

Procedure on Expenditures from Discretionary Funds

General Statement

Faculty discretionary funds are established and maintained within the individual schools, centers and institutes of Rice University. This procedure addresses the appropriate sources and uses of these funds, the expected level of school and departmental oversight for use of these funds and the status of funds when faculty leave Rice. The purpose of this procedure is to ensure sound and consistent business practices, timely and accurate recording of expenses, prudent use of Rice funds and compliance with tax regulations under the Internal Revenue Code.

Exceptions to this procedure must be approved by the Provost and the Vice President for Finance.

Related University Policies

- Policy 103: Policies Related to Department Chairs
- Policy 806: Travel, Business Meetings and Entertainment
- Policy 809: Control of Equipment and Other Property
- Policy 814: Procurement Policy
- Policy 826: Gifts made from University Funds
- Policy 831: Stewardship and Personal Use of University Property
- Policy 840: Payment Policy

Sources of Funds

Discretionary funds available to a faculty member are typically funded via transfer of internal Rice funds. They may, however, include externally generated funds. Such examples include:

- Honoraria paid to the University to recognize a particular faculty member's contribution (e.g., article, talk, manuscript or program review).
- Residuals from sponsored research agreements, provided the sponsor does not expect return of any residuals. The NIH, for example, would not allow use of the funds for anything other than the purpose for which the grant was directly funded.

Gifts designated for the support of a particular faculty member, program or department (and not otherwise restricted as to their purpose) are recorded as gift funds separate from internally funded sources. All funds designated for a particular faculty member's use must be paid to Rice University and are thereafter to be used for activities consistent with the University's tax-exempt status and mission.

If a faculty member consults for an outside entity, in accordance with Rice policies on Intellectual Property and Conflicts of Commitment, the contract is between the individual and that entity, and money does not flow through Rice University. If the fees are to go to a faculty discretionary fund at Rice, this must be documented in an approved contract between the sponsor and Rice University.

Appropriate Use of Funds

Funds must be used for University purposes and any items (e.g., goods, equipment or services) purchased become the property of the University.

Faculty discretionary funds are accounted for as individual funds in the year awarded. Remaining balances carry forward to the next fiscal year until spent or until the faculty member leaves Rice. These funds cannot operate with a deficit balance unless there is a plan approved by the Provost and Vice President for Finance that will cover the deficit promptly.

Expenditures from discretionary funds must follow applicable University policies on allowable expenses. Examples of allowable uses include:

- Support for research and scholarship not directly funded by sponsored research grants (may include personnel charges not allowable on the grant).
- Purchase of research and scholarship work-related items such as computers, printers/fax machines, software, supplies, books and journals.
- Travel to professional meetings or to sites where research or other scholarly activity is conducted. Purchases must be consistent with Rice's Policy on Travel, Business Meetings, and Entertainment and International Travel Policy.
- Graduate stipends or student hourly wages.
- Dues for membership in professional associations, with the understanding that lifetime memberships should rarely be purchased (and then only with approval of the department chair).
- Backstop for unfunded summer salary.
- Cost sharing on research grants and backstop on advanced spending research funds.
- Meals and refreshments for lab group meetings, journal clubs, seminars, or recruiting dinners.
- Visa costs related to Rice University travel.
- Activities to boost group morale and improve interpersonal team dynamics (e.g., holiday parties). However, please refer to Rice University Policy 826 for guidance on using University funds for employee awards or employee gifts.

Additionally, discretionary funds can be used to clear deficits in other accounts assigned to the faculty member. With approval from the department chair, faculty may transfer discretionary funds to another faculty member (e.g., from PI to Co-PIs, from senior faculty to junior faculty). All expenses from discretionary funds need to be fully documented with reference to the professional activity being conducted.

Inappropriate Uses of Funds

Unlike personal compensation, discretionary funds are not subject to personal income tax, and therefore may not be spent for any purpose considered personal use such as the examples listed below:

