

Document XXXVII

UNIVERSITY OF LOUISIANA AT LAFAYETTE
INDIRECT COST POLICY

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I. PURPOSE/PREAMBLE

The University of Louisiana at Lafayette is extensively engaged as a recipient of grants, cooperative agreements, and contracts, all called sponsored projects, that allow the University to pursue academic, research and economic development endeavors. In general, these projects and activities cause the University to incur significant costs that cannot be specifically identified with a sponsored project, and these are called, "indirect costs." The university policy is to recover as much of these costs from the funding organization as is reasonable.

II. WHAT ARE INDIRECT COSTS?

Every sponsored project has both Direct and Indirect Costs. Indirect costs, according to the federal Office of Management and Budget (OMB) Circular A-21, are those costs that are incurred for common or joint objectives, and cannot be easily and specifically identified with a particular sponsored project, an instructional activity, or any institutional activity. These costs are also sometimes called "facilities and administrative costs (F&A)" or "overhead." The terms indirect costs, overhead costs, and F&A costs are synonymous. These indirect costs are different than direct costs. The direct costs are those that can be specifically and easily identified with a particular project or activity and are allowable under the sponsoring organizations guidelines.

University indirect costs include building and equipment depreciation and use allowance; general administration; departmental, sponsored program, and sponsored project administration expenses; interest; operation and maintenance expenses; library expenses; and student administration and services expense. Most federal agencies and other sponsoring organizations pay the university for indirect costs in addition to the direct costs of a grant or contract award. When doing so, however, they sometime assume or request that the University will pay for certain items, above and beyond usual indirect costs, as a cost-share. These cost-shares are specific to individual sponsored projects and include student tuition, equipment use, or faculty release time above that authorized annually by the University. As a general policy the University recovers these additional costs before distributing proceeds from indirect costs to University organizations.

Thus, indirect costs are the related costs of using the University's facilities and administrative support that cannot be claimed as direct costs. Indirect costs are not profit; instead they are part of the real costs of conducting the outside funded R&D. By collecting indirect costs from sponsors, UL Lafayette is recovering those expenses.

III. WHAT IS THE CURRENT INDIRECT COST RATE?

The Current Indirect Cost Rates for the University are as follows:

<u>RATE (%)</u>	<u>LOCATIONS</u>	<u>APPLICABLE TO</u>
44.0 ¹	On Campus	All Programs
10.0 ²	Off Campus	Organized Research
25.0 ³	On Campus	State Agencies
25.0 ⁴	On Campus	Federal Agencies on Campus
18.0 ⁵	On Campus	Research Intern Program

¹The on campus Current Indirect Cost Rate is based solely on salaries and wages (S&W), excluding fringe benefits. Fringe benefits includes; FICA, Retirement, Life Insurance, Unemployment Insurance, Health Insurance, Disability Insurance, Tuition Remission, TIAA/CREF, and Worker's Compensation.

²For the purpose of deciding whether the off-campus rate should be used, off campus is defined as activities performed in facilities not owned by the institution and/or to which rent is directly allocated to the project. The Current Indirect Cost Rate for off campus is 10%.

³The Current Indirect Cost Rate for state agencies is 25% of S&W.

⁴ Federal agencies that have a substantial personnel and/or facility presence on the main campus or in the UL Lafayette Research Park shall have a Current Indirect Cost Rate of 25% of total costs, but only for sponsored projects done through the federal organization on campus.

⁵The UL Lafayette Intern Program benefits students and shall have a Current Indirect Cost Rate of 18% of S&W.

Vacation, holiday, sick leave pay and other paid absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims for the costs of these paid absences are not made.

The Current Indirect Cost Rate is the rate charged to sponsored projects to help pay for the indirect costs incurred by the University. For example, the current Indirect Cost Rate of 44% of Salaries and Wages (S&W) means that on average for every one dollar spent on salaries and wages of those working on a project, the University will spend at least forty-four cents in overhead costs (building maintenance, utilities, security, telephones, copy machines, supplies, general administration, janitors, etc.) to carry out that project. So, to do that one dollar of work the University recovers \$1.44.

The 44% of S&W is the current federally negotiated rate for UL Lafayette. The University also has a federally negotiated "off campus" rate of 10%. If all work, or all but an incidental amount of work, is done off campus, and the project does not use UL Lafayette students or university equipment in more than an incidental way, the project may be authorized to utilize the off campus rate.

