

Indirect Cost Distribution Policy

April 1, 2004

A. Distribution Between ISU General Fund and Research Units

In each successive fiscal year beginning with fiscal year 03, the increase in indirect costs will be distributed to central funds and to the Office of the Vice Provost for Research and Advanced Studies based on the following guidelines:

1. As incentive to PI's, 15% of total indirect costs will continue to be returned to the investigators. This will continue to be derived from the central funds portion of the allocations. Investigators will receive these monies as long as the award yields the maximum allowable indirect cost from the agency/foundation/company granting the funds. For example, if the maximum rate for a given agency is 8% and the 8% rate is requested and awarded, the investigators will receive 15% of the indirect costs awarded on that rate. The maximum rate for all private companies will be defined as the federally negotiated rate for the University, which at present is 46% (and 26% for off-campus projects). For the purpose of this distribution, 'investigator' will be defined as the principal investigator and all co-principal investigators appearing on the goldsheet for the project. This policy pertains to awards with an inception date of July 1, 2002 or later.
2. The base year for this program will be FY02. For each successive year, the change in the base return to the Vice Provost for Research and Advanced Studies (VPR) for distribution to that office and to units on campus will be determined based on the budgeted IDC return for the relevant fiscal years. For example, for determining the IDC return to campus for FY03, the relevant estimated IDC budgets will be those for FY02 and FY03. These budgets will be determined collaboratively by the offices of the Vice President for Business and Finance (VPBF) and the VPR.
3. For each successive fiscal year, the change in the base of funds distributed to the campus (defined as the amount provided to the VPR for use in that office and for distribution to campus units) will be determined based on the following formula:

$$\text{Change in base returned to the VPR} = 0.6 * (\text{Budgeted IDC for FY}_{(n+1)} - \text{Budgeted IDC for FY}_n)$$

where n is the FY in which the calculations are being made. For example, for determining the adjustment to base for FY03, n = FY02.

4. This change in base will then be added to the current base to determine the total amount to be distributed to the VPR in the next (n + 1) fiscal year. For example, for FY03, the adjustment to base will be added to the amount provided to the VPR in FY02.
5. The VPR will be responsible to the Provost and, through the Provost, the President of the University for the distribution of funds from the VPR office and for an accounting of the funds provided to the units.

B. Formula for Determining Distribution Awarded to the Office of the Vice Provost for Research – Campus Distribution Policy

This section reviews the policy governing the distribution of the funds awarded initially to the Vice Provost for Research and Advanced Studies. For the purpose of this policy, units are defined as colleges, the PSI, and central units that serve as administering units for sponsored funding (Offices of the Provost, the Vice Provosts, and the Vice Presidents). This policy should be reevaluated if any aspect of this policy changes. Units must interact with their departments and centers/institutes in determining the distribution of these funds. Units will be accountable to the VPR for the use of these funds and must submit a written report annually detailing how the funds were employed. The expenditure of these funds within units is restricted to applications related to the research/scholarship mission of the unit. These funds are not to be distributed directly to investigators, since investigators receive funds directly through the incentive system described above. The IDCs will be distributed to units based on the following guidelines:

1. As indicated above, because of the urgent need for matching funds and funds for start-ups and retentions for distribution by the VPR, the percentage of the overall funds received by the VPR to be distributed to the units will be adjusted on a per annum basis. Nevertheless, units will receive funds from this source from the initial year of the program. This annual amount will be determined by the VPR Office until the total distribution to the VPR reaches \$3M. In subsequent years all the funds received for distribution by the Vice Provost's Office will be distributed based on the following percentages: 50% to the Office of the Vice Provost for Research and Advanced Studies, 50% to the units.
2. In all years, the amount distributed to the units will be based on the following formula:

$$F = G * H,$$

with the following definitions:

- F = indirect cost returned to a specific college, center, institute, or central unit.
G = total indirect costs to be distributed to all units in a given fiscal year.
H = fraction of ISU's total indirect costs credited to a given unit. H is calculated in the following way:

$$H = 1/L > (K_x * J_x * I_x),$$

where L is the total amount of IDCs recorded by OSPA on all ISU awards acquired during the fiscal year, K_x is the total IDC on each award, J_x is the fraction of the IDC awarded to the participating unit on the GoldSheet, and I_x is the fraction of the 'full allowable' IDC to be recovered on the award. The sum is taken over all awards acquired by the distribution unit for a given year.

'Full Allowable' IDC for all agencies and foundations is defined as the full recovery rate for the university unless the agency or foundation has specified a different maximum rate that has been previously publicized and uniformly applied across other awardees. For grants and contracts from private industry, full recovery will be defined as ISU's HHS negotiated rate, currently 46%, and 26% for off-campus projects.