

1. PURPOSE

The Texas Education Code, Chapter 145 provides that recovered indirect (IDC) can be retained by state universities. In accordance with The Texas State University System *Rules and Regulations*, Chapter III, Section 6 (16), 50% of the earned revenue (IDC) is to be included as local E&G income and must be used in support of the E&G functions for which indirect cost is earned. No less than 50% of the remaining 50% (i.e. 25%) shall be expended for projects encouraging further research. This portion goes back to the unit, agency, or department which generated the original cost recoveries. The residual (25% or less) will be used to support research. This may include pre- and post-award support offices.

2. RATIONALE

The state of Texas encourages incentives to increase research activities through the dedication of a portion of the recovered indirect costs to the unit responsible for generating the IDC. Distribution at the college/school, department, and principal investigator level meets this objective.

3. DEFINITION OF INDIRECT COST

- 3.01 The term indirect cost, as used in this policy statement, refers to those costs that cannot be charged to a grant or contract as a direct cost. These costs include, but are not limited to:
- a. Depreciation and use allowances
 - b. General administration and general expenses
 - c. Sponsored project's administration expenses
 - d. Operation and maintenance expenses
 - e. Library expenses, departmental administration expenses, and student administration expenses
- 3.02 Sam Houston State University must, on a periodic basis, negotiate an indirect cost rate with the federal government. This rate allows the university to collect a predetermined percentage (currently 49 percent) of the salaries and wages requested in a grant or contract, including fringe benefits, to offset the cost of conducting the proposed research. The term recovered indirect cost

(RIDC) refers to those indirect costs that have actually been recovered to date from a funded grant or contract.

4. USE OF DISTRIBUTED INDIRECT COSTS

RIDC funds are to be expended to enhance the university's research efforts and include, but are not necessarily limited to, the following purposes:

- Conducting pre-grant feasibility studies
- Preparing competitive proposals for sponsored programs
- Providing carry over funding for research efforts to provide continuity between externally funded projects
- Supporting new researchers pending external funding
- Purchasing capital equipment directly related to expanding the research capability of the institution
- Research or project administrative costs

5. INSTITUTES AND CENTERS

5.01 Institutes or centers may be established at the department/school, college, or university level in accordance with Academic Policy Statement 950609, *Establishment and Review of Centers and Institutes at Sam Houston State University*.

5.02 No indirect cost distribution will be made to institutes or centers operating at the department level.

5.03 For a center or institute to participate in indirect cost recovery, the steps listed below must be followed:

- a. The center or institute must be formally established and approved by current policy.

- b. Proposals for external funding will require the signature of the appropriate department/school chair(s), dean(s), and center or institute director(s) before processing. If a faculty member identified with a center or institute submits a proposal which is not connected with the center or institute and for which the center or institute should not receive credit, such indication must be made on the proposal transmittal form and be acknowledged by both the dean(s) and the center or institute director.

6. DISTRIBUTION OF INDIRECT COSTS

6.01 Fifty percent (50%) of the total indirect costs recovered during the fiscal year (September 1 through August 31) will be distributed in September of the following fiscal year to the SHSU units that generated the IDC as follows:

- a. 30 percent to the college
- b. 35 percent to the department/school
- c. 35 percent to the principal investigator (PI)

The above percentages apply when a single investigator, department/school, and college are involved.

6.02 When a university recognized center or institute is the generating unit, fifty percent (50%) of the total IDC recovered will be distributed as follows:

- a. 35 percent to the center or institute
- b. 35 percent to the principal investigator (PI)
- c. 15 percent to college, if applicable; if not, distributed equally to PI and center or institute
- d. 15 percent to department, if applicable; if not, distributed equally to PI and center or institute.

6.03 The fifty percent (50%) of recovered indirect cost that can be used for general institutional purposes will be used to support research. Each year, the Associate Vice President for Research and Sponsored Programs, in consultation with and with the approval of the Provost and Vice President for

Academic Affairs, will determine how these funds can best be used to support research activities.

- 6.04 Records of recovered indirect costs and distribution thereof will be kept on an annual basis by the Office of Contracts and Grants Administration. No distributions will be made if fifty percent (50%) of the total indirect costs recovered falls below \$180,000. This baseline amount is subject to change on a yearly basis. IDC funds distributed by the Associate Vice President for Research and Sponsored Programs during the fiscal year to any generating unit will be counted a part of the total distribution due that unit at the end of the fiscal year.

7. REPORTS

- 7.01 A written report to the Associate Vice President for Research and Sponsored Programs will be made annually (due September 15, one year after receipt of funds) from each unit that received recovered IDC. The report will describe how funds were used and how this funding has benefited research at SHSU.
- 7.02 An annual written report will be provided to the university community by the ORSP as to how all recovered indirect cost funds are being used to support research activities. The purpose of this report will be to highlight the research activities of the faculty at SHSU.

APPROVED: _____ /s/
James F. Gaertner, President

DATED: _____ 05/23/06

