

Procedure for Indirect Costs Regarding Applications and Awards for Research Funding

Indirect Costs (IDC)

Indirect cost recovery, as defined by the Uniform Guidance, refers to institutional costs that support the overall research infrastructure but cannot be directly assigned to a single project. These include shared expenses such as utilities, laboratory and building operations, telecommunications, library services, grant administration, and facility maintenance. Recovering these costs is essential to sustaining the services, systems, and environment that enable research success across UNT Health.

Allocation and Use of IDC Funds

At UNT Health, it is the policy to use indirect cost (IDC) funds, wherever possible, to support the sponsored research activities conducted by its faculty, students, and staff. This approach aligns with UNT Health's mission to advance knowledge, enhance student learning, and promote the common good. Thus, UNT Health allocates a percentage of recovered indirect cost funds to Principal Investigators (PIs), Project Directors (PDs), Departments, Colleges/Schools, the Office of the Vice President for Research and Graduate Studies (VPR), and the UNT Health Chief Financial Officer (CFO). These allocations are intended to help support the research enterprise, research training and the overall research infrastructure at UNT Health.

Portions of recovered indirect costs are distributed to the PI/PD, Department, Dean of College/School, Institute Director, VPR Office, and general operating budget according to the distribution plan described below.

Distribution of Indirect Costs

The UNT Health distribution model allocates IDC to the Chair and Dean at the same amount for DRI-recognized Institute awards as for non-institute awards the intent is to support the administrative cost associated with supporting faculty receiving externally funded awards. The model is summarized in the Table below.

	DRI-recognized Institute	Non-Institute
Principal Investigator (PI) or Project Director (PD)	10%	10%
Dean of College or School	5%	5%
Department Chair	5%	5%
Institute Director	5%	0%
Institutional Recovery	75%	80%

The PI/PD's account will be set up as a discretionary account. The funds will remain in that account for as long as the PI/PD is employed at UNT Health. Once the PI/PD indicates that they intend to leave UNT Health, their IDC Account will be placed under conservatorship requiring both the Dean's and Chair's approval for any expenditures. When the PI/PD leaves or retires from UNT Health, any unexpended funds remaining in their indirect cost account will be returned to the department.

Accountability for Distributed Indirect Cost Dollars

The IDC rate is established based on facilities and administrative expenses. However, UNT Health has the discretion to re-invest these funds towards the research and scholarship enterprise. UNT Health's standard distribution of indirect costs recognizes the shared responsibility between central administration, academic units, research centers, and faculty in supporting research and other scholarly activities at UNT Health.

The following guidelines provide the parameters for the use of this allocated fund:

Program Incentives may be used for research/training/faculty development-related expenses, including student stipends, professional travel for the PI(s) or PD(s) and students, and teaching and student-learning enhancement initiatives. Use of funds is at the discretion of the PI(s) or PD(s). Acceptable uses include the following:

- Research equipment or laboratory-based materials and supplies.
- Student stipends or research assistants plus related benefits (e.g., FICA, Worker's Compensation) to conduct research.
- Fees for laboratory analyses, whether in Core Labs or external facilities.
- Travel expenses to conduct research (e.g., research library or collection, field site, conferring/working with collaborators).
- Travel expenses for PI/PD or student presentations at professional meetings
- Expenses for a PI/PD to attend professional research, training, or educational activities.
- Equipment purchases or maintenance.
- Student/employee labor costs during the academic year (e.g., work-study).
- Computer hardware and software (procurement must be coordinated with Information Technology Services).
- Miscellaneous expenses, including library acquisitions, journal subscriptions, society membership fees, publication costs, postage, copying, etc.

Note that IDC discretionary funds distributed to a PI, PD, Chair, Dean, or Institute Director may not be used to provide any form of salary increase to that same person (thus, one cannot give oneself a raise using discretionary funds they manage/control). All expenditures must comply with all state and federal laws, sponsor terms, Uniform Guidance, UNT Health policies, and UNT System and Regent Rules.

Carry-Over of IDC Discretionary Funds

Discretionary funds derived from IDC recovery may carry over from year-to-year. However, these funds are intended to be re-invested into the research enterprise and not overly accumulated. The maximum allowable carryover is \$250,000. If the amount is expected to exceed that limit, the account holder must submit a detailed written explanation to the VPR outlining the need to retain such an amount, and a specific plan for their future. A one-page proposal of how the retained funds will be used will be submitted to the appropriate Dean and VPR for approval. Failure to do so within 30 days after the end of the fiscal year will result in a transfer of any access retained IDC above the \$250,000 limit to the general university account.

In either case, written approval from the VPR and the relevant Dean will be needed to avoid or reverse the transfer of those funds to the general university account.

At any time, the Dean and/or VPR may request a report to be submitted describing the use and impact of IDC recovered funds during the preceding fiscal year.

If IDC Recovery funds are used for inappropriate purposes, the VPR and Dean of the Faculty may revoke PI/PD access to those funds. In such cases, the allocation will be reverted to UNT Health's operating budget. The misuse of discretionary funds will also be reported to the appropriate UNT Health and UNT System officials for further action as needed.

Operational Procedure and Review

It is expected that before any grant application is submitted to the Office of Sponsored Programs (OSP), relevant Chairs, Deans, and Institute Directors will conduct a due diligence review of financial and operational feasibility in a realistic and holistic manner. All levels of leadership are expected to demonstrate operational awareness and oversight to prevent submission of research applications and proposals that are not feasible, add additional unfunded costs to UNT Health, do not align with UNT Health objectives, or are intended only to satisfy requirements for an individual's desire for tenure and promotion.