Normally, the University charges federal agencies and private companies at the Current Indirect Rate (see above). If the sponsoring agency has a standard, consistently applied, written policy however, that limits the indirect cost rate, or precludes paying indirect costs, the university normally accepts such policy. The indirect cost rate charged to an award remains the same throughout the life of the award unless changed by the sponsor through the awarding process. Moreover, grants or contracts will not be subject to more than one indirect cost rate.

In some other circumstances the University President may elect to charge a lesser rate than the federally negotiated rate, or not charge indirect costs at all. However, the policy of the university is to try to recover its indirect costs as the Current Indirect Cost Rate and any such exceptions are considered carefully.

IV. WHAT ITEMS MAY NOT BE CHARGED AS DIRECT COSTS?

Often, Principal Investigators (PIs) seek guidance on what costs are allowable to charge as direct or indirect costs on sponsored projects. Sponsors' guidelines usually define what direct costs are allowable or unallowable. Also, sponsors' guidelines may define what items are included in the indirect costs, effectively eliminating the possibility of these items being charged as direct costs. The summaries below should help PIs determine what costs are allowable for both direct and indirect costs.

1. Federal Grants - The federal government has established what costs may be charged as direct costs and what costs are considered included in indirect costs. The following summary gives a brief description of costs and whether they should be charged as direct or whether they are included in the

indirect cost calculations. This list is only a summary; a comprehensive list can be found at the [Office of Management and Budget Circular \(OMB\) A-21](#).

Direct Costs (Allowable as Budgeted Items)	Indirect Costs (Not Allowable as Direct Costs)
<p>Salaries/Wages & Fringe Benefits: Faculty, other professionals, technicians, post doc associates, research associates, graduate and undergraduate students.</p> <p>See Exhibit A for some exceptions.</p>	<p>Salaries/Wages & Fringe Benefits: Clerical and administrative assistants, fiscal manager, secretaries, and directors,</p> <p>See Exhibit A for some exceptions.</p>
<p>Materials and Supplies: Project related research and scientific supplies. Any equipment or software that does not qualify under the equipment definition.</p>	<p>Office Supplies: Pens, pencils, paper, staples, transparencies, toner cartridges, diskettes, printer paper, word processing and spreadsheet programs.</p>
<p>Equipment: Equipment used for scientific, technical, and research purposes that costs greater than \$5,000 and has a useful life of at least one year.</p>	<p>Equipment: General office equipment such as copiers, printers, office computers, and fax machines.</p>
<p>Facilities: Project specific space rental for off-campus facilities from a third party. Use of specialized equipment for which there is a commonly applied charge.</p>	<p>Facilities: Utilities, building use, grounds maintenance, renovations, and alterations of University property whether on- or off-campus.</p>
<p>Travel: Transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the institution related to the project</p>	<p>Travel: Costs of entertainment, and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities)</p>
<p>Telephone: Long distance calls, phone surveys or calls to project participants.</p>	<p>Telephone: Local calls, cell phones, installation and maintenance.</p>
<p>Maintenance & Repairs: Requires justification that the expenditures are required and directly related to the specific award (e.g., less expensive than buying new).</p>	<p>Maintenance & Repairs: Maintenance and repairs to general purpose equipment, buildings, and grounds.</p>
<p>Advertising: Recruitment of research subjects or for job openings approved for a specific project.</p>	<p>Advertising: Public relations to promote unit/department/college</p>
<p>Publications: Project specific and project related. Copying included only when charges can be tracked</p>	<p>Publications: General printing and copying.</p>
<p>Memberships, Subscriptions & Professional Activity: Membership in business, technical, and professional organizations; related to and supportive of the project. Subscriptions to business, professional, and technical periodicals; related to and supportive of project</p>	<p>Memberships, Subscriptions & Professional activity: Membership in any civic or community organization Membership in any country club or social/dining club or organization</p>
<p>Freight/Express deliveries and Postage: Justification required that cost needed to transport project material in a timely way</p>	<p>Freight/Express Deliveries and Postage: Routine or internal courier.</p>

Consulting: Project specific	Consulting: General, management, financial
Miscellaneous Costs: Subcontract costs, recharge center charges, and training costs	Miscellaneous Costs: Computer network charges and utilities.

2. State Grants - While State agencies may have their own guidelines, they typically follow principles that are similar to those established in the federal guidelines. If State guidelines do allow for costs that are normally treated as indirect costs to be charged as direct costs, it is necessary to provide documentation that the grant funds are solely from state money, and not from a federal source.
3. Other Grants - Other sponsors typically have their own set of guidelines on what costs are allowable. It is important to read these carefully as they may allow some costs that federal grants typically would not. Likewise, they may not allow certain costs that would be allowable on federal grants.

