

Submitted: November 26, 2007
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Recommendation #33: Establishing a timeline for the distribution of IDC revenue
Issue number: I-10, I-11

Background

The Resource Management Model (RMM) provides a formulaic means for distributing Indirect Cost Recovery (IDC) revenue. Of the IDC revenue collected, 15% is distributed to principal investigator's incentive accounts (as long as the award yields the maximum allowable indirect cost rate) and 20% is distributed to the Overhead Use of Facilities Fund. Also, 10% will be distributed to the Office of the Vice President for Research and Economic Development (VPRED) to support interdisciplinary research, 10% to the Resource Responsibility Center that is administering the grant and 45% to the Resource Responsibility Center(s) in which the principal investigator is affiliated.

Currently, the Sponsored Program Accounting system systematically distributes IDC revenue on a monthly basis to the principal investigator incentive accounts, the Overhead Use of Facilities Fund and the General Fund. Additional programming will be needed to enhance the system to apply the formulaic IDC revenue distribution model for the 65% of IDC revenue that is posted to the General Fund and distributed to the Resource Responsibility Centers.

There is an existing university policy that states if an agency allows for indirect recovery at a higher rate (i.e. allowable rate), and the university agrees to accept a reduced rate (IDC waiver/reduction) that has been requested by the principal investigator, then the principal investigator incentive will not be distributed into an incentive account. Instead, the 15% portion of IDC revenue is distributed into the General Fund. In 2007, the university collected \$24.15 million in IDC revenue and distributed \$3,430,557, or 14.2%, into principal investigator incentive accounts. The remaining 0.8% (approximately \$192,000) was distributed into the General Fund instead of into a principal investigator incentive account.

The Overhead Use of Facilities Fund is currently managed outside the General Fund and is used to fund research equipment and research infrastructure improvements. There is an existing university policy that states that if a grant or contract does not generated the full indirect cost rate, then the distribution of IDC revenue is distributed into the General Fund instead of the Overhead Use of Facilities Fund. Of the \$24.15 million collected in IDC revenue in fiscal year 2007, approximately \$2.95 million (or 12.2%) was distributed into the Overhead Use of Facilities Fund. The remaining 7.8% (approximately \$1.88 million) was distributed into the General Fund instead of the Overhead Use of Facilities Fund.

Recommendation

The RMM IDC Revenue implementation work group recommends that IDC revenue be distributed to the Resource Responsibility Centers on a monthly basis. Therefore, all components of the IDC revenue distribution model will be distributed on a monthly basis.

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Resource Management Model Implementation
Operations Team
IDC Revenue Work Group

The RMM IDC Revenue implementation work group recommends that the existing university policy regarding the forfeiting of the principal investigator incentive when the full allowable indirect recovery rate is waived, be continued under the Resource Management Model. It is also recommended that the portion of the principal investigator incentive that is forfeited be distributed to the Institutional Excellence Fund to help fund institutional strategic initiatives.

The RMM IDC Revenue implementation work group recommends that the existing university policy regarding whether IDC revenue is distributed into the Overhead Use of Facilities Fund be modified. The 20% distribution will be applied to all IDC revenue collected regardless of whether a grant or contract collects the full indirect cost rate. Because the 20% distribution will increase the size of the Overhead Use of Facilities Fund, it is recommended that the Overhead Use of Facilities Fund also be used to fund faculty start-up and retention packages.