MONTANA
TECHNOLOGICAL UNIVERSITY

Budget Committee Agenda
Chancellor's Lounge-Mill Building
April 2, 2024
11:00-12:00

1. Indirect Costs Presentation

2. Other

Angela Lueking and Joanne Lee provided an educational session to the committee regarding Indirect Costs.

Discussion ensued regarding consistency and equity of administrative assessments across programs and the possibility of developing a work group to research and address. i.e. IDCs are assessed 8% administrative costs while the MBMG is a flat amount that amounts to just over 2%.

Discussion also included the VCR would like to see some of the costs for research and the graduate school move off of IDC's.

Below is a fact she prepared by the Research Office and presented to the committee.

QUICK FACT SHEETS, RESEARCH OFFICE

Volume 2: Indirect costs

1. What is IDC? (a.ka. indirect cost, F&A, or Facilities and Administrative fees)

   - IDC is a reimbursement of overhead costs (utilities, space utilization, general staffing) that is added on grants and contracts, to charge the sponsor for 'intangible' expenses that are necessary for doing the project, but difficult to account for in charged expenses.
   - These are lumped costs based on detailed federal accounting procedures, and are negotiated every 4 years. Like taxes, there are long and short forms. We are moving to the long form this year, and this required a detailed space audit. (In progress!)
   - Numerically, $100 of allowable direct expenses would include a $33.50 upcharge for IDC. (Exception: tuition, subawards, rent and equipment are not charged IDC)

2. How do we get IDC? Short Answer: <u>Faculty entrepreneurship!</u>

   - Faculty and staff write grants. In many cases, this is "extra" work on their part. Often, the major incentive for faculty to write grants is either to support their scholarly activity and/or to secure funds to pay their summer salary.

- Roughly 50% of grants at Montana Tech are competitive, in that they are reviewed critically by external peers. At NSF, e.g., success rate on grants is ~14%; less when limiting to new grants.
- Roughly 50% of grants at Montana Tech are non-competitive, i.e. they are through "relationship building, both "top down" via the Research Office with our Congressional Delegation and Center Directors/faculty security "bottoms up" relationship with the sponsor.

3. What are the constraints on spending IDC?

- Pursuant to the 1989 Montana legislative intent, F & A's are to be expended for the **enhancement of existing research programs, assistance to and encouragement of new research programs, and the general support of research**.
- See also: indirect-cost-recovery-policy.pdf (mtech.edu) [revised 6/5/2017]
- Some benchmarks: MSU and UM return 50% and ~30% to generators, but the grad school and research office staff is NOT on the IDC budget. [Their overall rates are 45% and 47%, rather than 33.5%.]
- 4. How is IDC distributed and spent on campus? [See: indirect-cost-recovery-policy.pdf (mtech.edu)]
- *Academic Departments receive a return of 25% net generation (10% - PI, 11.25% -Department and 3.75% to the Dean) and Montana Tech Centers/Programs/Bureau (CAMP, IEO, CFWEP, CERA, & MBMG) receive a 33% return of net generation. The 33% CAMP distribution is returned as follows; 5% - PI, 20% - CAMP, 4% - PI Department, 2.5% CAMP Dean and 1.5% PI's Departmental Dean.*
- "The VCR in consultation with the Director of Sponsored Programs shall prepare an annual F&A budget for approval by the Chancellor…."
- High-level use in FY23 (See Table 1)
- N.B. IDC funds also are distributed for synergistic opportunities for scholarship in "non-research" departments (e.g. Mentor URP students; seed funds, etc.)

5. How much money is IDC "bank accounts"?

- See Table 2.
- Discussion: Is this a potential resource to supplement department operating accounts? (Should it be?)

6. Strategic points around IDC.

- Spend it or lose it [never charge it]. Example: Re-budgeting of the ARL projects in FY24 from staffing to equipment (approx. $785K) led to a loss of ~$197K in IDC revenue (Recall: equipment does not bear IDC.)
    - Each $10K of salary on soft money is $4900 in University income.

N.B. A few strategic decisions were made in FY23 to prepare for uncertainty and mitigate risk.

  - These changes were in consultation with the Research Advisory Council, discussions with the CFO, and final approval by the Chancellor.
- In FY24, to help alleviate state budget concerns, IDC distribution to campus was changed from 8% charge on IDC expenditures to IDC revenue, leading from $90K to $140K distribution to the state budget.
- In FY23, IDC was used to "grandfather" impacted TARA graduate students

- In FY23-24, programs were put into place to translate IDC into graduate tuition revenue, e.g. Chancellor’s Distinguished Fellowships; investment in additional graduate recruiting staff
- In FY24, additional investment was made in staffing technology transfer, after discussion with the ARL PD in May 2023.

Other comments:

- Which departments participate? See Table 3.
- Obtaining grants is **hard,** and Tech faculty may be at a disadvantage due to higher teachings assignments and institutional bias.
- Most importantly, faculty motivation and entrepreneurship is required to sustain this revenue stream. The Research Office strives to utilize seed funds, awards, and recognition to maintain this spirt.