BC 10.130 - Indirect Cost Distribution (IDC) and Expenditures

I. POLICY:

Outlines that administrative requirements when collect, distribute, and/or expend indirect cost dollars in support of research, scholarly and other programmatic activities.

II. PURPOSE:

To establish the distribution and expenditure of indirect cost funds recovered from externally sponsored grants, contracts, and cooperative agreements. (Note: The term "grant" herein is applied globally to include "grants, contracts, and cooperative agreements.")

III. SCOPE:

This policy applies to all employees, medical staff, associate professional staff, teachers, students, residents, fellows, volunteers, contractors, consultants, agents, and other associated with BH who are involved in Research or any professional scholarly activities at any BH affiliated entities including but not limited to: Baystate Medical Center (BMC), Baystate Wing Hospital (BWH), Baystate Franklin Medical Center (BFMC), Baystate Noble Hospital (BNH) and the University of Massachusetts Chan Medical School-Baystate.

IV. DEFINITIONS:

Indirect Costs also known as Facilities & Administrative (F&A) costs, are expenses that are incurred by the hospital as part of the general operations that support research activities. Indirect costs are typically not readily identifiable to any single project, but rather support overall research activities. To recoup such overhead costs, research institutions negotiate an indirect cost rate with their applicable cognizant federal agency. Baystate Medical Center's cognizant federal agency is the Department of Health and Human Services or "DHHS." Once agreed upon, the rate is applied to the direct costs of a sponsored project and charged to the applicable grant.

Federal Uniform Guidance defines several allowable methods for calculating the indirect cost rate. Baystate Health currently utilizes the Modified Total Direct Costs (or "MTDC") methodology in its annual filing with DHHS. Rates are established both for on-campus and off-campus research activities. MTDC requires exclusion of certain direct costs from the calculation of the indirect rate, including capital equipment greater than $5,000, subawards greater than $25,000, patient care costs, rental or lease space or equipment, and costs of any construction, alternation and or renovation.

All capitalized items that are not defined by the Policy shall have the same meaning as defined by the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (known as "Uniform Guidance")* as issued by the federal Office of Management and Budget ("OMB").

V. PROCEDURE:

A. Background

Not all sponsors reimburse Baystate Health for indirect costs at the federally negotiated rate. Statutory limitations prevent some federal sponsors from reimbursing indirect costs at the

federally negotiated standard rates. Furthermore, many state and non-federal sponsors reimburse the hospital at indirect rates less than the federally negotiated standard rates. The Sponsored Program Administration office should be contacted as early as possible during proposal development, and rates less than the federally negotiated rate must be verified and approved prior to submission.

Indirect costs are recovered from sponsors when direct costs of the awards are expended, i.e., they are charged to individual awards as direct costs are spent. Finance – Sponsored Program is responsible for drawdowns of federal funds and can provide information for specific grants and how indirect costs are applied to the applicable cost centers.

B. IDC Distribution

While the indirect cost rate is established based on facilities and administrative expenses, Baystate Health has discretion to reinvest these funds towards the research enterprise. The hospital's standard distribution of indirect costs recognizes the shared responsibility between central administration, University of Massachusetts Medical School-Baystate, and faculty in supporting research and other scholarly activities at Baystate Health:

Unit	Allocation
Baystate Medical Center	40%
Office of Research	60%

A portion of the Office of Research's indirect revenue may be allocated to an institute, center, core facility, or specified Principal Investigator per a written agreement between applicable director(s), the chair(s), and Chief Research Officer. In unique circumstances, the Chief Physician Executive/Chief Academic Officer may determine it is in the best interest of Baystate Health to continue the development of the research mission by reallocating the Office of Research portion.

C. Indirect Cost Expenditures

Indirect cost revenue from grants may be used for expenses related to research, scholarship, programmatic activities, or for the development of future sponsored projects.

The list below, while not exhaustive, provides examples and guidance regarding the appropriate use of indirect costs revenues.

Seed funding:	Funding to help initiate new research. Each unit may define its own program.
Bridge funding:	Gap-funding to continue existing research when a grant has ended, and a new grant has not yet been awarded or when funds from a recently awarded grant are not yet available.
Supplemental funding:	Funding for existing research initiatives
Special research projects:	Funds to support reach activities that are not externally funded and can be carried out with a relatively small amount of funding.

