

Department of Clinical Sciences

Indirect Cost Return Policy

Indirect costs are returned to the department according to a fixed policy, which in July 2004 meant that 60% of all indirect costs are retained by the Office of the Vice President for Research and Instructional Technology, a further 10% by the Dean's office, CVMBS, leaving 30% for distribution with the department. These monies represent a critical resource for the department and its faculty, and should be managed so as to best achieve the accomplishment of the departmental mission. Because these monies are generated by faculty and result from research activities they should be re-invested in faculty, and directed principally towards supporting new discovery and research.

The reason why funding agencies are charged indirect costs is to support the infrastructure of the university. The monies that are ultimately returned to the department are therefore expected to be used to support the activities of the department and the associated centers, and particularly those functions that serve our research mission. If this goal can be accomplished without fully expending the departmental share of indirect costs dollars, then those dollars may be returned to the investigators whose grants generated these funds so that they can be reinvested in further research initiatives. Departmental and Center use of indirect costs should therefore be well justified, with the goal being to return whatever amount is possible to individual faculty.

1. Departmental Budgetary Process and Indirect Cost Return

- 1.1. The departmental budget is overseen by the Department Head.
- 1.2. The departmental allocation budget letter is received from the Dean in July of each new fiscal year.
- 1.3. The department head will then prepare a budget for the year and present it for discussion and approval to the Advisory Committee.
- 1.4. The department head will retain a discretionary fund, which may be rolled over from year to year if not expended.
- 1.5. Discussion and approval of the budget should be accomplished so that an allocation plan for any monies to be distributed to Centers or individual faculty is in place for October 1.
- 1.6. Returns to individual faculty will be on a pro-rata basis.

2. Departmental use of Indirect Cost Return

The department has a number of financial obligations that should be met from indirect costs. In addition there are departmental initiatives that may be undertaken if they are of sufficient priority, and that may be funded by indirect costs.

- 2.1. Faculty searches and recruitment
 - 2.1.1. Interview process. The full costs of faculty searches, including advertisement, travel, lodging, and meals are typically paid from departmental funds.

- 2.1.2. Moving expenses for new faculty recruits, their families, and often their laboratories are paid from departmental funds. While this amount is theoretically limited to \$7,500, the typical costs of a move exceed this number. Typically the department funds 1-2 visits post-interview and prior to the final move.
 - 2.1.3. Start-up expenses. The department always pays some share of start-up costs, ranging from 50% for a clinical faculty (remainder from Dean's office), down to 33% or less for a research faculty. In addition the department provides all of the costs of an initial computer purchase.
 - 2.2. Central departmental research support
 - 2.2.1. Pre-and post-award support. The departmental office will identify staff members who provide pre- and post-award support, and pay that part of their salary from indirect costs. These support services should be very clearly defined, as these are the primary example of how Centers may offset departmental costs and therefore justify allocation of indirect costs to those Centers. A consistent standard for this type of support will be developed by the department head and his administrative assistant. Pre-award support will include assistance in preparation and processing of grant applications, ACUC paperwork and review of budgets. Post-award support will include management of accounts, provision of monthly budget updates, and processing of paperwork relating to A-card purchases, purchase orders, and contracts.
 - 2.2.2. Departmental infrastructure. Telephone charges, modem pool charges, office supplies, photocopying, Faxing and other incidental costs relating to departmental function.
 - 2.2.3. Graduate program support. While graduate student training is certainly a teaching mission, it also plays a significant role in research productivity, and a component of the administrative cost of this program should be supported from indirect cost return.
 - 2.3. Equipment purchase
 - 2.3.1. Department equipment purchase decisions will be considered by the Department Head with input from the Advisory Committee where decisions are difficult and resources are limited. Priorities will be determined by the number of department members served by the equipment; the greater the number served, the higher the priority. An equipment budget will be developed each year. Proposals for research equipment should be justified in terms of benefits to the department and numbers of users. Potential additional funding sources, including college and university contributions, should also be included. In general, single user equipment should be lower priority, but there could be exceptional circumstances.
 - 2.3.2. In some years a departmental equipment exercise may be held, in which faculty members can submit proposals for shared or single-user capital equipment purchases, even for small amounts. A specific total sum would be allocated for this competition and awards would be made after consideration by the advisory committee.

- 2.3.3. Service contracts. Generally major equipment should be set up as cost centers, with charges to shared users that will sustain the cost of service contracts, equipment upkeep, and contribute towards equipment replacement after depreciation. Indirect costs may be used to support service contracts if user fees cannot sustain these charges, particularly in the first year(s) of operation.
- 2.4. Remodeling of research and office space.
 - 2.4.1. There is a clear need for increased research space within the department, and no prospect of new building in the short or medium term to address this need. Therefore the department may fund in part or in whole the remodeling of existing space to create or improve research facilities when funds are available and specific needs are identified.
 - 2.4.2. Departmental offices, both for faculty and staff, are in serious need of improving in many instances. Standard office furniture of reasonable quality should be provided to all existing and new members of the department .
- 2.5. Travel support for attending one scientific meeting annually should be provided to all faculty, with the expectation that senior faculty with significant funding will voluntarily support their own travel. This program should be supported from departmental revenue from Continuing Education, and supplemented with ICR money if necessary. Given the status of the CE budget it is likely that ICR will be the only possible source of such funding for the 1-2 years, and travel support will only be provided when other financial priorities for ICR are met.
- 2.6. Salary support for special appointments/research associates/graduate students. In specific circumstances the department may fund an appointment that facilitates the research mission of the department. Commitments can be of no more than one year in length, although they may be renewable. This type of expenditure is likely to be made only after all other departmental commitments have been met.
- 2.7. Grant cost sharing. Examples are likely to include CRC grants from the Dean's pool (50% departmental match required).

