Procedure Summary

Texas A&M University-Corpus Christi (TAMU-CC) establishes this procedure to specify the distribution and expenditure of facilities and administrative (F&A) costs derived from all sponsored projects. This procedure applies to all sponsored projects awarded after January 1, 2017. All sponsored projects in place prior to this date are covered by the procedure in force when they were awarded.

Procedure

1. GENERAL

1.1. F&A costs are frequently referred to as “indirect costs” and are general operating costs incurred by the university in support of sponsored research, public service, and instruction. F&A costs are actual costs incurred by the university that cannot be readily identifiable or associated with a single sponsored project or activity. These costs are often misunderstood or incorrectly construed to be “profit” for the university. As is true for any organization that receives extramural support, these costs are real and necessary expenses for the university. F&A costs must be included as a separate line item in the budget of each proposal submitted for extramural funding. These costs must be budgeted so that the university can recover the true costs incurred by sponsored research, public service, or instruction projects.

1.2. The determination of these costs is based on a cost proposal submitted by the Texas A&M University System to the federal cognizant agency, the Department of Health and Human Services, every four (4) years. The university’s F&A cost rate is calculated on a Modified Total Direct Costs (MTDC) base. This MTDC base consists of all salaries and wages, fringe benefits, materials, supplies, services, travel, and up to the first $25,000 of each sub-grant or sub-contract. The MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward in excess of $25,000.

2. NEGOTIATED ALLOWABLE RATE
2.1. TAMU-CC requires that all applications for extramural funding charge the federally negotiated allowable F&A rate regardless of funding source unless a sponsor precludes or limits such costs. If a sponsor limits or precludes F&A costs, a written, official, and publicly disclosed statement of such policy must be provided before the university will accept the lower rate.

2.2. Any exceptions to the use of the negotiated allowable rate require that a written statement of explanation be submitted to, and approved by, the Vice President for Research and Innovation (VPR) prior to submission of the application. The statement must include the benefits to the university, the Texas A&M University System, and the State of Texas of cost sharing a portion of the F&A costs of a certain project. Therefore, only the VPR, the Provost and Vice President for Academic Affairs (Provost), or the President have the authority to deviate from the negotiated allowable F&A cost rate when it is in the best interest of the university, Texas A&M University System, and the State of Texas.

3. DISTRIBUTION

3.1. The distribution of recovered F&A costs, in support of the enhancement of sponsored project productivity is as follows:

(a) The distribution of F&A costs for proposals originating with PI(s) salaried by a academic unit (e.g., colleges, library) shall be:

| 50% | University F&A Cost Revenue |
| 50% | Academic unit of Principal Investigator (Dean) |

Funds directed to the academic unit should be shared with the PI(s). The amount, customarily 5%, is at the discretion of the dean. Academic units shall devise and publish a policy in an inclusive and transparent fashion with input of the VPR and approval of the Provost.

(b) The distribution of F&A costs for proposals originating with PI(s) salaried by a center/institute reporting to a dean shall be:

| 50% | University F&A Cost Revenue |
| 50% | Academic unit of Principal Investigator (Dean) |

Funds directed to the academic unit should be shared with the center/institute. The amount, customarily 40%, is at the discretion of the dean. Academic units shall devise and publish a policy in an inclusive and transparent fashion with input of the VPR and approval of the Provost.
(c) The distribution of F&A costs for proposals originating with PI(s) salaried by a center/institute reporting to President/VPR shall be; unless otherwise approved by President/VPR:

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<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
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<tbody>
<tr>
<td>50%</td>
<td>University F&amp;A Cost Revenue</td>
</tr>
<tr>
<td>40%</td>
<td>Center/Institute</td>
</tr>
<tr>
<td>10%</td>
<td>President/VPR</td>
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Funds directed to the center/institute should be shared with the PI(s). Centers/Institutes shall devise and publish a policy in an inclusive and transparent fashion with approval of VPR.

(d) The distribution of F&A costs for proposals originating with PI(s) salaried by a non-academic unit/division (e.g., CASA) rather than an academic unit or center/institute shall be:

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<th>Percentage</th>
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<tbody>
<tr>
<td>50%</td>
<td>University F&amp;A Cost Revenue</td>
</tr>
<tr>
<td>50%</td>
<td>Non-academic unit/Division</td>
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Funds directed to the non-academic unit/division should be shared with the PI(s).
Non-academic units/divisions shall devise and publish a policy in an inclusive and transparent fashion with the approval of VPR.