Grant writing:	Support for grant writing in the development of proposals.
Travel:	Research travel not otherwise funded, including international travel.
Journals:	Funds for faculty to support journals hosted at the health system.
Professional Development:	Funds for specialized training in using research equipment and research methods.
Equipment:	Funds for equipment purchases, maintenance, and repairs not covered by existing awards.
Graduate students:	Funds to support student research and/or research-related travel.
Research meetings:	Funds to support for colloquia, workshops, or conferences.
Publication costs:	Funds to publish in journals that require publication payments, such as page charges.
Matching funds:	Funds required by grants when other revenue streams are unavailable.
Office of Research Faculty Research Awards:	Funds to create research awards to be used in support of the awardee's research agenda.

D. Salary Cap Gap Coverage

Portions of indirect cost revenue may be used to cover up to 1.5 times the NIH cap salaries when the Principal Investigator (PI) is:

- A Prime Awardee or site PI of a National Institute of Health (NIH) grant, cooperative agreement, contract or subcontract and whose salary is above the annual NIH salary cap
- A Prime Awardee of an NIH K Awards, also known as Career Development Awards. See appendix NIH Career Development Awards
- A Prime Awardee or site PI of a US Federal Funding Agency that imposes salary caps or have salary limitations for grant recipients
- A Prime Awardee or site PI of a non-research grant that imposes salary caps or have salary limitations for grant recipients. Investigator must confirm that the outcomes of the award will include specific plans for data collection, analysis, and peer-reviewed publications by UMass Chan-Baystate faculty

E. Waiver of Indirect Funding

If an external award has received a waiver of indirect funding from the Office of Research or is not recovering full indirect based on the current rate agreements (with the exception of K-awards – see K award Appendix), salary cap gap support will not be available to investigators on that award. Faculty from departments/service lines or other entities (e.g. regional hospitals) that have a written agreement to receive indirect revenue will not receive salary cap gap coverage from the Office of Research, and all salary cap coverage must be covered through distribution of funds based on the written agreement.

F. Commitments

Office of Research commitments are made for the amount and period required and do not include cost of living increases, raises, or no-cost extensions. Any additional over-the-salary- cap gap support such as salary and fringe over the internal cap, increases in salary or fringe, or grant extensions are the responsibility of the department/service line or other entity. Any reductions to a sponsor award or the investigator's effort will decrease level of over-the-salary-cap gap support from the Office of Research.

At the discretion of the Chief Research Officer, Chief Physician Executive/Chief Academic Officer or their designee, investigators receiving over-the-salary-cap gap support may also be required to provide service to the Baystate research community in the form of accepting reasonable assignment to a Baystate research regulatory committee.

VI. REFERENCES AND RELATED REQUIREMENTS

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR 200

VII. APPENDIX

- Procedure for Reimbursing Departments for PI Salary Cap Coverage
- NIH Career Development Awards

APPROVALS:

		Date:
Approved:	BH Policy Management Committee Executive Research Committee/Counsel	9/17/2024 8/26/2024
Policy Owner: (department name)	Office of Research	
Reviewers: (Stakeholders)	Brenda Wrobel, Director Operations & Budget Shannon Chism, Interim Senior Director, Research Operations	
Originating (if new)/Revising Department/ Author/Title:	Brenda Wrobel, Director Operations & Budget Shannon Chism, Interim Senior Director, Research Operations	
Replaces:	BH-AA-OoR-001 External Funding Over the Salary Cap Gap Support BH-AA-ORA-001 Facilities and Administrative (Indirect Costs) Funds Distribution Policy	
Original Effective Date:		9/17/2024
Review Dates:		
Revision Dates:		

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Attachment A
Agreement for Allocation of Indirect Cost Revenue

This document ensures a clear and structured process for allocating F&A recovery funds, aligned with institutional priorities and financial accountability.

This agreement outlines the terms and conditions under which a portion of the indirect (also called "facilities and administrative, F&A) cost recovery will be allocated to [Department/Principal Investigator] for the support of research activities as part of the broader mission of Baystate Health.

This Agreement is made on this [Date], by and between Baystate Medical Center represented by the Office of Research, [Department], and [Principal Investigator's Name].

Parties Involved:

- Office of Research: [Name, Title]
- Principal Investigator (PI): [Name, Title] (when applicable)
- Chair(s): [Name, Department/Unit]
- Chief Research Officer (CRO): [Name, Title]

Terms of Agreement:

A. Allocation of Indirect Cost Revenue:

- A portion of the indirect revenue generated from grants and contracts associated with [Institute/Center/Core Facility/PI] shall be allocated to [Institute/Center/Core Facility/PI].
- The specific percentage or amount allocated shall be [Percentage/Amount], subject to the availability of funds and in compliance with institutional policies and external regulations.
- This allocation is intended to support research activities, operational costs, personnel, equipment, etc., in alignment with the strategic goals of [Institute/Center/Core Facility/PI] and Baystate Medical Center.

