

Indirect Costs

I. Policy

It is the policy of Southern Illinois University Carbondale (hereinafter "SIUC") that when submitting applications or proposals to acquire sponsor awards, Principal Investigators or others shall apply SIUC's federally negotiated indirect cost rate to all externally sponsored projects. These rates will be charged on a modified total direct cost (hereinafter "MTDC") basis to all sponsors based on the activity type (research, instruction, and other sponsored activities) and the location (on or off campus).

SIUC's policy is to recover indirect costs on sponsored projects excluding the circumstances described in section VII of this document.

II. Purpose

This policy provides SIUC requirements regarding indirect costs for the various sponsored projects taking place at SIUC.

III. Definition of Indirect Costs

Indirect costs are those costs also referred to as facilities and administrative (F&A) or overhead. They are actual costs incurred to conduct the normal business activities at SIUC and are not readily identified with or able to be directly charged to a specific sponsored project. Activities that are typically considered to be Indirect Costs include:

"Facilities" means the depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses.

"Administrative" means the general administrative costs and expenses, departmental administrative costs, sponsored projects administrative costs, student administration and services, and all other types of administrative expenditures.

When SIUC provides services, it aims to recover both direct and indirect costs. Indirect Costs are applied as a percentage of direct costs unless prohibited or specifically excluded by the sponsor. Negotiated indirect cost rates are to be used for all sponsored projects from federal and non-federal sponsors.

IV. Current Indirect Rates

SIUC negotiates the indirect rate periodically. Indirect costs and related issues are managed by the Office of Sponsored Projects Administration. More information and the current Negotiated Indirect Cost Rate Agreement (NICRA) rate can be found at:

<https://ospa.siu.edu/apply/indirect-costs.php>

V. Selecting the Appropriate Rate

The determination of which rate to use is based primarily on the type of work being proposed (research, instruction, other sponsored activities), and where the work is being performed (on or off campus). This determination is ultimately made by OSPA upon review of a program solicitation, budget, and scope of work.

Organized Research – Organized research means all research and development activities of an institution that are separately budgeted and accounted for. It includes:

- Sponsored research means all research and development activities that are sponsored by Federal and non-Federal agencies and organizations. This term includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function. Example Sponsored Research Activities include:
 - Basic and/or applied research activities.
 - Maintenance of facilities, equipment and/or operation of a facility which will be used for research.
 - Training of individuals in research techniques.
 - Publishing research results.
 - Data collection, evaluation, analysis and/or reporting.
- University research means all research and development activities that are separately budgeted and accounted for by the institution under an internal application of institutional funds. University research, for purposes of this document, must be combined with sponsored research under the function of organized research.

Instruction - Sponsored instruction and training means specific instructional, or training activity established by grant, contract, or cooperative agreement. Except for research training [see above], this term includes all teaching and training activities, whether they are offered for credit toward a degree or certificate or on a non-credit basis, and whether they are offered through regular academic departments or

separate divisions, such as a summer school division or an extension division.

Other Sponsored Activity - Other Sponsored Activities (OSA) are defined as projects funded by Federal and non-Federal agencies and organizations that involve the performance of work other than organized research and instruction. OSA examples include:

- Testing - If a company is providing the testing protocol and all the University is doing is following the protocol and reporting the results of the testing, then we treat this as an Other Sponsored Activity (OSA), applying the OSA indirect rate. However, if we are designing the test protocol, evaluating and analyzing the results as requested, then that fits more closely with research and the research indirect rate will be used.
- Curriculum development for University non-credit courses
- Curriculum development for instructional activity outside the University
- Support for students, staff, or teachers in elementary or secondary schools, or the general public, through outreach-related activities
- Projects that involve faculty, staff, or students in community service activities (where the students are not receiving academic credit for their involvement)

On-Campus: The on-campus indirect rate will be applied to any sponsored project unless special circumstances exist. The on-campus indirect rate applies to most sponsored projects.