(e) The distribution of F&A costs for proposals originating with PI(s) salaried by more than one academic unit, or an academic and a center/institute and/or non-academic unit/division not within that academic unit, or by a center/institute reporting to the President/VPR and/or non-academic unit/division not within an academic unit must be agreed prior to the submission of the proposal and shall be:

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<th>Percentage</th>
<th>Description</th>
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<tbody>
<tr>
<td>50%</td>
<td>University F&amp;A Cost Revenue</td>
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<tr>
<td>50%</td>
<td>Distributed as follows:</td>
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At budgeting and, if needed, with the assistance of Research and Innovation, PIs agree on percent effort on the project (e.g., PI(COSE) = 40% effort, PI(LSUASC) = 40% effort, PI(Academic Affairs) = 20% effort). The other 50% of the IDC is distributed to academic unit(s), and/or center/institute and/or non-academic unit/division per PI effort (e.g., COSE = 20% of IDC with split to PI, LSUASC = 20% of IDC with split to VPR, Academic Affairs = 10% of IDC).

i. If the project is funded, the PI(s)’s deans, directors or non-academic unit/division heads approve the agreed
upon delegation of percent effort and IDC will be distributed accordingly.

ii. Should the PI(s)’s deans and/or directors and/or non-academic unit/division heads not approve the agreed upon delegation of percent effort, the VPR will adjudicate the dispute and IDC will be distributed accordingly.

(f) In general, F&A distribution, under a proposal with PI(s), Co-Principal Investigators (Co-PI’s), Co-Investigators (Co-I’s) from multiple non-academic units, shall be determined at the pre-award stage.

(g) Outlier cases (e.g., PI with dual appointment) will be handled by the VPR with the input of the relevant deans and/or directors and/or non-academic unit/division heads.

(h) Deans and/or directors and/or non-academic unit division heads shall include in their policies regarding F&A allocation a provision that PI(s) will retain their F&A recovery for a defined period (e.g., 3 to 5 years). Following this period, deans and/or directors and/or non-academic unit division heads shall notify PI(s) at least 90 days in advance of recovering the remaining unexpended funds. Such a policy is consistent with the National Council of University Research Administrators’ (NCURA) recommendations.

(i) Notwithstanding any language to the contrary in this procedure, in no event shall the university receive less than 50% of the F&A costs from all sponsored projects.

3.2. The funds returned to each entity must only be used to enhance further research and sponsored activities. These funds are restricted for research development and to support general research and sponsored project activities and must be expended accordingly. When a PI leaves the institution while there is a balance in their F&A account, the funds will revert back to the academic unit F&A account to enhance institutional productivity.

4. EXPENDITURES

4.1. Each PI, PI’s department, and PI’s academic unit has their own account established for the expenditure of these funds. As soon as expenditures on the sponsored project are made, the F&A funds may be recovered. The F&A costs are posted into the respective accounts on a regular basis and reflect the costs recovered to that point in the project.

4.2. F&A costs cannot be recovered until the appropriate expenditures have been made. This is the reason that it is important for a PI to expend their sponsored project
funds according to schedule. In the case of projects involving multiple PIs/departments/academic units, the amount of F&A costs returned is based on the percentages agreed at the time of submission and approval in the Maestro sponsored research administration module.

4.3. Administration of recovered and distributed F&A costs are the responsibility of the department/academic unit/center to which the funds are distributed.

4.4. Recovered and distributed F&A costs must be expended under the guidelines in this procedure and must be in compliance with the Texas Education Code, 145.001. At no time will recovered F&A costs be used to pay for salaries that could be charged directly to a sponsored project.

4.5. Classification of costs for F&A expenditures related to federally-funded projects must also comply with guidelines for determining direct and F&A costs provided in the Uniform Guidance 2 CFR 200 Subpart E. Each cost incurred for the same purpose must be treated consistently in like circumstances either as a direct or an F&A cost in order to avoid possible double-charging of federal awards.

**Related Statutes, Policies or Requirements**

Uniform Guidance 2 CFR 200 Subpart E
Texas Education Code, 145.001 Grants and Research Expenses
System Policy 15.01, Research Agreements
System Regulation 15.01.05, Cost Sharing on Sponsored Agreements
University Procedure 15.01.01.C0.02, Administration of Sponsored Agreements

**Contact Office**

Contact for clarification and interpretation: Vice President for Research and Innovation
(361) 825-3881