3. Distribution of Indirect Cost Return Money to Centers

The Animal Cancer Center (ACC) and the Equine Orthopaedic Research Center (EORC) each have extensive physical facilities, and have established administrative and other resources that are available to faculty who are members of these centers that off-load departmental responsibilities and costs. In keeping with the facilities based management philosophy, this means that the department should directly distribute to centers a proportional amount of indirect costs generated by these faculty that would normally be retained by the department. This represents **Phase I** ICR distribution to Centers.

Phase II ICR distribution to Centers occurs when departmental needs for ICR have been met. Normally at this point unexpended ICR is directly distributed to faculty. For those faculty who are members of Centers, their ICR is instead distributed entirely to the Centers to be used for maintenance of Center operations and to pursue initiatives. After all Center budgetary needs are met the remaining ICR should be distributed to individual faculty members on a pro rata basis. Centers must establish clearly a budgetary process for planning for expenditure of ICR so that

expenditures are clearly justified and approved by the Center's management. This will ensure that the Centers addresses the goal of returning whatever amount is possible to individual faculty

Factors determining Phase I ICR distribution to Centers can be considered in terms of the specific departmental uses of ICR listed in Section 2 above:

- 3.1. **Departmental commitments that are common to all faculty** (i.e. those that benefit all faculty) will be identified and paid from the indirect cost return departmental allocation. These costs need to be carefully identified as costs that are not offset by Centers. The most important example is faculty search and recruitment costs (Section 2.1 above). In some instances a Center may make an additional contribution to a start-up package, but this will be at the discretion of the Center and will not offset any departmental contribution or be reflected in an increased indirect cost return to a Center. Other examples of department ICR usage common to all faculty are the administration of graduate program (Section 2.2.3), travel support (Section 2.5), and grant cost shares (Section 2.7).
- 3.2. **Departmental expenses that are partially offset by Centers.** There are several possible areas in which Centers may partially offset Departmental costs. This category will represent an area where careful analysis will need to be made of the level of support provided by Centers and the resulting offsets of departmental expenditure. The Assistant to the Department Head will be responsible for this analysis. Examples of areas with significant offsets include pre-and post-award support (Section 2.2.1), departmental infrastructure (Section 2.2.2), equipment purchase (Section 2.3), service contracts (Section 2.3.3), remodeling of research and office space (Section 2.4), and salary support (2.6).

4. Distribution of Departmental Indirect Costs to other Departments

In keeping with the facilities-based management philosophy, when faculty members run a research project/grant from a facility maintained by another department, and use the resources of that department, then a part of the indirect costs associated with that grant should be transferred to the department maintaining that facility. This process will be managed according to the same principles used for determining ICR distribution to Centers. The major difference is that ICR split commitments must be made at time a grant is submitted, and generally for the duration of the grant. The maximum ICR share for a "host" department should be determined (based on a grant being entirely physically based and supported administratively in the host department. For FY05 the maximum ICR split amount that will be directed towards another department from Clinical Sciences is 65%.

This number should provide the basis for negotiations when grants are run in the facilities of two departments, and should also be the basis for negotiations between the ACC or ORC and other departments when faculty from these departments have research programs running from the centers.

It is expected that host departments will return to the individual clinical sciences' faculty member that portion of the host departments ICR split that is not expended in the host department's budget.

Department of Clinical Sciences

Salary Savings Return Policy

Salary savings occur in a fiscal year when 9 or 12 months faculty are funded by external grants for a proportion of their salary that exceeds their requirement. For 9 months faculty, this occurs when a faculty member generates more than 25% of his/her salary since the first 25% is required to cover the 3 months of 'summer salary'. For 12 months faculty, salary displacement occurs when a faculty member receives any salary from external sources.

This relationship is complicated by the fact that the department does not receive 100 percent of the 9 and 12 month base salaries of each core faculty member. In July 2004, the average proportion of salary obligation received by the department from the College for its core faculty is approximately 90%.

Salary Savings generated by faculty will be managed according to the following process:

1. Faculty are expected to budget a proportion of their salary in all grant (when allowed by the funding body) equal to their anticipated percentage effort on that grant. Verification of this allocation will be performed in the departmental office during the pre-award process. If a faculty member wishes not to budget their salary in this manner in a case where the funding body allows faculty salary on grants, then this should be negotiated with the department head on a grant-by-grant basis and any agreement documented.
2. In two specific instances 100% of salary savings will be returned to faculty members:
 - a) Part-time faculty (other than 9 month appointments – see above) can use all salary savings to cover additional months of employment until they have 12 month appointments. Full-time faculty with clinical appointments can use 100% of salary savings to fund themselves out of the clinic by hiring a special appointment faculty member, if agreed by the Department Head and a suitably qualified person is available.
3. All full-time faculty with substantial opportunities for externally funded research are expected to raise 10% of their salary in salary savings, in order to address the shortfall in salary that the department receives from the college. To address this need, and retain an incentive for generating salary savings, the following salary savings return policy will be used:
 - a) All salary savings will be split 50:50 with a faculty member until the departmental share equals 10% of that faculty member's salary (i.e. the faculty member is generating >20% of their salary as salary savings).
 - b) After a faculty member reaches this target the department will return 65% of salary savings to the faculty member, and retain 35%. The actual level of return of salary savings will depend on the financial status of the department and be determined in the annual departmental budgetary process.
4. At the time of adoption of this policy (FY05), there is no consistent salary savings policy in the Department. For existing grants that do have salary savings, faculty may have already budgeted for the use of these funds. To ease the implementation of this new policy, it will be applied to existing grants on a case by case basis, but with the objective of accomplishing 35% retention of salary savings by the department.