Feasibility reviews will not be required for fellowships, training grants, or awards submitted by PI/PD(s) who qualify as new investigators as defined by the National Institutes of Health.

Chairs and Deans should actively discourage, or work with OSP 's pre award team to find alternatives for, applications with the following features:

- The non-profit funding agency/entity does not allow use of the UNT Health federally negotiated indirect rate.

Note: In cases where a non-profit sponsor will not accept UNT Health's federally negotiated indirect rate, the OSP will accept an IDC rate of 10% of the Total Direct Costs (TDC) added to the proposed budget as a line item of administrative costs. If the sponsor does not allow administrative costs, 10% of the Total Direct Costs will be covered by direct transfer, at the time of award, by departmental/unit local funds to the VPR Office and will be distributed in accordance with UNT Health policy. The PI should complete the IDC policy form for review by their Chair and Dean prior to submission to the VPR for review.

- The proposal includes voluntary cost-share (salary and fringe benefits) in excess of 1% effort for any member of the project team.
- The proposal requires mandatory cost share (salary and fringe benefits) that exceeds the total direct cost dollar amount requested.
- The proposal requests a waiver of all or some of the appropriate federally negotiated IDC rates or amounts. Note that there are NO waivers of IDC.

Note: For-profit or industry sponsors are expected to provide indirect cost recovery at UNT Health's federally negotiated IDC rate for the type of activity involved. UNT Health will not accept awards from for-profit sponsors that do not include indirect cost recovery at the full federally negotiated IDC rate.

In general, proposals are expected to include indirect costs (IDC) at UNT Health's full federally negotiated rate based on the type of activity. This applies equally to for-profit, industry, and other external sponsors.

Requests for reductions or waivers of IDC are strongly discouraged and will only be considered in exceptional circumstances where there is clear and compelling justification aligned with the institution's strategic priorities. Any such request requires prior written approval from the VPR before proposal submission.

UNT Health does not accept proposals from for-profit or industry sponsors that do not include IDC at the full federally negotiated rate. Exceptions to this policy are extremely rare, must demonstrate significant strategic value to UNT Health, and are subject to a formal internal review and approval process.

All Department Chairs and School/College Dean or Institute Director over the PI/PD are expected to conduct a thorough and thoughtful review of the grant and contract proposals emanating from their unit before signing off and submitting those applications through OSP.

Such reviews by leadership - other than the proposed research team leader - should be conducted as early as possible in the stage of development, especially concerning appropriate

budgeting, funds requested, and practical feasibility (i.e., can the study be done with the personnel involved, in the time frame proposed, with the funds requested, etc.).

Only after this feasibility review is conducted and a proposal determined suitable for further action, should any application be sent to OSP for processing. The approval of the GRAMS smart form will be sufficient to show the proposal has been deemed feasible and no additional form is needed.

Waivers of Indirect Costs or Applications involving IDC rates lower than federally negotiated rates

IDCs are actual costs to the institution. Applications involving recovery of IDCs at a rate lower than UNT Health's negotiated rate are only permissible in very limited circumstances.

Applications involving IDC rates lower than the federally negotiated rates may only be submitted to the following types of sponsors: (1) federal government agencies; (2) state or local government agencies or political subdivisions; or (3) non-profit organizations. The institution will only honor IDC rate limits that (1) are clearly stated in the notice of funding opportunity; or (2) are pursuant to a documented policy of the sponsor that is applied equally to all grantees.

Outside of the circumstances outlined above, UNT Health will not accept any reductions or exclusions of indirect costs. The "Indirect Cost Waiver" process has been discontinued and all requests for a waiver of indirect costs outside of the above circumstances will be denied.

Using IDC as Cost-Share

When a proposal passes feasibility review as addressed in this procedure and is subject to an acceptable IDC limit as enumerated above, unrecovered IDC may be utilized to meet a cost share requirement. In all other circumstances, IDC may not be used as a cost-sharing mechanism in grant applications requiring cost-share.

This standard operation procedure is linked to UNT Health Policy 8.107 *Sponsored Programs*

Summary Points:

- IDC Waivers are Strongly discouraged
- Voluntary Cost Share is discouraged and requires VPR approval.
- Use of allowed IDC for Mandatory Cost-Share NOT allowed.
- All State of Texas and Federally negotiated rates apply but non-federal sponsor published IDC rates will be honored.
- If IDC rate < 10% then the Chair, PI, Dean must offset to 10% using non-state funds, with the following exceptions:
 - Applications to federal or state agency sponsors.
 - Applications from graduate students, postdoctoral fellows.
 - Applications from Early Career Stage and New Investigators (as defined by NIH).
 - Project fits in with UNT Health mission-oriented research program (Whole Health, Health Disparities, etc.) and the sponsor has high visibility or national reputation (e.g. AHA, ACS, RWJF, Bright Focus, Ford Foundation, Pew Charitable Trust, etc.).

Note: Professional associations with 0% IDC do not meet this criterion.
 - Educational research is exempt from these requirements.
- Annual IDC “balance retention” greater than \$250,000 requires written justification for EVPRI review and approval.
- Chairs/Deans must show due diligence prior to signing off, essentially an unofficial feasibility review to address all the above.

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