



Standard Administrative Procedure (SAP)

15.01.01.L1.01 Indirect Cost Revenue Distribution

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Last Revised: N/A

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Standard Administrative Procedure Statement

Restrictions on the use of indirect cost funds (IDC) received to cover expenses related to research at the State level requires that the University establish clearer procedures for the distribution of IDC funds.

Definitions

Indirect Cost Funds (IDC) – Funds paid to the University based on expenditures of certain grant funds and for the purpose of covering overhead costs associated with administering the grant.

Education Code Chapter 145 – The chapter in the Texas Education Code discussing appropriate uses for overhead cost recovery or indirect cost funds generated by conducting research.

Procedures and Responsibilities

At the State level, the use of research-generated IDC funds is governed by chapter 145 of the Texas Education Code. In an effort to comply with these requirements, the IDC distribution is being revised as follows.

The PI's of grants and the Colleges will continue to be awarded 10% and 15% of IDC funds generated by conducting research (IDC-R), respectively, and ***the expenditure of these funds is limited to research-related expenses***. Similarly, the Office of Grants and Contracts (OGC) and the research functions of the Office of Graduate Studies and Research (OGSR) will each continue receiving 25% of IDC-R funds. The 10% historically distributed to the President, and the 7.5% to each, the Provost and CFO, however, will now go to funding these offices (OGC and OGSR) as well.

If IDC-R funds exceed \$150,000 in a fiscal year, non-IDC funds currently funding the OGC and OGSR operations will be used to replace the funds that would historically be distributed to the President, Provost, and CFO. This will only be done for funds above this \$150,000 threshold. Since these replacement funds will be either DT or E&G, their use will be limited to normal, operating-type expenses (i.e., travel, supplies, etc.) These funds may not, however, be used for alcohol purchases, receptions, and the like.

Although IDC funds vary based on the grants awarded in a particular fiscal year, the replacement funds must be budgeted and are static. Given this, replacement funds will be projected in advance of the fiscal year and budgeted on the budget worksheets. These funds will not roll over from year to year. IDC funds, however, will be distributed on the basis of actual IDC funds collected per the previously mentioned percentages and will continue to roll over. Any over-realization of these funds will be used to fund new faculty research start-up expenses.

IDC funds generated from non-research related grants will continue to be allocated per the current distribution schedule: 10% - PI, 15% - College, 25% - OGSR, 25% - OGC, 10% - President, 7.5% - Provost, 7.5% - CFO. These funds, identified as IDC-NR, do not have the State restrictions imposed on IDC-R funds. University procedures on the appropriateness of and restrictions on all expenditures still apply.

<i>Related Statutes, Policies, Regulations, Rules or Requirements</i>
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Office of Management and Budget [Circular A-21, Cost Principles for Educational Institutions](#) (05/10/2004)

Texas Education Code [Chapter 145, Overhead Cost Recovery](#)

[System Regulation 15.01.01, Administration of Sponsored Agreements – Research and Other](#)

<i>Contact Office</i>

Office of Grants and Contracts