

# INDIRECT COST RETURN

## Fiscal Year 2011 IDC Returned in Fiscal Year 2012

### Background

State policy provides that earned indirect cost be retained by state colleges and universities. This document provides to operating units the policy for such return.

### Policy

- A. When a single department and college are involved, the indirect cost funds returned to operating units are distributed as follows: In the case of multiple principal investigators, multiple departments, or multiple colleges, each unit will participate in accordance with the distribution identified on the appropriate proposal transmittal form.

56% to the college  
44% to the department

**EXAMPLE:** Department X receives 100% credit  
IDC Return = \$1000.00

College return equals	\$560.00 (56%)
Department return equals	\$440.00 (44%)

- B. When a single institute, center or laboratory sponsorship of the research project which generated the overhead is involved, the indirect cost funds returned to the operating units are distributed as follows: In the case of multiple principal investigators, multiple centers, or multiple colleges, each unit will participate in accordance with the distribution identified on the appropriate proposal transmittal form.

26% to the college  
74% to the institute

**EXAMPLE:** Institute Y receives 100% credit  
IDC Return = \$1000.00

College return equals	\$260.00 (26%)
Institute return equals	\$740.00 (74%)

- C. When both a department and institute, center or laboratory sponsorship of the research project which generated the overhead are acknowledged, the indirect cost funds returned to the operating units are distributed as follows: In the case of multiple principal investigators, multiple centers, multiple departments, or multiple colleges, each unit will participate in accordance with the distribution identified on the appropriate proposal transmittal form.

26% to the college  
74% to the institute and department on their portions

**EXAMPLE:**

Department X receives 50% credit  
Institute Y receives 50% credit  
IDC Return = \$1000.00

Department portion - \$500.00		Institute Portion - \$500.00	
College return =	\$130.00 (26%)	College return =	\$130.00 (26%)
Department return =	\$370.00 (74%)	Institute return =	\$370.00 (74%)

Records of earned indirect costs and distribution thereof will be made annually by the Research Information Center. No annual distributions will be made of amounts under \$100.00; if such instances occur, those funds will be placed in the account(s) of the next higher unit.

### CALCULATE THE AMOUNT THE ACCOUNT GENERATES

Total Indirect Cost Recovered in FY2011	= \$16,747,548
Bad Debt Payment	= (\$1,120,000)
<b>BALANCE FOR DISTRIBUTION</b>	<b>= \$15,627,548</b>
Infrastructure Overhead	= (\$1,238,908)
Annual Bad Debt Reserve	= (\$ 546,964)
Annual Distribution to Central Initiatives Fund	= (\$4,422,596)
Annual Distribution to CORE Facility Support	= (\$ 640,729)
<b>RETURN TO GENERATING UNITS</b>	<b>= (\$8,778,349)</b>
	<b>or 56.172% of Balance for Distribution</b>

Amount Returned per Sponsored Project Account	= (Indirect Cost per Account) / (Balance Distributed) * (Total Returned)
	= (Indirect Cost per Account) / \$ 15,627,548 * 8,778,349
	= (Indirect Cost per Account) * 56.172%

### CALCULATE THE ACCOUNT CREDIT SPLITS

Each proposal is logged into the Division of Research database. At that time, the data input operators inspect the Proposal Transmittal Form for credit splits. Each Principal Investigator as well as each academic unit participating in the project is logged into the system. For example, if Dr. Smith is working on a project in ME and EE, then two records will be generated; one record listing Dr. Smith in ME and one record listing Dr. Smith in EE. If Dr. Smith is devoting equal time in both departments, then the amount being returned at the academic level will be 50/50. From the above calculation, ME will receive 50% of the Amount Returned per Account and so will EE.

### CALCULATE THE AMOUNT RETURNED

If the academic unit is not an institute or center, then the amount returned per college/department is as follows:

- 56% to the college
- 44% to the department

If only an institute or center is involved, then the allocation is as follows:

- 26% to the college

74% to the institute

If a department and an institute or center are involved, then the allocation is as follows:

26% to the college

74% to the department and institute on their portion

## **Guidelines for Research Centers and Institutes**

The following guidelines apply to all research centers, institutes and laboratories that receive direct financial or other support, including space, from the University of Houston. In particular, they apply to all centers and institutes that receive, or expect to receive, direct return of overhead monies generated by research grants and contracts of its members.