B. Responsibilities:

- Institute/Center/Core Facility/PI: [Institute/Center/Core Facility/PI] is responsible for the appropriate use of allocated F & A funds, ensuring compliance with institutional policies and reporting requirements.
- Office of Research and [Institute/Center/Core Facility]: These offices will manage the distribution of funds as per this agreement and provide necessary oversight to ensure compliance with institutional and external regulations.
- Chair(s) and CRO: The signatories are responsible for reviewing and approving the allocation of funds and ensuring alignment with the institutional mission and priorities.

C. Reporting and Accountability:

- [Institute/Center/Core Facility/PI] shall provide an annual report to the Office of Research the last week of September detailing the use of allocated indirect funds, including expenditures and outcomes achieved.
- The Office of Research and [Institute/Center/Core Facility/PI] will review these reports to ensure compliance and provide feedback or require adjustments as necessary.

D. Duration and Review:

- This agreement shall be effective from [Start Date] and shall remain in effect until [End Date], or until terminated by mutual agreement.
- The terms of this agreement shall be reviewed annually, with adjustments made as needed to reflect changes in funding, institutional priorities, or other relevant factors.

E. Amendments:

- Any amendments to this agreement must be made in writing and signed by all parties involved.

F. Termination:

- This agreement may be terminated by any party with [Number of Days] days' written notice. Upon termination, any unexpended allocated funds shall be returned to the central indirect account or reallocated as per institutional policy.

Signatures:

By signing below, the parties agree to the terms and conditions outlined in this agreement.

[Principal Investigator]

Name: _____

Title: _____

Date: _____

[Chair(s)]

Name: _____

Department/Unit: _____

Date: _____

Chief Research Officer (CRO)

Name: _____

Title: _____

Date: _____

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Attachment B
NIH Career Development Awards (K Awards)

National Institutes of Health (NIH) Career Development Awards (CDAs), commonly referred to as K-awards, are intended to provide support and protected time for faculty to develop research skills and to ultimately ensure a pool of highly trained researchers. There are three main types of awards:

1. Mentored Awards to individuals – Primarily for researchers at the beginning of their careers and provide a transition to full independent research awards.

2. Independent or Non-Mentored K Awards – Designed to provide protected research time for mid-career or even senior faculty to enhance their research potential.

3. Institutional Awards – Intended to provide mentored experiences for multiple individuals.

The specific terms of a K-awards, particularly salary limitations, vary among institutes and careful attention should be given to the requirements of each award. Salary limitations can be found in the award's Funding Opportunity Announcement (FOA).

For more information about K Awards, refer to the Research Career Development Awards on the NIH website.

Level of Effort

Mentored and non-mentored CDA candidates are required to devote and maintain a minimum level of effort (see below) to the award. During a no-cost extension, the recipient is required to maintain any effort minimum and can only reduce their effort with prior approval of the awarding Institute & Center (IC)

Candidates who hold additional appointments with an independent clinical practice plan or other organizations may not use these additional appointments to meet the minimum effort requirement. Responsibilities outside of the applicant organization appointment are not restricted; however, they also cannot be used to meet any minimum effort requirement. If a candidate has a dual appointment, they must also have a full-time appointment at the applicant institution and be able to meet the minimum effort requirement as part of that full-time appointment in order to qualify for a CDA. Candidates should contact the scientific/research and/or grants management contact in the relevant IC prior to preparing an application to discuss their eligibility.

Mentored CDAs and Level of Effort

Mentored CDA candidates are required to devote a minimum commitment equivalent of 9 calendar person months (75% or their full-time appointment at the applicant institution) to the career development and research objectives of the program specified in each FOA. The remaining 3 person months (25% effort), if applicable, can be divided among other research, clinical, and teaching activities only if these activities are consistent with the goals of the mentored CDA, i.e., the candidate's development into an independent investigator.

Mentored awardees are allowed to devote complementary effort without salary support on other research grants that include related research between the CDA and the research grant. In such cases

where there is scientific overlap, the percent effort on the research grant is subsumed within the required effort of the CDA. However, there should not be significant duplication of the scope of the research supported by the CDA. Further, the related research must be consistent with the goals and objectives of the CDA.

Concurrent Support and Level of Effort

In certain circumstances, the recipient may be working on another grant while the K Award supports the employee's salary. In this case, it is expected that the goals of the second grant support the goals of the K Award. In cases where there is scientific overlap, the effort on the second grant is included in the K Award effort.

