Changes to the Formula for Distributing Revenues from Indirect Cost Recovery

Indirects, also known as F&A or overhead, are funds incurred directly from the grant each pay period. For example, if the PI's Indirects are 10.29%, then s/he will receive 10.29% of the indirects each pay period from the grant. The College receives 34.3% of the revenue from indirect costs recovered from sponsored research activities. In prior years, these revenues were distributed according to the following formula:

- Dean – 17.15%
- Department/Center – 6.86%
- PI – 10.29%

New Indirect Distribution Formula
In order to promote and encourage faculty and academic units to obtain funded research support, the Dean is implementing a three-year experiment that alters the current distribution formula. Effective as of July 1, 2014, this experiment seeks to encourage funded research that supports (1) faculty effort during the academic year and (2) graduate research assistants enrolled in CHHS degree programs.

To achieve these goals, the new distribution formula will:

- Allocate up to one-half (8.575%) of the Dean’s current share to Department/Center and up to one-half (8.575%) to PI (also includes Co-PIs and Co-Is) based on the ratio of CHHS faculty’s summer salary coverage to total CHHS faculty salaries in project budgets, defined as the ratio (SS/TS) in the distribution formula, where SS represents total CHHS faculty summer salaries and TS represents total CHHS and non-CHHS faculty salaries;
- Give 1% from the Dean or Department/Center share to the PI for each full-time CHHS GRA covered by the project; and
- Set the amount of academic year salary coverage (not including fringe benefits) needed to buy out a course to 20% per course.

How to Calculate New Indirect Distribution
Specifically, the proposed new distribution formula determines the shares for the Dean, Departments/Centers, and PI as a function of the ratio (SS/TS).

- Dean – (SS/TS)*17.15% - (1% for each full-time GRA)
- Departments/Centers – 6.86% + (1- SS/TS)*8.575%
- Faculty (PIs, Co-PIs, and Co-Is) – 10.29% + (1- SS/TS)*8.575% + (1% for each full-time GRA)

If there is no summer salary coverage, then (SS/TS =0) and the Dean’s share is 0. If there is no academic year salary coverage, then (SS/TS=1) and the Dean’s share remains at the prior formula value of 17.15%. If the Dean’s share is 0, the 1% allocation for each full-time GRA will come from the Department/Center share of the distribution.
The experiment will be evaluated by monitoring the following trends in proposals submitted in each of the next three fiscal years:

- Total amount of indirect cost revenues requested;
- Amount of academic year salary coverage requested;
- Average ratio of summer salary coverage to total salary coverage; and
- Amount of GRA coverage requested.

**Sample Distributions at Alternative Values of SS/TS**

Examples of the distribution of revenues from indirect cost recovery under the new formula calculated at alternative values of the ratio \( \frac{SS}{TS} \), the share of CHHS faculty salaries that occur during the summer, where \( SS= \) CHHS faculty summer salaries and \( TS=\) total CHHS and non-CHHS salaries covered by the grant or contract.

<table>
<thead>
<tr>
<th></th>
<th>SS/TS=0 (no summer coverage)</th>
<th>SS/TS=0.5 (50% summer, 50% academic year)</th>
<th>SS/TS=1 (all summer coverage)</th>
<th>Prior Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dean</td>
<td>0.00%</td>
<td>8.575%</td>
<td>17.15%</td>
<td>17.15%</td>
</tr>
<tr>
<td>Department/Center</td>
<td>15.435%</td>
<td>11.1475%</td>
<td>6.86%</td>
<td>6.86%</td>
</tr>
<tr>
<td>Faculty</td>
<td>18.865%</td>
<td>14.5775%</td>
<td>10.29%</td>
<td>10.29%</td>
</tr>
</tbody>
</table>

**Distribution Policies and Procedures**

1. If the investigators include faculty from multiple departments and centers, the Department/Center distribution will be based on the proportion of salary coverage for each department’s faculty (and administrative staff, if any).
2. If the PI is a Center director, the Center receives the Department/Center share.
3. The PI is the faculty member identified as such on the face page of the proposal.
4. The new formula applies only to the CHHS portion of indirects (not other Colleges portion of the distribution).
5. The CHHS Office of Research will calculate the Dean, Department/Center, and Faculty distributions based on approved and funded budgets annually.
6. The distribution of the Faculty share among the PI, Co-PIs, and Co-Is should be developed by the PI in consultation with the Unit Head and Co-PIs/Co-Is.
7. The distribution will change if salary coverage is shifted between the academic year and summer or among investigators during the course of a project’s budget year.
8. OSP establishes an indirect cost account (org) for each faculty member and allocates revenues from indirect cost recovery as they are accrued by the project. Revenues can be used for any research related activity and carry forward from year to year.
9. According to OSP regulations, “research related activity” includes salaries and wages paid to those directly engaged in activities specifically undertaken to produce research, conference travel and attendance expenses, purchase of data, software, and research equipment, and research assistant support. However, recovered indirect funds may not be used to increase the salary of the PIs (Based on OMB Circular A-21 Principles and Allowable Costs).
10. Each course buy-out after the first requires additional coverage of 20% of the academic year salary. However, all faculty must teach at least one one-semester course per academic year unless specifically exempted with the permission of the Unit Head and the Dean.
11. **All distributions are subject to change based on mutual consent.**
12. These changes are effective on and after July 1, 2014.