

Indirect Cost Recovery

Purpose

Seton Hall University (“SHU”) Indirect Cost (IDC) rates are established in accordance with the Office of Management and Budget (OMB) 2CFR 200 - Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, It is the **University’s policy to require the inclusion of the full federally negotiated indirect cost** rate on all proposals for external funding, except for gifts and sponsors with a stated policy of limiting or eliminating the Indirect Cost Recovery

Scope

University Policy

Definitions

Direct Cost (DC) costs that can be identified specifically with a particular cost objective such as a grant, contract, project, function, or activity

Indirect Cost (IC) Indirect costs are those costs not readily identified with a specific project or organizational activity but incurred for the joint benefit of both projects and other activities

Gift - A **gift** is a voluntary and irrevocable transfer of money, services, or property from an external donor for either unrestricted or restricted use of the University in the furtherance of the University where there has been no commitment of resources or services other than, possibly, the committing to use the gift as the donor specifies.

Grant (sponsored research project, award, contract, subcontract) – A **grant/contract** is an externally funded activity where there is an agreement representing the transfer of money or property from a sponsor in exchange for specific services, often including rights to and products derived from the services, some formal financial and/or technical reporting by the University as to the actual use of the money or property provided. The agreement is enforceable by law, and performance is usually accomplished in a specific period, with support being revocable for cause.

OFF-CAMPUS: For all activities performed in facilities owned by the institution and to which rent is directly allocated to the project(s) the off-campus rate will apply. Grants or contracts will not be subject to more than one F&A cost rate. If more than 50% of a project is performed off-campus, the off-campus rate will apply to the entire project.

Policy

For any research project, many costs are not directly attributable to the project but are part of “the cost of doing business.” Rather than directly accounting for these (for example, the cost of using part of a lab in McNulty Hall for a chemistry project), these costs are aggregated, and an indirect cost agreement is established between the University and the Federal government every four years. The Federal indirect cost agreement is used to determine the indirect cost of all projects with the Federal government and is used as the basis for determining indirect costs for non-Federal projects. This establishes uniformity to all awards (federal and non-federal).

Rates are negotiated by the Controller’s Office with the University’s audit agency, the Department of Health, and Human Services. The 2022-2023 F&A rate is **68% of all salaries and wages for on-campus projects, and 32.9% of all salaries and wages for off-campus projects**. This includes federal grants, contracts, and cooperative agreements as well as all sub agreements involving federal flow through funds. The federally negotiated rate will also be applied to projects sponsored by state and local agencies, private foundations, non-profit organizations, and corporations

The table below summarizes the IC rates.

	Federal		State		Private		Foundation	
Indirect Cost Recovery - (IRC)	On-Campus	Off-Campus	On-Campus	Off-Campus	On-Campus	Off-Campus	On-Campus	Off-Campus
RATE	68%	32.9%	68%	32.9%	68%	32.9%	68%	32.9%

Under-Recovered Indirect Cost – Non-Federal/State Sponsors

Non-Federal/State sponsors will have their own rules for indirect costs. Few allow indirect costs at the full Federal rate, and some do not allow them at all. Indirect Cost Recovery is essential to maintain a sustainable research enterprise. Underfunded research awards, impose a financial burden on the Institution

If **indirect costs are restricted or limited by regulations** or **written** sponsor guidelines, this information must be included on the **Intent to Apply Form**, with proof of the sponsor’s policy attached. In the case of **non-governmental organizations**, this evidence may include **correspondence with foundation officers or leadership**. The agreed rate will be applied to all Direct costs.

The following is the lowest rate that SHU will accept when the Private/Foundation Sponsor does not allow the SHU established rate

- 8% rate will be applied against all direct costs of the grant request

- Any other amount less than 8% will be charged as follows.
 - The “difference” between the 8% and the lesser amount will be charged at the school level, not from the individual award
 - Grants and contract accounting will calculate the “difference” and record it
 - A list of projects subject to the 8% and to the “Difference” will be reported quarterly

Extraordinary Circumstances ¹-The Indirect Cost rate may be waived only under extraordinary circumstances with the written approval of the Associate Provost for Research and Innovation. Any IC funds not recovered will be considered part of the University’s cost share for the project unless specifically prohibited by the sponsor. The following factors will be considered in determining if an indirect cost waiver is appropriate for a particular proposal:

- The significance of the project to the principal investigator, academic department, school or college, and the willingness of the responsible unit to cost share its portion of the indirect cost recoveries
- History and anticipated future support from the funding agency
- Availability of support from other sources
- Relevance the project has to the mission of the University
- Nature of the support (e.g., student stipend, interim support between other projects, support which complements other projects)
- Whether other entities/agencies involved in the proposed project have accepted lowered indirect cost recoveries.

Waiving indirect costs is an institutional decision and will be considered on a case-by-case basis. Indirect Cost Waivers will be considered for reasons that may include one or more of the following scenarios:

- Community relations or library projects
- Student services projects (or increase funding to pay for students)
- Small cost, or the total funding available from the funding agency is small or a predetermined fixed amount and the full recovery of indirect costs would make the implementation of the project impossible

¹ Adapted from, in order: the University of Minnesota (<https://policy.umn.edu/research/cost-proc03>), Central Connecticut State University (<https://www.ccsu.edu/gfr/externalGrants/indirectCosts.html>), and Boston University (<https://www.bu.edu/researchsupport/forms-policies/guidelines-on-facilities-and-administrative-fa-reductions-or-waivers/>) 11/11/22.

- Enhance cultural/artistic activities

Investigators should NOT assume that the presence of one or more of these conditions will justify a waiver. Reasons should be noted in a waiver request to OGRS in a timely well before submission (2 weeks minimum).

The University policy does not allow F&A waivers/reductions to be granted in the following circumstances:

- To increase (or perceive to increase) the competitiveness of a proposal.
- The Principal Investigator failed to submit the proposal via approved institutional channels prior to submission to the Sponsor. In these cases, the Sponsor will be expected to pay the full applicable Indirect Cost Rate.

Subsidizing the work being sponsored by foundations and industry is prohibited by current Office of Management & Budget (OMB) rules. The OMB's Circular A-21 (which governs federally sponsored research at universities) specifically requires universities to ensure the federal government does not subsidize other non-federal activity in the reimbursements it provides for indirect costs associated with the performance of federal research

Responsible Offices

Office of Grants and Research

Related Policies

N/A

Approval

Approved

Initially adopted and approved on February 22nd, 2023, approved by the Executive Cabinet.

Effective Date

February 22, 2023