



UNIVERSITY OF LOUISIANA AT LAFAYETTE
OFFICE OF THE VICE PRESIDENT FOR RESEARCH
INDIRECT COST POLICY

Revision Date: 8/11/2014
Original Effective Date: 11/08/2006
Responsible Office: Vice President for Research
Reference: F&A Rate Agreement between UL Lafayette and the US Department of Health and Human Services Effective Date: July 1, 2012

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 referred to as indirect costs. The university policy is to recover as much of these costs from the funding organization as is reasonable and allowable.

II. BACKGROUND

Every sponsored project has both direct and indirect costs as defined in the Cost Principles for Educational Institutions (2 CFR, Part 220, or Circular A-21). 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. Alternately, indirect costs, 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.

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.

An audit by the university calculates its F&A cost rates from actual cost records through a detailed cost accounting procedure. The F&A cost rates are subsequently negotiated and approved by the Department of Health and Human Services (DHHS) Audit Agency acting on behalf of all federal agencies.

III. POLICY

A. Application of Indirect Costs in Sponsored Projects.

All awards which impose specific responsibilities on the University or are for research for the special benefit of the sponsor, are subject to facilities and administrative costs. Based on the University's agreement with Department of Health and Human Services (DHHS) that is effective July 1, 2012 through June 30, 2015, the current federally negotiated indirect cost rates are:

	On-campus	Off-Campus
Organized Research	43%	26%
Instruction	43%	26%
Other Sponsored Activities	38%	26%
New Iberia Research Center	46%	-

All externally funded projects conducted by UL Lafayette shall seek reimbursement of indirect costs at the federally negotiated and approved rates with the following exceptions:

University Approved Rate for Louisiana State Funded Projects: For projects funded through Louisiana state agencies with state funds, an indirect rate of 26% Modified Total Direct Costs will apply (equivalent to the federally negotiated, off-campus rate), regardless of function or activity type. This rate does not apply to projects funded through Louisiana state agencies with federal funds or funds originating from a non-state agency.

University Approved Rate for Federal Agencies on Campus: For projects funded through Federal agencies with offices located in the University Research Park, the University has approved an indirect cost rate of 26% Total Direct Costs, regardless of function or activity type (equivalent to the federally negotiated, off-campus rate). This rate shall be used unless the university has made other arrangements with that sponsoring agency.

University Approved Rate for Federally Funded Intern Programs: Awards for student interns funded by federal agencies are approved to use an indirect rate of 18% Salaries and Wages.

University Approved Rate for Small Projects (projects requesting \$10,000 or direct costs or less): If a project requests a total of \$10,000 for direct costs or

less, regardless of sponsor type, the University will waive indirect costs for that project. Continuations or amendments to projects that fall within this category will not automatically be granted a waiver. If a sponsor has a policy prohibiting the inclusion of voluntary cost share, then in a waiver of indirect costs will not be extended and indirect costs should be included in the budget at the federally negotiated rate.

Sponsor Limited Rates: When the sponsor is a legally constituted federal, state, or local government entity or not-for-profit entity such as a foundation or health agency and has a published and uniformly applied policy regarding the payment of indirect costs, UL Lafayette will abide by that sponsor's policy. In these cases, written evidence of such an agency's indirect cost policy must accompany the proposal when submitted to the Office of Research and Sponsored Programs for review and approval.

Rates for Proposals to Industry Sponsors: Proposals submitted to industry sponsors shall include indirect costs at the federally negotiated rate for on-campus, organized research which is 43% modified total direct costs, or 46% modified total direct costs for sponsored research performed at New Iberia Research Center. Depending on the requirements of the proposed research, the university may require a higher rate to recover applicable facilities and administrative costs.

Indirect costs shall be included in sponsored program budgets as per this policy for all projects, regardless if the resulting agreement is cost reimbursable or fixed price. When projects are proposed and/or negotiated and approved under a fixed price grant or contract, indirect costs will be calculated and applied against expenditures as they occur. In such a case, an "internal" budget with itemized direct costs and indirect costs using the appropriate current rate must accompany the proposal when submitted to the Office of Research and Sponsored Programs for review and approval. Such grants or contracts will be assessed indirect costs in the same way that other grants and contracts are assessed.

B. Basis of Calculation

The University's federally negotiated rate is to be applied to a Modified Total Direct Cost (MTDC) base. MTDC consist of all salaries and wages, fringe benefits, materials, supplies, services (ex. consultant or professional 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). MTDC shall exclude equipment, capital expenditures, charges for patient care, tuition remission, rental costs of off-site facilities, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000.

C. Determination of Grant Function or Activity

The University's indirect cost rate agreement with the federal government has varying rates that apply to the major functions of sponsored program activity at the University: (1) Organized Research, (2) Instruction and (3) Other Sponsored Programs. Determination of grant function or activity type shall be made using the following definitions which are

consistent with Cost Principles for Educational Institutions (**2 CFR, Part 220**, or Circular A-21).

Organized Research: All sponsored research and development activities, and research training activities and other separately budgeted research.

