Indirect Costs

303.02

Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Indirect costs are the real costs of University operations that are not readily assignable to a particular project or activity. Indirect costs can be grouped in two broad categories:

(1) Facilities--depreciation and use allowance, interest on debt associated with certain buildings, equipment and capital improvements, operations and maintenance expenses, and library expenses; and

(2) Administration--general administration and general expenses; departmental administration; sponsored projects administration; student administration and services; and all other types of expenditures not listed specifically under one of the subcategories of facilities.

A cost may be charged directly to a sponsored agreement if it is incurred solely to advance the work under the sponsored agreement, or if all costs incurred for the same purpose in like circumstances are treated as direct costs of all institutional activities. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort, the cost should be allocated to the projects/activities based on the proportional benefit.

Indirect costs may be recovered from sponsored projects if it can be demonstrated that these costs benefit both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods, or are necessary to the overall operation of the institution and, in light of the cost principles provided in Title 2, Part 200, Subpart E of the Code of Federal Regulations are deemed to be assignable in part to sponsored projects.

Indirect costs are recovered from applicable sponsored agreements on the basis of their Total Direct Costs (TDC) or Modified Total Direct Costs (MTDC), which consists of all salaries and wages, fringe benefits, materials, supplies, services, travel, and subgrants and subcontracts up to the first $25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Equipment, capital expenditures, charges for patient care, student tuition remission, rental costs of off-site facilities, scholarships, and fellowships are excluded from Modified Total Direct Costs.

It is the University's policy to claim the maximum allowable reimbursement for indirect costs based on sound cost accounting principles. The rate that is negotiated under the provisions of Title 2, Part 200 of the Code of Federal Regulations should be included in all research grants and contracts with the federal government. In the case of non-federal sponsors, it is the University's policy to obtain as complete a reimbursement for indirect costs as possible. Whenever less than full reimbursement of indirect costs is contemplated, the Office of Research and Sponsored Projects' policies and procedures regarding indirect costs must be followed.

Indirect costs recovered from sponsored projects are available to operating units for expenditures through the normal University budgetary procedures.

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