- Items of personal benefit: Rice University parking fees and tickets (for the individual or his/her staff), library late fees, home equipment (except for computers, printers/fax machines purchased for Rice academic activities), home furniture, or services not directly related to Rice activities.
- Assistance provided to students, such as emergency personal loans, or any other form of student aid awarded by a faculty member. (Student issues should be brought to the attention of the Office of Financial Aid for undergraduates or Graduate and Postdoctoral Studies.)
- Supplementing the faculty member's salary other than previously approved funding for summer salary.
- Membership in airline travel clubs (See Rice Policy 806).
- Political activities, meals or donations (see Rice Policy 807, Partisan Political Activities).
- Gifts to individuals beyond what is allowed in University Policy 826.
- Travel for family members or other non-Rice associates who are not involved in the faculty member's research or scholarly work with the exception of temporary dependent care costs.
 - University Policy 806 allows temporary dependent care costs above and beyond regular dependent care that directly results from travel to meetings or conferences provided that: the costs are a direct result of travel under a sponsored award or other meeting or conference related to University business; and the costs are consistent with the University's travel policy and are only temporary during the travel period and where no reasonable alternative to dependent care is available. Prior written approval is required from the appropriate approver.
- Mobile communication devices or plans, beyond what is allowed by University Policy 853.

Control of Discretionary Funds

The management authority for discretionary funds is with the dean, who in most cases delegates the authority to department chairs. Departments, in turn, generally permit management of the funds by faculty members.

It is incumbent on responsible financial administrators at the school and departmental level to provide oversight on use of the funds. In particular, they must ensure appropriate review and approval of financial statements, purchase card transactions, and expense reports. Department chairs are responsible for monitoring spending to ensure that discretionary funds are not in deficit and for arranging a plan for covering deficits. This is especially important for faculty members who are leaving Rice.

Status of Discretionary Funds When a Faculty Member Leaves Rice University Employment

Discretionary funds are University funds, therefore, funds remain the property and control of Rice University upon departure of the faculty member, as do all items purchased with the funds.

A discretionary fund recipient who leaves the University may purchase items, previously acquired with discretionary funds, from Rice University. Such purchases must be made using non-Rice funding sources, and at an agreed upon and commercially reasonable price. However, computers and other equipment still under warranty, are generally not available for purchase unless the price is set in proportion to the original purchase price. The purchase of Rice computers or other equipment must be facilitated through Property Accounting so that inventory information is updated.

Remaining balances are generally not available to the faculty member once he or she leaves Rice. This rule applies to faculty members who leave Rice employment but maintain adjunct status unless the expenditures fall into one of the limited exceptions provided below.

Remaining fund balances must be transferred back to the funding source(s) on a pro rata basis. For example, if a faculty start-up discretionary fund was funded equally between Central and the School, the remaining balance is shared 50/50. It is the responsibility of the department chair and dean to work out with the faculty member a prudent “wind down” plan to allow for pending expenses before departure but not to allow a total spend down of the fund.

There are a limited set of occasions when a faculty member who has retired or resigned might still be engaged in University work, and it might be appropriate for discretionary funds to remain available to support that work. The judgment on whether this is permissible should be made by the dean, in consultation with the department chair, or by the Vice Provost for Research in the case of faculty affiliated with institutes, and agreed to by the Provost and the Vice President for Finance. The judgment should be guided by the principle that these funds are to be used to further the University’s mission and that the department has no other funds available for this purpose.

- The faculty member may request approval to use the remaining funds after his/her resignation or retirement for continuing or completing ongoing projects or for continuing support for current graduate students while they continue to work towards completion of their degrees under the advising of the departing faculty member.
- Approval will usually be denied when a faculty member has resigned (or retired) to take a faculty position at another university and proposes to spend his or her Rice University discretionary funds in another institution or to support work that will be associated with his or her position at the other university. There is an inherent conflict of interest when an individual is a faculty member at another institution and yet has authority over Rice funds. It is difficult to make the case that Rice benefits from work done by an individual who is on the faculty of another institution, since current activities of faculty members almost always are attributed to the individual and the new institution.

- Approval will usually be denied when a faculty member proposes to use the funds to begin a new project after his/her resignation or retirement. An exception may be available in cases where emeriti faculty members request approval for continued use of their accumulated discretionary funds for expenditures in support of new research or creative work if they have active and productive programs of research underway at Rice, and the dean and department chair or the vice provost determine that the activity warrants support due to its value to the University.
- Faculty members who exceed their spending authority so that their discretionary funds are in deficit at the time of their resignation or retirement are expected to repay the University for the amount of the deficit before leaving, unless there is an explicit plan to cover the deficit which has been approved by the dean and department chair or by the Vice Provost for Research in the case of faculty affiliated with institutes.

Responsible Office: Vice President for Finance
Other Key Offices: Controller's Office, Budget Office
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Signed: *Katherine E Collins*