Instruction: Instruction means the teaching and training activities of an institution. This term includes all teaching and training activities, whether they are offered for credits 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; all activities which are part of the instructional program, including teaching and non-research training activities, organized activities relating to educational departments, extramural teaching and correspondence study.

Other Sponsored Programs: Other sponsored activities means programs and projects financed by Federal and non-Federal agencies and organizations which involve the performance of work other than instruction and organized research. Examples of such programs and projects are health service projects, and community service programs, short courses, conferences, and other non-instructional services beneficial to external groups.

If a project includes more than one of the above functions, the preponderance of effort devoted to a given function will be the determining factor.

D. Determination of On Campus vs. off Campus

The on-campus vs. off-campus rate is determined on the basis of the preponderance of the project expenses. A project is defined to be “on-campus” if 50% or more of the UL Lafayette activities are performed in facilities owned by UL Lafayette or for which rent is directly paid by UL Lafayette. In this case, the “on-campus” rate will apply to the entire project, including the first \$25,000 of each subcontract. Projects may qualify for the “off-campus” rate if 50% or more of the project is conducted using non-university buildings and/or equipment. Tasks performed by consultants or sub-awardees should not be considered when determining if the project qualifies as on-campus or off campus.

When the off-campus rate is to be used, the proposal narrative and supporting documents should clearly demonstrate the fact that more than 50% of the project activities are to be conducted off campus as defined in the paragraph above.

For proposals which the appropriate rate is not obvious, PIs will provide an internal breakdown of the budget. All direct costs (less consultants and sub-awards) to be incurred for on-campus activities will be listed in one column, and all direct costs (less consultants and sub-awards) to be incurred for off-campus activities will be listed in another column. When graduate student salary is split between on-campus and off-campus activities, then tuition remission should also be split proportionally. The column with more than 50% of the expenditures will determine the rate to be applied to the proposal. Sponsored projects cannot be subject to more than one F&A cost rate.

E. Single Rate for Life of Project Agreement

UL Lafayette shall use the negotiated indirect cost rates in effect at the time of initial award throughout the life of a project agreement. For this purpose, "life of the project agreement" means the periods of a project awarded through the initial contract/award document and subsequent amendments. Funds awarded for continuation of projects or follow on work issued through new contracts or agreements shall utilize current indirect cost rates.

F. Deviations from Negotiated and Approved Rates

Requests to voluntarily reduce F&A recovery on a proposal are strongly discouraged. Use of rates other than applicable federally negotiated rates, university approved rates, or sponsor limited rates requires the approval of the Vice President for Research and the Vice President for Administration and Finance. Principal investigators who are working with sponsors who request less than fully negotiated or university approved rates should submit a request well in advance of any applicable due date. Faculty members are not authorized to negotiate indirect cost rates on behalf of the University.

Any request for a reduction of indirect costs must be thoroughly justified and signed by the appropriate department head and dean prior to submission to the Office of Research and Sponsored Programs for consideration. The justification provided should explain the institutional benefit of the project and reasons that the waiver or reduction is in the best interest of the University. The Vice President for Research and the Vice President for Administration and Finance shall make the final determination in consideration of the circumstances of the proposal and justification provided. Requests must be made and approved on a case-by-case basis using the appropriate form made available by the Office of Research and Sponsored Programs. Waivers will not be approved for an entire type or class of projects.

Projects that receive approval for a voluntary reduction or waiver of indirect costs will not be eligible for indirect return.

Strategic Reduction for Industry Funded Projects: In an effort to advance the attainment of the institutional goals of increasing research expenditures, increasing graduate student production, and stimulating economic development, the administration may grant a reduction in indirect costs for industry sponsored projects on a case-by-case basis. If a proposal submitted to an industry sponsor **meets one of the following criteria**, the PI may request a reduction of indirect costs from the federally negotiated and approved rate to a rate of **26% MTDC**:

- 1) The budget includes more the \$50,000 for direct costs.
- 2) The funds for graduate and undergraduate student support (stipend, wages & tuition) are 50% or more of the total direct costs budgeted.
- 3) The project is intended to further develop University owned intellectual property with the potential for commercialization.

If a proposal submitted to an industry sponsor meets **at least two of the above listed criteria**, the PI may request a reduction of indirect costs from the federally negotiated and approved rate to a rate of 10% MTDC.

When submitting such a waiver request, the PI must justify the request in consideration of the above listed criteria.

G. Duration & Monitoring

The Indirect Cost Policy will be implemented as a pilot program, effective August 11, 2014 through June 30, 2015. The impact of the Small Project Indirect Rate and Strategic Reduction for Industry Funded Projects on expanding the University's research goals will be evaluated at the end of the fiscal year, leading to potential modifications to the policy, and recommendations from the Vice President for Research on further continuation or the cancellation of the program.

Modifications to any aspect of this Program may be implemented at any time, as determined by the Vice President for Research in consultation with the Vice President for Administration and Finance, Provost and the President. Such modifications may occur through amendment of this Program or through written notice to affected parties.