Please note that if a project has a reduced indirect cost rate, or even if no indirect costs are allowed, costs typically treated as indirect costs may not be charged as direct costs. Please note also that if the sponsor is using federal funds that are received from a federal agency (a.k.a. federal flow through), then the grant is subject to the federal guidelines regardless of the sponsor's policies.

Exhibit A -- Examples of "major project" where direct charging of administrative or clerical staff salaries may be appropriate.

- * Large, complex programs such as primate centers, environmental research centers, engineering research centers, and other grants and contracts that entail assembling and managing teams of investigators from a number of institutions.
- * Projects which involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting (such as epidemiological studies, clinical trials, and retrospective clinical records studies).
- * Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.
- * Projects whose principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports).
- * Projects that are geographically inaccessible to normal departmental administrative services, such as research vessels, radio astronomy projects, and other research fields sites that are remote from campus.
- * Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocols; and multiple project-related investigator coordination and communications.

These examples are not exhaustive nor are they intended to imply that direct charging of administrative or clerical salaries would always be appropriate for the situations illustrated in the examples.

4. Cost Sharing/Matching - Generally, the same rules apply to cost sharing items as those described above. If an item is not allowed by the sponsor as a Direct Cost, then it can not be cost shared either.

Any exceptions will be described by the sponsor in their general guidelines or program specific announcements.

V. HOW ARE INDIRECT COSTS COMPUTED?

For most awards, indirect cost is calculated by multiplying project salaries and wages (including graduate assistantships and student wages) times the indirect cost rate. For example, if the salaries and wages for a sponsored project (not including benefits) totaled \$100,000 then the indirect cost would equal \$44,000 and the total project cost would be the sum of salaries and wages, other direct costs, and the indirect cost. In this instance the total project cost would be greater than or equal to \$144,000.

In some cases, the sponsoring agency pays indirect costs as a fixed percentage (8-25%) of Modified Total Direct Costs (MTDC) or a fixed percentage of Total Direct Costs instead of allowing use of the federally negotiated rate. MTDC is equal to Total Direct Costs less equipment, capital expenditures, rental costs, tuition, fellowships, and the portion of subcontracts in excess of twenty-five thousand dollars.

VI. WHEN DO WE CHARGE FOR INDIRECT COSTS?

Grants and contracts for research, information and information technologies, public service, and/or instruction that impose meaningful specific responsibilities on the University and/or contracts and grants for research and development that are for the special benefit of the grantor are subject to indirect cost charges. The following provide some guidelines on when a proposed sponsored project should be charged for some or all indirect costs:

1. The proposed area of research is limited to R&D that will focus on product(s) for or of the grantor.
2. The proposal retains all or some of the patent rights or rights to intellectual property for the grantor.
3. The proposal requires special and/or periodic reports for the grantor to the exclusion of the public.
4. The proposal requires that the grantor reserves the right to edit publications of the University that state the results of the research.
5. The proposal requires that the grantor restricts the rights of the University to publish or make known the results of the R & D.
6. The proposal provides for the performance of work which would ordinarily be done by private testing laboratories.
7. The University must acquire specialized equipment or supplies not chargeable against the proposed grant, cooperative agreement, or contract.
8. The proposal provides significant amounts of University space for the R&D being performed.
9. The proposal will employ personnel for which the University will have some responsibility (employee recruitment, salaries, EEO, travel, training, termination, etc.).
10. The proposal will employ personnel that the University will have some responsibility for continuance after the termination of the R&D.

The University also intends to capture the appropriate and relative costs for additional costs that arise from the acceptance of gifts, grants, and contracts, including building use charges, energy charges, waste management charges, vehicle use charges, police, library use charges, general administration and general expenses. Other indirect costs will be captured as appropriate.

VII. WHEN DO WE MODIFY INDIRECT COST RATES?

The maximum Indirect Cost Rate(s) to be charged must conform to the federally negotiated Rate Agreement. The University is a non-profit organization established under the Internal Revenue Service code 501(c) (3) of the U. S. tax code and that non-profit status stipulates the basis for reimbursing indirect costs to the University. The University will adhere to these policies.

