faculty members find funding sources and opportunities for sponsored research. The website provides information on federal, state, and private funding opportunities, including links to various data bases and agency websites. The website also provides faculty members with access to the forms used during the pre-award and post-award processes associated with research projects. In addition to providing information about current policies and procedures regarding sponsored projects, the office assists faculty members and other individuals in the preparation of proposals and budgets and the submission of proposals to sponsors. Other services may include negotiating with sponsors to finalize awards or contracts, interacting on behalf of the university with system legal counsel, setting up new accounts, monitoring spending, billing, providing financial reports, requesting extensions, and performing closeout activities.

The Office of Graduate Studies and Research also provides administrative support to the Institutional Review Board, Institutional Animal Care and Use Committee, and the Conflict of Interest Committee, thus ensuring compliance on a number of issues prior to proposal submission.

Additionally, the office will assist with hiring, payroll, travel, purchasing from sponsored funds, copyrights, patenting and licensing.