1. Policy Statements

1.1 Research and other forms of scholarly activity are an integral part of the functions at Sul Ross State University. The purpose of this policy is to establish guidelines covering the allocation, management, budgeting, expenditures and related restrictions associated with indirect cost recovery and distribution related to these research activities. This policy does not apply to non-research programs.

2. Background

2.1 Most funding sources allow Sul Ross State University to charge to sponsored programs its federally approved facilities and administrative rate. Many of the allowed indirect expenses are paid directly from the university’s educational and general (E&G) funds; thus, it is necessary and appropriate for the funding source to reimburse SRSU for the portion of those costs associated with sponsored programs. The principal investigator (PI), the department chair or school director, and the dean should make every effort to recover as much of the indirect costs as possible for each sponsored program.

3. Definitions

3.1 Facilities and Administration Costs – The term “facilities and administration” refers to those costs that the university cannot charge to a grant or contract as a direct cost. These are the “overhead” or “indirect” costs for operating the university that include, but are not limited to:

   a. Electricity, water, natural gas, and other utilities;

   b. Payroll processing, accounts payable, human resources and other support services;

   c. Depreciation and use allowances;

   d. General administration and general expenses;

   e. Sponsored projects administration expenses;

   f. Operation and maintenance expenses;

   g. Library expenses, departmental administration expenses and student administration expenses; and

   h. Use of office space, research labs, and other rooms.
3.2 Recovered F&A Costs – F&A costs that have been collected by the university from funding sources, excluding amounts billed, but uncollected.

3.3 F&A Revenues – For purposes of this policy, F&A revenues are local university revenues equal to the total F&A costs billed during a fiscal year.

3.4 Institutes and Centers – The university may establish institutes or centers at the department or school, college, or university level. For purposes of this policy, only those institutes or centers that are formally established and approved by Executive Cabinet as “university-level” are qualified to directly receive F&A revenue.

3.5 Commercialization – The act of taking discoveries made during the conduct of sponsored programs to a successful commercial venture.

4. Procedures for Distribution of F&A Revenue

4.1 Each year, as part of the budget development process, the Vice President for Finance and Operations, with the assistance of the budget specialist, grants accountant, and the director of Sponsored Programs, will estimate F&A costs recoverable in the coming fiscal year. The estimate will take into account F&A revenue in the current fiscal year as well as trends in grants and contracts activity. The annual operating budget will include this estimate as revenue.

4.2 The Designated Fund group in the annual operating budget will include F&A revenue expenditures in a total amount equal to or less than the estimate of F&A revenue included in the annual operating budget.

4.3 The school, department, and principal investigators will receive 25% of total F&A revenue received from research projects specific to the school, department and investigator as follows:

   a. When a single investigator, department or school, and college are involved:

       1) 30% to the school (7.5% of total revenue)
       2) 30% to the department (7.5% of total revenue)
       3) 40% to the PI (10% of total revenue)

   b. When multiple investigators, departments, and schools, are involved:

       1) Percentages will be agreed upon at time of proposal and re-evaluated at the completion of each year as part of the annual employee evaluation process.
       2) 30% to the schools on a pro rata basis determined at time of proposal submittal (7.5% of total revenue)
       3) 30% to the departments on a pro rata basis determined at time of proposal submittal (7.5% of total revenue)
       4) 40% to the principal investigators on a pro rata basis determined at time of proposal submittal (10% of total revenue).

   NOTE: Distribution of 25% of the F&A revenue for non- academic
grants is handled on a case-by-case basis.

c. When a university endowed chair is the single investigator, or when multiple investigators including a university chair, departments or schools, and colleges are involved:
   1) 10% to the college (2.5% of total revenue)
   2) 10% to the department or school (2.5% of total revenue)
   3) 80% to the PI (20% of total revenue)

NOTE: Those receiving returned F&A revenue should use a portion of the funds for clerical support.

4.4 Indirect Cost Recoveries from Sponsors of Commercial Activities – Each fall, OSP will provide a report of all private, non-foundation sponsors to the Provost. The Provost shall edit the report to include only those projects which fund commercialization activities. OSP will then distribute from university F&A funds, 75% of the total recovered indirect cost from those sponsors to an account approved by the Provost, who will limit their use to the support of university commercialization and related research activities.

5. Acceptable Use of Distributed F&A Revenue

5.1 It is Sul Ross’ intent to expend 100% of F&A revenue funds received from research activities to further the university’s research and sponsored program efforts, which may include the following valid business purposes:

a. Conducting pre-grant feasibility studies;

b. Preparing competitive proposals for sponsored programs;

c. Providing carry-over funding for research efforts to provide continuity between externally-funded projects;

d. Supporting new researchers pending external funding;

e. Purchasing capital equipment directly related to expanding the research capability of the institution;

f. Research administrative costs including grant accounting and sponsored programs;

g. Commercialization activities; and

h. Proposal support.

5.2 A sponsored program account may not accept expenditures previously made under Section 5.1 d. above. Contact the Office of Sponsored Programs for establishment of a “provisional” account for unusual situations which require expenditures prior to formal approval of an award. The OSP will work with
the budget specialist in these unusual situations.

6. REPORTING PROCEDURES

6.1 Each unit (PI, chair or director, and dean) that received F&A revenue will annually submit a written report to the Provost, due October 30, one year after the funds’ receipt. The report will briefly describe how funds were used and how this funding has benefited research at Sul Ross State University. The Provost will make this information available for campus-wide review via a report posted on the Office of Sponsored Programs website by December 31.

6.2 Failure to provide required reports may result in non-allocation of future F&A revenue.

7. Responsibilities

7.1 Responsibilities associated with F&A revenue and F&A costs are as follows:

a. Principal investigators:

1) Developing proposals which include budgets for the recovery of F&A costs at the rate approved by the university’s cognizant federal agency.
2) Obtaining prior written approval from the Office of Sponsored Programs for F&A rates that are lower than the federally-approved rate. Refer to APM Policy 2.21.1, Externally Sponsored Programs Pre-Award Procedures.
3) Assuring that F&A revenue allocated to them under this policy are expended in accordance with state, The Texas State University System (TSUS), and university requirements.

b. Deans, department chairs or directors, and other administrators:

1) Assuring that F&A revenue allocated to them under this policy are expended in accordance with state, TSUS, and university requirements.
2) Providing oversight to ensure that all sponsored projects include the maximum allowable amount of F&A costs.

c. Office of Sponsored Programs (OSP) and Grants Accountant

1) Assuring that F&A revenue is maximized. Interest earnings will accrue to the university for cash balances of sponsored programs that do not earn the full federal F&A costs.
2) Approving F&A rates that differ from the federally-approved rates.
3) Distributing F&A revenue in accordance with this policy.
4) Reviewing reports (per Section 06.) to assure F&A revenue is expended in accordance with applicable policies and regulations and determination of appropriate actions if reports are not provided.
5) Assuring that sponsored program expenditures are recorded correctly, so as to achieve full and accurate recovery of F&A costs. This includes some primary review of expenditures, as well as coordination with other departments or schools to assure proper coding.
6) Assuring that F&A costs are billed accurately to the funding source and are collected, deposited, and recorded on a timely basis.
7) Working to distribute F&A revenue.
8) Coordinating with the Budget Office to prepare budgeted F&A cost revenues for the annual university budget.
9) Preparing (with input from appropriate offices) the F&A rate proposal for submission to cognizant agency.

d. Finance and Budget Office

1) Budgeting F&A revenue and associated expenditures in the annual university budget.