Indirect cost rates are negotiated with the federal government approximately every five years. The rate in effect at the time the R&D proposal(s) is submitted for approval normally will be used to calculate University indirect costs. In the event of a change in indirect cost rates, those proposals for continuation of awards that will have the same sponsored grant or contract number and/or whose funds are already awarded may use the indirect cost rate previously approved in the original award. However, the University reserves the right to use the most current indirect cost rate in proposals submitted for continuation funding.

The University may decide to reduce or not charge indirect costs if one or more of the following conditions are met.

1. The funding source does not allow indirect costs or allows limited indirect costs as a part of an established policy.
2. The university has negotiated a different indirect cost rate with that source.
3. The purpose of the activity is to support students (provide for tuition, scholarships, books, graduate assistantships, meals, housing, etc.).
4. The project will contribute to the social well-being or economic development of the state.
5. The sole purpose of the project is to fund conferences, workshops, symposia, or conventions.
6. The award is small (\$8,000.00 or less).
7. The reduction in overhead is necessary in order to be competitive with other institutions applying for the same funds
8. The university determines that it is otherwise in its best interests to charge a different rate.

In cases where R&D or activities are proposed to be performed at off-campus locations, a rate deviation or off campus indirect cost rate may be separately negotiated.

VIII. REIMBURSEMENT OF FACULTY RELEASE TIME

The University of Louisiana at Lafayette has implemented a "Faculty Workload Policy" which is published in the *Faculty Handbook* (Document XXI). Within that policy it is noted that the two major components of faculty work are research and teaching. It also notes that a single, three-credit course generally equates to 20% of a person's workload, and that twelve credit hours per faculty at the professorial level is the basic teaching load (a 4/4 class load, i.e., four classes or twelve credit hours in both the fall and spring).

This faculty workload policy encourages faculty to do research and allows University administration to adjust teaching loads to reflect the research agenda for individual faculty. The policy culminates by placing faculty in four separate Tracks based on different ratios of teaching and research activities. As the Track number increases so does the release time and the intensity and expectation for research.

While the Faculty Workload Policy allows some flexibility in the teaching loads expected in various Tracks, the following is the baseline University-funded release time for a faculty member holding professorial rank in each Track:

- Track 1 – 20% release
- Track 2 – 40% release
- Track 3 – 60% release
- Track 4 – 80% release

Return of Indirect Costs

A faculty member who has been awarded external funding through a grant or contract may be eligible to receive some portion of the indirect cost revenues to reinvest in his/her research efforts. However, the amount of the returned indirect costs is dependent on the faculty member's workload Track. Before any portion of indirect costs can be returned to a faculty member, that faculty member must "purchase" his/her release time from the indirect costs at the following rates:

- Track 1 – 0% of annual salary
- Track 2 – 10% of annual salary
- Track 3 – 20% of annual salary
- Track 4 – 30% of annual salary

As an example, before returning any indirect costs to a Track 2 faculty member earning \$80,000 annually, the University would deduct \$8,000 from the indirect costs of his/her project.

Purchase of Additional Release Time

If a faculty member requests and is approved by the Dean and Provost/Vice President for Academic Affairs for faculty release time for a sponsored project that is more than the usual release time for the faculty member's assigned workload Track, then the University must be reimbursed for that additional release time from the indirect cost revenues of that project. For example, a Track 2 faculty member earning \$80,000 annually who wishes to increase his/her research release time to 60% would have 20% of his/her salary (\$16,000) deducted from the indirect costs. This reimbursement must be made before any distribution of these funds to the researcher or other academic units.

In no case would a faculty member be allowed to "buy" 100% release time.

IX. UNIVERSITY DISTRIBUTION OF INDIRECT COSTS

1. The total proceeds to the University from indirect costs must exceed a minimum base of \$1.0 million before any further distributions to organizations within the University can be made as noted below. If that minimum base is not reached, all proceeds from indirect costs for sponsored projects shall go to the General Fund. Portions of funds from indirect costs of sponsored projects that utilize approved overhead rates (see III above) may be distributed within the University once cost-shares are recovered.
2. For projects/activities that have an adjusted overhead rate that is less than the Current Indirect Cost Rate (see III. above), all of the funds from indirect cost developed for those projects shall go to the General Fund.
3. As a general policy the University first recovers the cost-share provided by the University that includes faculty release time and student tuition.
4. Secondly, as an incentive for researchers, 10% of the remaining proceeds from indirect costs are returned to the Principal and Co-Principal Investigator(s) who generated the proposal and are conducting the work. These funds are for their use in supporting their research.