**PI Handbook Entry — Fixed price research contract with residuals**

In some cases, faculty can arrange for Research Contracts based on fixed price performance. Under fix price conditions, the sponsor agrees to pay a set price for the research activities being accomplished in the project. If the expenses of the project total less than the fixed price, residuals are accrued and remain with the institution. Equally, if expenses accumulate beyond the agreed to fix price, then those expenses are carried by the institution. The appropriate risk on both parties is agreed to in executing the contract.

The Cost Accounting Standards are a set of cost principles put forth by the federal government to assure consistency in the costing of proposals that are submitted to federal government. The Cost Accounting Standards Board’s cost accounting standards located at [48 CFR § 9905.501, 9905.502, 9905.505, and 9905.506](https://www.law.cornell.edu/cfr/text/48/part-9905).are incorporated into the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200). It is the expectation of UNT that all research contracts agreed to by this institution are budgeted in accordance with these four standards. 9905.501 is the Cost accounting standard that requires consistency in estimating, accumulating and reporting costs by educational institutions. Given this expectation, this institution expects fix price contracts to be executed with a budget that accurately estimates costs and results in actual expenses that do not greatly deviate from that proposed budget.

Executing a contract with efficiency and effectiveness can yield significant savings and that, in those cases, savings should be realized by the principal investigator and his or her department chair/dean. The reasoning behind the sharing of these resources across the principal investigator, department chair, and dean is that likely institutional capacity was used to create a significant amount of the savings yielded in a fixed price contract. UNT expects that split of residuals to be either based on college/departmental policy or negotiated on a contract-by-contract basis.

Given that UNT research/contracting expects to function in the cost accounting principles of truth in budgeting, we will allow up to a maximum of 25% of budget to be captured in expense residuals. Any balances beyond the 25% will be deemed as outside of expected norms and will be utilized by the VPRI to promote university wide research programs. The intent is to ensure that the university promotes the highest level of accuracy in proposal budgeting practices.

When material levels of residuals are captured in the contract process through efficiency and savings, those residuals are to remain in the sponsored project and spent out of the sponsor project in order to further our capture of those expenses as research expenditures. Immaterial levels of residuals are reasonable to remove from the project and placed in a designated account. Intent to transfer to a designated account will be done with the approval of the AVP of Grants & Contracts Administration.