

# MONTANA STATE UNIVERSITY-BILLINGS

## Guidelines For the Allocation and Expenditure of Indirect Cost Funds Retained by the Institution

### Background

In 1989, the Montana State Legislature authorized the individual units of the University System to retain the indirect cost (IDC) funds generated from external grants and contracts. The 1989 Appropriations Act, HB 100, directs that:

Research grant indirect costs retained at the various units of the University System in funds other than the current unrestricted subfund must be expended for the enhancement of existing research programs, assistance to and encouragement of new research programs, and the general support of research.

The Legislature's action was intended to support research and other scholarly endeavors conducted by the individual institutions and their respective faculties.

### Statement of Intent

At Montana State University-Billings, Indirect Cost (IDC) funds are generated from external research, training, and service grants and contracts. Historically, and at the present time, the majority of the IDC funds at Montana State University-Billings are generated by training and service grants and contracts. The IDC funds generated and retained by Montana State University-Billings will be dispersed in a manner consistent with legislative intent. IDC funds will be under the direction of the Chancellor. The IDC monies will be dispersed in a manner to encourage, support, or enhance research activities, instructional development, professional development, and scholarly and creative endeavors undertaken by the faculty, staff, and administration of the University. Where appropriate, the Chancellor will seek counsel from the Vice Chancellors, the Academic Deans, and staff on matters related to these guidelines and other issues that may arise over the allocation and expenditure of IDC funds. The Chancellor will conduct an annual review of these guidelines to ensure the appropriate and effective use of these resources.

September 18, 1997

## General Guidelines

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### **1. Distribution:**

The Indirect Cost funds will be allocated in the following manner:

- a. The Principle Investigator/Project Director may receive up to 20% of the IDC.
- b. The Department/Unit of the Principal Investigator/Project Director may receive up to 10% of the IDC.
- c. The College/Division of the Principal Investigator/Project Director may receive up to 10% of the IDC.
- d. The Central Administration/Chancellor will retain the remaining 60% of the IDC funds.
- e. The IDC funds allocated to the Principal Investigator/Project Director, Department/Unit, and College/Division will be used to enhance existing research activities, professional development, instructional development, and scholarly and creative endeavor programs; to assist and encourage new research, instructional development, and scholarly and creative endeavor programs; and for the general support of research, instructional development, professional development, and scholarly and creative activity.
- f. The Indirect Cost funds allocated to the Principal Investigator/Project Director, Department/Unit, College/Division, and Central Administration/Chancellor will be distributed on a semiannual basis, December and June of each fiscal year. The actual amount deposited to the respective indirect fund accounts will depend on the actual amount of indirect cost dollars collected from the grant or contract by the time of the distribution. Monies will not be deposited in the accounts until the funds have actually been received by the University.
- g. Grants and contracts on a fiscal year funding cycle that commences on a date other than July 1, will have the indirect cost allocation prorated and most cases will see a larger fund allocation made in the second of the semiannual distributions.
- h. Please remember the amount of indirect cost money available for distribution is determined by the negotiated indirect cost rate, the amount of dollars in the contract or grant subject to indirect cost determination, and the actual level of expenditure executed under the grant or contract at the time of the funding distribution.

## 2. Use of Funds:

The Indirect Cost funds allocated to the Principal Investigator/Project Director, Department/Unit and College/Division can and will be used only for purposes related to the Legislative Intent.

### I. Indirect Cost funds may be utilized:

- a. to enhance existing research, professional development, institutional development, and scholarly and creative activities;
- b. to encourage and assist new research, professional development, instructional development, and scholarly and creative activities; and
- c. for the general support of research, instructional development, professional development, and scholarly and creative activities.

### II. Specifically, Indirect Cost funds may be expended for:

- a. equipment, supplies, and materials for research and instructional development programs;
- b. computer hardware and software for research, instructional development, and scholarly and creative activities;
- c. professional travel directly related to research, scholarly and creative activity, instructional and professional development;
- d. start-up costs for new research and instructional development projects;
- e. undergraduate and graduate student research projects;
- f. the acquisition of library materials, books, and other resource materials;
- g. undergraduate and graduate student research projects;
- h. graduate assistantships for research and teaching;
- i. communication, printing, and copy costs related to research and instructional development projects;
- j. matching funds where appropriate and when permitted by the funding agency or funding source(s);
- k. consultation, evaluation, and training expenditures related to existing and new research and instructional development projects;

- l. part-time instruction to provide reassigned time for Principal Investigator/ Project Director (not to exceed .25 fte per semester); and
- m. other costs related to research, scholarly activity, instructional and professional development as may be recommended by the Dean, Director, or Vice Chancellor and approved by the Chancellor.

