TO: Andrew Brannen, Chief Financial Officer

FR: Sue Porterfield, Vice President for Research

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RE: Indirect Cost (IDC) Recovery Distribution

I. History

An indirect cost recovery (ICR) distribution model is used to allocate the recovered indirect costs (also known as IDC, F&A, or overhead) from grants, contracts, or other externally funded projects across various units or entities within an organization – typically within a university. Historically, at Kean, any ICR was retained by the Office of Research and Sponsored Programs (ORSP) to run their operation. Beginning with FY2023, the Vice President for Research implemented a new ICR model where ORSP retained 75% of the indirect costs and distributed 25% to the academic units (colleges and departments) and principal investigators (PIs). That model worked well in FY2023 – FY2025, but it is time to reassess the distribution percentages being returned and where they are being allocated.

II. Reasons to Distribute Indirect Cost Recovery (ICR)

1. **Equitable Sharing of Overhead**
   The model ensures that the indirect costs recovered from funding agencies (e.g., NIH, NSF) are fairly distributed among the departments, colleges, research centers, and central administration that support the project.
2. **Incentivize Research Activity**
   Units that generate more research activity (and thus more overhead) often receive a portion of the ICR, encouraging them to pursue more grants and contracts.
3. **Support Infrastructure and Operations**
   Indirect costs can fund facilities, administrative support, IT, compliance, and other infrastructure that enable research but aren't charged directly to a specific project. The model determines how much each part of the organization gets to maintain these operations.
4. **Transparency and Accountability**
   A formal ICR distribution model provides a clear, consistent, and transparent method for how overhead funds are split, reducing internal conflict and confusion.
5. **Strategic Investment**
   Some models reserve a portion of ICR for reinvestment in strategic priorities—like seed funding for new research initiatives, upgrading labs, or supporting interdisciplinary efforts.

III. Peer Comparison

A description of models at the universities chosen for the comparison group.

IDC Recovery Distribution Models

NJ Universities	VP Research	Provost	Central (likely CFO)	College	Department	Principal Investigator	Notes
Kean	75%	0%	0%	15%	5%	5%	
Montclair	20%	0%	30%	15%	25%	10%	
Rowan	50%	5%	0%	20%	15%	10%	
NJIT	0%	0%	85%	5%	5%	5%	
Rutgers	unsure	unsure	unsure	unsure	unsure	unsure	*returns are distributed across Rutgers units based on factors such as effort, activities, or direct costs
Princeton	unsure	100%	unsure	unsure	unsure	unsure	*some % is distributed but it's not published
Peer Universities	**VP Research**	**Provost**	**Central (likely CFO)**	**College**	**Department**	**Principal Investigator**	**Notes**
Morgan State	20%	0%	30%	15%	25%	10%	
NC A&T	40%	0%	40%	5%	5%	10%	
San Diego State	25%	0%	50%	5%	10%	10%	
Nova Southeastern	45%	0%	5%	30%	0%	20%	
Aspirational Peers	**VP Research**	**Provost**	**Central (likely CFO)**	**College**	**Department**	**Principal Investigator**	**Notes**
Towson	25%	20%	25%	15%	10%	5%	
Texas Southern	40%	0%	0%	25%	20%	15%	
San Jose State	35%	0%	0%	35%	15%	15%	

IV. Discussion

Looking at the peer university data, a few observations are noteworthy.

1. All institutions return some portion of IDC to the academic units and PI. Most PIs receive 10% or more.
2. All but one give a significant portion of the IDC to the VPR. I assume this is not for operations but for reinvestment.
3. Most return a portion to central (i.e., CFO) for strategic investments or operational needs.
4. Very few return any funds to the provost likely because so much is going to the colleges and departments.

V. Proposed Model for Kean in FY2026

After reviewing the peer models, I believe the distribution (25%) going back to the colleges, departments, and PIs is appropriate. However, I would propose changing it, so the PI receives 10% of the IDC and the dept receives nothing. The college would continue to receive 15%. The way budget models work at Kean, not every college allows dept level budget management and/or financial decision-making. The depts don't use the funds (historically) but the faculty are using their IDC return for additional research needs not funded by external grants.

As for the other 75%, I propose that starting in FY2026, a portion of the ICR (25%) should be retained by central administration via the finance office. The remaining 50% would be allocated to the VPR to reinvest. Currently, ORSP is funding all student research (CURF's budget) from their IDC return (~$200k/year). In addition, they are reinvesting in faculty through additional RTR, additional GRAs, travel grants, research events and special requests.