Provided they remain in a mentored status, mentored CDA recipients in the final two years of their support period are permitted to reduce the level of effort required for the CDA when they have competed successfully for peer-reviewed research awards from NIH or any Federal agency, if programmatic policy of the other Federal agency allows such an arrangement. Recipients are encouraged to obtain funding from NIH or other Federal sources either as a PD/PI on a competing research grant award or cooperative agreement or as a project leader on a competing multi-project award.

At the time the research grant is awarded the effort required on the CDA may be reduced to no less than 6 person months (50% full-time professional effort at the grantee organization) and replaced by effort and corresponding salary from the research award so that the total level of research commitment remains at 9 person months (75% full-time professional effort) or more for the duration of the mentored CDA.

When a mentored CDA recipient obtains independent support, the NIH awarding IC supporting the CDA will adjust the level of effort committed to the CDA to no less than (50% effort) consistent with maintaining total research effort at 75% or more of the full-time appointment. NIH may adjust the total salary and fringe benefits amounts awarded to the CDA if consistent with the adjusted level of effort. If necessary, the K award may also be adjusted to avoid any additional budget overlap.

Non-mentored CDAs

Established investigators on independent (non-mentored) CDAs are generally required to devote a minimum of 25-50% effort conducting research and research career development related activities during the period of the award. Some independent CDAs allow and may require more than 50% effort. For example, K02 recipients are required to devote 75% effort to research.

Generally, an independent or leadership awardee may receive additional salary support from other NIH/PHS grants for effort above the CDA and there are no limitations to receiving other salary support. However, K02 recipients may not receive salary from other NIH/PHS grants. Where applicable, specific NIH Grants policies are noted in the FOA. The candidate must be able to demonstrate that the requested period of salary support and protected time will foster their career and capacity to contribute to the specified field.

Recording K Award Salary Commitment During Award Verification

NIH Career Development, or K Awards, are to support junior faculty but can be given to mid-career faculty as well. K Awards come with established effort requirements, usually up to 75%. This effort requirement must be fulfilled. K Awards often come with salary limit as well. If the required percentage of the faculty member’s salary is over the salary limit, the difference must be cost shared. The Office of

Research will pay the difference up to 1.5 times the NIH Executive II Salary Cap from unrestricted sources, contingent on K-awardees serving on the Institutional Review Board for the duration of the award as part of the requirement for "Training in the Responsible Conduct of Research." Any additional over-the-salary-cap gap support such as salary and fringe over the internal cap, increases in salary or fringe, or grant extensions are the responsibility of the department/service line or other entity. Office of Research commitments are made for the amount and period required and do not guarantee cost of living increases, raises, or no-cost extensions. Any reductions to a sponsor award or the investigator's effort will decrease the level of over-the-salary-cap gap support from the Office of Research. The salary cannot be supplemented by another federal award without prior written approval from the sponsor. Prior to requesting approval from the sponsor, clinician-investigators must obtain Department Chair approval to further reduce clinical hours and cover any cost sharing. When a K award recipient has been approved to supplement K Award effort with another sponsored project, the department should follow the process for updating effort distribution in Lawson.

Example 1: A junior faculty member must commit 75% effort to a Federal K award, but the Federal K award instructions only allow payment up to $90,000 (which only covers part of the faculty member's salary)

- Faculty Salary: $150,000
- K Award Required Effort: 75%
- 75% of Faculty Salary: $112,500
- NIH K award cap: $90,000
- Salary charged to K award: $90,000
- Departmental responsibility: $0
- Difference reimbursed by the Office of Research: $22,500

Example 2: A mid-career faculty member must commit 75% effort to a Federal K award, but the Federal K award instructions only allow payment up to $100,000 (which only covers part of the faculty member's salary)

- Faculty Salary: $350,000
- K Award Required Effort: 75%
- 75% of Faculty Salary: $262,500
- NIH K award cap: $100,000
- Baystate cap: 1.5 x NIH Executive II salary cap (2024): $221,900 x 1.5= $332,850
- Salary charged to K award: $100,000
- Departmental responsibility: 0.75 x ($350,000-$332,850) = $12,863
- Difference reimbursed by the Office of Research: $149,637

All cost shared salary will be determined and approved by the Chief Research Officer, Chief Academic Officer or their designee and the Department Chair on an annual basis in relation to the start of the new fiscal year budget process. Future Office of Research funding is at the discretion of the Chief Research Officer, Chief Academic Officer or their designee.

References and Related Requirements

- NIH Grants Policy Statement
- NIH Career Development Award FAQs