The Indirect Cost Funds retained by the Central Administration/Chancellor will also be used in a manner consistent with legislative intent. Specifically, the funds will be used to encourage and support faculty and staff research projects; to encourage and enhance the generation of new grants and contracts; and the general support of research, instructional development, and professional development; to support the Grants Development Office, the Yellowstone Center for Applied Economic Research, the Urban Institute, and to pay for indirect costs related to grants and contracts, etc.

### **3. Accounts and Accrual:**

- a. The Principal Investigator/Project Director will make written application for an IDC account through the appropriate Department/Unit Head/Chair. The Department/Unit Head/Chair will review and make a recommendation to his/her respective Dean/Director who will, in turn, make a recommendation to the appropriate Vice Chancellor and to the Chancellor.
- b. Upon approval of the Chancellor, the Business Office will establish an IDC account for the Principal Investigator/Project Director. The annual deposits to these accounts will have a two-year limit, and after two years, all unexpended IDC funds will revert to the Central Administration/Chancellor IDC account.
- c. The Business Office will also establish a single IDC account for each Department/Unit and each College/Division in which there is a funded grant or contract. IDC funds from any multiple-year grants or contracts can be deposited in these special accounts. The annual deposits to these accounts will have a three-year time limit after which unexpended IDC funds will revert to the Central Administration/Chancellor IDC account.
- d. Indirect Cost funds will be deposited to the appropriate accounts in accord with the revenue schedule(s) outlined above. The funds will be deposited only upon receipt of the funds from the funding agency or source.

### **4. Accountability:**

On an annual basis, and no later than June 30 of each year, all IDC fund controllers are required to submit a written annual report to the Chancellor. The annual report must describe the goals and objectives for which the IDC funds were used, the specific

outcomes accomplished with the funds, and a detailed accounting of how the Indirect Cost funds were actually expended.

**5. Special Issues:**

- a. Should the Principal Investigator/Project Director leave the University, the unexpended IDC funds allocated to the Principal Investigator/Project Director will automatically revert to the Central Administration/Chancellor IDC account until such time as the funds may be reallocated upon the appointment of a new Principal Investigator/Project Director.
- b. If the designated Principal Investigator/Project Director changes at any time within the duration of the grant a new IDC account will be established and funds transferred to the new account in accordance with the policy(ies) herein.
- c. Any equipment, books, software, tangible goods, and materials purchased by IDC funds become the property of Montana State University-Billings. All fund controllers are responsible for maintaining an inventory of all such purchases, and the inventory is to be reported as a part of the annual report.
- d. No available IDC funds may be expended after July 1st, until the prior year annual report has been received and accepted by the Chancellor.

**Indirect Cost Recovery Rates**

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**1. Board of Regents Policy (# 404):**

The indirect cost recovery rate for the units of the Montana University System shall be as follows:

- a. Federal project grants or contracts: the annually determined, federally audited rate for each unit shall be used.
- b. State project grants or contracts:
  1. for grants or contracts for research, the indirect cost recovery rate shall be 20% of total direct costs or 30% of salaries, wages, and benefits, whichever is less;
  2. for training programs, the indirect cost recovery rate shall be 8% of total direct costs; and
  3. for all grants or contracts where the original source of funds is a federal program, the federally audited rate for the unit receiving the grant or contract shall be applied.

- c. Private individual, corporation, and foundation funded project grants or contracts: the indirect cost rate negotiated by each unit and approved by the Chancellor.
- d. Under special circumstances, the units, with the prior approval of the Chancellor, may be authorized to use indirect costs to meet required cost sharing in grants and contracts.
- e. When two or more units of the Montana University System are participating in the same or a shared grant or contract, state or federal, they each will use the rate established by this policy or will use the same rate.

**2. Montana State University-Billings Policy:**

The full Montana State University-Billings indirect rate will be charged unless the funding source has a lesser rate which it charges uniformly to all grantees. In no case shall the Principal Investigator negotiate a lesser rate with the funding source. Final decisions on the indirect cost for a grant or contract will be made by the Chancellor.