1. A research center or institute, for the purposes of these guidelines, is a center, institute or laboratory based at the University of Houston whose primary purpose is either research and development, or scholarly activity. The Vice President for Research will maintain a list of recognized research centers and institutes.
2. Each research center or institute must have bylaws or written operating procedures. These must be agreed to by the present members, the department chair(s) and/or dean(s) of the relevant department(s)/college(s), and the Vice President for Research.
3. The bylaws should include:
  - a. Rules governing to whom the research center reports, how the director is chosen, appointed and terminated, whether there is a governing or advisory council, and how it is constituted.
  - b. Rules governing membership, including how prospective members will join or leave.
  - c. Statements on financial accountability and responsibility for the operations of the center.
  - d. Procedures for changing the bylaws.
4. If a research center chooses to have written operating procedures instead of bylaws, these must include:
  - a. procedures governing reporting lines,
  - b. rules on financial accountability and responsibility for operations of the center, and
  - c. procedures to be followed in the appointment and termination of employees, members and directors.
5. A research center should produce an annual report of its activities, including a financial statement. These should be sent to its members, the Department Chairs and/or Deans' of the department(s)/colleges whose members participate in the center, the Vice President for Research, and the Research Council. This report is required before the university provides financial, or other assistance to a center in the following academic year. Annual reports must be submitted by October 1 of each year.
6. All research centers and institutes should conform to the university's rules and regulations relating to personnel, property and accounts.
7. The director of each research center and institute should ensure that information on work done by members of the center is available, whenever necessary, to the appropriate administrators, department heads and deans for deciding on increments, salary adjustments, promotions and tenure.
8. Each research center and institute will be reviewed every four years by the University of Houston Research Council. The Research Council will develop, and provide to each center and institute, the procedures for these reviews. This will include a list of items and questions to be considered in the review process. After each such review, the Research Council will recommend to the Vice President for Research continuation or discontinuation of the center or institute
9. To establish a new center, a group of faculty members should develop a proposal. The proposal must be approved by the Department Chairs and/or Dean(s) of the department(s)/college(s) involved, and by the Vice President for Research after receiving an advisory recommendation from the Research Council.

The proposal should include a statement of objectives, a list of faculty and other participants and an indication of how the center will be funded. It should include the following as a minimum:

- a. statements on who the center will report to, both financially and administratively,
  - b. any requirements or space or other university assistance,
  - c. a set of bylaws, or operating procedures, which have been agreed to by the prospective members.
10. Centers will be closed by the responsible Department Chair(s) and/or Dean(s) and the Vice President for Research. This should be done upon consultation with the remaining membership of the center and the advice of the Research Council.
  11. The members of each center and institute, wherever appropriate, shall develop internal guidelines or agreements on the property developed or used by their center. These agreements should conform to existing University rules and regulations and cover possible questions involving:
    - a. use of equipment and space,
    - b. copyrights, patents, royalties and other intellectual property rights,
    - c. commissions, consulting and service arrangements based on work developed under the auspices of the center.
  12. During the first four years after these guidelines are implemented, the Vice President for Research will select one-quarter of these centers to be reviewed each year.

## **Procedures**

Institutes may be established at the departmental, college, or institution-wide level in accordance with university policies relating thereto.

For an institute to participate in indirect cost return, the steps listed below must be followed:

1. The institute must be formally established and approved by the appropriate department chair(s), college dean(s), and the Vice President for Research
2. The names of all faculty cooperating in the institute must be provided by the dean(s) to the Division of Research.
3. Proposals for external funding will require the signature of the appropriate department chair(s), dean(s) and institute director(s) before processing. If a faculty member identified with an institute submits a proposal which is not connected with an institute and for which the 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 institute director.

Revised, November, 2011