Off-Campus: The off-campus indirect rate must be used when the project is to be conducted at an off-campus site in facilities not owned or centrally leased by SIUC and to which rent is directly allocated to the project(s). If a project involves work at on-campus and off-campus project sites, a single indirect rate must be applied consistent with where the majority of the work is to be performed.

An “off-campus” determination on a sponsored project implies that there are none or minimal on-campus facility costs associated with the project, and use of off-campus facilities not owned by SIUC will be charged as a direct cost. However, since virtually all projects utilize at least some on-campus resources and on-campus facilities and infrastructure remain available while off-campus, an off-campus determination has significant fiscal ramifications for SIUC. Consequently, requests for an off-campus determination are weighed carefully and are granted only when specific circumstances exist.

To be classified as an off-campus project and qualify for the off-campus rate, the project must be reviewed by the Office of Sponsored Projects Administration prior to proposal submission. Circumstances that could warrant utilization of an off-

campus rate include:

- The nature of the work requires that it be performed off-campus for a continuous basis and of sufficient duration, normally a full semester, summer term, or the period of performance of the project. (Convenience, telecommuting, conferences, and summer travel are not justifications for the off-campus determination.)

and/or

- Non-university owned buildings and administrative work areas involved in the project are to be rented, leased, or purchased with the cost directly allocated to the project.

Portions of a project performed by subcontractors and/or consultants are not a factor in the determination of whether the off-campus rate should apply.

VI. Applying the Indirect Cost Rate

Modified Total Direct Costs (MTDC) - MTDC includes all costs with certain exclusions. If a project is bearing the full negotiated indirect rate, that rate is always applied to the MTDC base. MTDC exclusions include:

- Equipment
- Capital Expenditures
- Rental Costs of off-site facilities
- Tuition Remission
- Scholarships and Fellowships
- Participant Support Costs
- Portion of each sub-award in excess of \$25,000

VII. Indirect Cost Waivers

Indirect costs are real costs incurred by SIUC as a result of administering sponsored projects. The indirect cost recovery pool covers expenses such as utilities and other space costs associated with the labs and offices needed to conduct the project and the administrative staff and systems needed to manage the project. If SIUC agrees to conduct a project without charging indirect costs, it means that SIUC is subsidizing that project.

SIUC's policy is to recover indirect costs on sponsored projects. SIUC will accept a limitation on indirect cost recovery in the following situations:

1. When a statutory limitation is imposed by the U.S. Congress for certain U.S. Government-funded programs, or
2. When a regulatory restriction is imposed by a U.S. Government agency and is published in the solicitation for proposals, program guidelines, or
3. For a U.S. domestic, non-profit (501.c.3) charitable organization as long as the restrictions are published as part of the organizations' guidelines and uniformly applied

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to all grantees¹. When indirect cost is at a reduced rate, the rate is applied on a Total Direct Cost (TDC) basis instead of MTDC.

4. State of Illinois funding depending on specific agency negotiated rates.

Published guidelines from for-profit entities and foreign governments are not accepted. Since SIUC is a state institution, funds obtained through taxpayer revenue or student fees are not appropriate to use as cost-sharing on projects which benefit a for-profit organization or a foreign government.

If indirect costs are waived improperly, it could jeopardize the negotiation of the federally approved rate agreement. Furthermore, incorrect application of indirect cost rates can result in audit findings. Documentation of all accepted limitations ensures SIUC has reviewed requests for consistency in costing proposals.

VIII. Use of Indirect Cost Recovery

Funds received through indirect costs flow directly into the University's general fund as a recovery of costs incurred and become part of general fund budgets for all units.

Please contact the Office of Sponsored Projects Administration with any questions.

**** Acknowledgement:** Many universities have indirect costs policies or procedures. In developing this policy, SIUC reviewed several other university policies including: Purdue University, University of Illinois, University of Missouri System, and Georgia Institute of Technology.

¹ Email or letter from the sponsor does not constitute "published" guidelines.