College of Education & Human Development
Facilities &Administrative (Indirect) Costs, Salary Savings, and Course Buy-Outs
Last revised on October 3, 2017

This document addresses the allocation of Facilities & Administrative (F&A) returns (commonly known as IDC returns) to the College, salary savings generated from grants and contracts, and time limits for the use of funds. The document is intended to assist faculty members and Department Heads in fiscal planning. Specifically, it helps faculty members reach decisions that best match their goals with respect to course "buyout", extended contract, and/or funds to support their research program, and it helps Department Heads ensure the integrity of academic programs. In addition, it clarifies time limits on the use of such funds.

These proposed policies are intended to promote fiscal accountability, enhance the ability of Colleges and Departments to support the extramural activities of its faculty and staff, and empower faculty to make informed decisions about how they develop budgets.

F&A Returns
Facilities and Administrative (F&A), are funds generated from grant expenditures. Current F&A rates on individual grant activities within the college vary from 0% to 48.5%. The rate of return on each grant is established at the time the project proposal is submitted and is oftentimes established by the funder.

F&A returns are distributed per the April 2, 2014 letter signed by Mark Hussey, William Dugas, and M. Katherine Banks. The letter can be found at the following website:
http://provost.tamu.edu/resources/Resource%20documents/ResearchDevelopmetFundAnnouncement2.pdf

Following is the distribution for TAMU:

Department or Unit housing PI*	15%
TAMU Research Development Fund (RDF)	15%
PI Incentive	10%
From the remaining 60%:	
SRS Project Administration Fee	4.24% of direct costs on project proposal
Remainder is split between TAMU Division of Research and College*	

Example: a $1,000,000 direct costs on a contract to a CEHD PI with 8% F&A rate generates $80,000[1] for a total budget of $1,080,000, which would be distributed thusly over the life of the project:

Department of PI (15%)	$12,000	
TAMU RDF (15%)	$12,000	
PI Incentive (10%)	$8,000	
Remainder:	$48,000	
SRS	$42,400	(4.24% of direct costs)
TAMU DOR	$2,800[2]	
CEHD	$2,800	

Salary Savings from Grants and Contracts and Course Buy-Outs

[1] Presuming that all direct costs are IDC-bearing
[2] Division of Research and College split whatever IDC's remain after SRS administrative fee is paid

Salary savings refer to the replacement of Education and General (E&G) funds with other sources. Salary savings are generated when external funding replaces E&G (state) funding resulting from course buyouts or buy out of time from other professional responsibilities during the academic year (September-May). When faculty or staff members are expected to expend a significant amount of effort on a grant or contract, this percent effort needs to be reflected in the budget and that amount will replace the portion of their state salary. The amount being replaced is what contributes to salary savings. For example, if a faculty, staff, or administrator makes $10,000 a month and spends 15% of the time on grant activities, $1,500 of the state salary per month will be replaced with grant funds, thus contributing $1,500 a month towards salary savings.

Any salary savings generated by external funding will be distributed as follows:

a. The Dean's Office will retain 20% and the remaining 80% will be sent to the PI's department.
b. If any expenditure by the department is required to hire faculty to teach course(s) that grant-funded faculty wish to buy out (course replacement costs), this amount will be subtracted from the 80% of salary savings that the department receives.
c. From the remaining funds, 33% will be awarded to the PI and the department retains 67%

Course Buyout Policy (effective January 1, 2018)

Faculty with a portion of their FTE funded from extramural projects may arrange to 'buy out' of courses at the rate of 10% of their 9-month annual base salary (capped at $10,000) per 3-hour course. They must still meet department-determined minimum teaching load requirements and must specify the area in which that percentage of their time will be reallocated (e.g., research/project administration, service). Faculty may only use buy-outs to reduce their course instruction loads and must continue to fulfill their ongoing service, student advising, and administrative duties. Buy-outs cannot be used to reduce one's overall work effort or be construed as approval for a full-time research appointment.

Management of Faculty F&A Returns and Salary Savings Accounts (as of 10/3/2017)

Funds generated from faculty indirect cost (IDC) returns and salary savings should be used within three years of the distribution date or encumbered with a Unit Financial Obligation (UFO). UFOs should also be established whenever a PI's salary savings/F&A balance exceeds $30,000. Department Heads will review all indirect and salary savings balances annually and meet with any faculty whose account balances warrant a UFO to determine the PI's plans for future use and facilitate an encumbrance.

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