

POLICY ON INDIRECT COST RECOVERY & ALLOCATION

Indirect costs are awarded with grants and contracts to support the facilities and administration costs affiliated with the externally funded projects.

Objectives

The distribution of indirect costs recovered from grants and contract should advance the following objectives to the maximum extent possible:

1. Provide for support of research, scholarly and creative activities and support to generate additional externally funded grants and contracts;
2. Provide incentives for the faculty to participate in grant and contract activities;
3. Provide reimbursed time for faculty and staff;
4. Provide a source of matching funds required by many grants and contracts;
5. Maximize total indirect costs recovered by increasing incentives for improving the effective rate of indirect cost recovery.
6. Stimulate successful competition for external funds and maximize faculty and staff participation.
7. Provide reimbursement to the University according to CSU policy (i.e. EO 753, etc.)
8. Provide for the cost of grant and contract management by the UARSC as required by California Code of Regulations;
9. Provide partial support for the preparation of proposals and other pre-award activities by the UARSC and Office of Research;
10. Provide adequate funds in the UARSC for audit disallowance and contingency for grant and research expenses.

Policy

Term and Extension. This policy is effective for a five-year period for all new awards that begin on or after July 1, 2005. The policy can be extended for one additional five-year period.

Requirement to Request Maximum Allowable Indirect Cost Recovery. While it is recognized that indirect cost recovery (ICR) rates allowed by funding agencies, foundations and corporations are not under the University's or UARSC's control, it is the policy of California State University San Marcos and University Auxiliary and Research Services Corporation that the grant applicant must request the maximum indirect cost funding allowable by each funding agency, foundation, or corporation.

UARSC Administrative Costs. During the five-year period covered by this policy the UARSC will recover the pre- and post-award costs of administering grants and contracts by collecting a minimum 13% of modified total direct costs (ICR) as defined by OMB Circular A-21.

In consultation with the Associate Vice President for Research or designee and Vice President Finance and Administrative Services or designee, the UARSC's Executive Director or designee may accept, on an exception basis, grants and contracts which do not provide at least 48% indirect cost recovery. Exceptions may be requested for grants that are of priority importance to the campus as a whole. The UARSC's annual ICR rate, in the aggregate, should not fall below 10%. Should this situation occur, the annual distribution to the University will be adjusted to bring the UARSC IRC up to the 10% level.

As a UARSC investment in the University, grants and contracts requesting 0% for indirect costs will be allowed up to three per fiscal year per College. This allowance is intended to assist and encourage new-investigators but may be assigned to an existing investigator by the College if the proposed project better fits the mission and direction of the College. This assignment can be made only once per fiscal year for an individual. After three 0% new-investigator or assigned grants or contracts have been received by a College during a fiscal year, the College will be responsible for paying the minimum UARSC rate of 13% either through reduction of the annual distribution of recovered indirect costs or direct payment to the UARSC. The method of payment and the commitment to pay will be completed before the award is accepted.

As an ongoing commitment to the University, the UARSC will continue to underwrite the 5% unfunded indirect costs on student support grants that customarily are limited to 8% ICR, such as Upward Bound, RISE, CAMP, Student Support Services, MARC, Gear Up and Bridges.

Distribution of Indirect Costs Recovered. Costs recovered above the UARSC's 13% will be distributed according to the following:

- 75% University (please see Exhibit A)
- 25% UARSC Audit Disallowance Cost Reserve and Contingency Expenses

The distribution will be made annually in November based upon audited grant activity in the preceding fiscal year.

For example, if a college receives a grant with total direct costs of \$100,000 and indirect costs of \$48,000 (48%), then \$13,000 (13%) would go to the UARSC if all expenditures were made. Of the remaining balance of \$35,000; \$21,000 would be distributed to the University according to University policy; \$5,250 to Research Support (University AVPR); and \$8,750 to the UARSC to build the audit disallowance reserve and provide for contingency expenses such as bad debts.

If more than the maximum number of 0% new-investigator grants (as stated above) is received in a given fiscal year or any other money is owed the UARSC, the ICR over 13% will first be used to repay the UARSC before the project(s) is deemed to have any remainder for distribution.

Appropriate Uses of Distributions. The funds allocated from the indirects are restricted for use in support of the grants and contract program. Appropriate uses include payment of matching fund requirements; funding of indirect cost recovery shortages to the UARSC; funding for project cost overruns; continuing maintenance expense and service contracts on equipment used on grants and contracts; travel directly related to current grant programs or that can reasonably be expected to generate new or additional grants and contracts; equipment purchases that directly support an ongoing grant or contract or can be expected to generate new or additional grants and contracts; and other expenditures that clearly do or will provide a benefit to the grant and contract program.

The UARSC will monitor expenses for appropriateness to the grants and contracts effort. The continuing discussion at the national level concerning overhead costs at universities underscores the importance of assuring that expenditures of distributed indirect costs support the objectives specified in this policy.

Review. In the spring semester of 2010, this policy will be reviewed by the University and the UARSC for effectiveness and modified and/or extended as appropriate.

The review shall examine, but is not limited to, determining whether the policy is appropriately structured to advance the growth of externally funded grants and contracts, and remain consistent with UARSC fiscal constraints.



Exhibit A - Policy on Indirect Cost Recovery & Allocation

Pursuant to policy developed by a University Committee and adopted by the California State University San Marcos Foundation/UARSC Board on June 23, 1992, current distribution is as follows:

- 20% to the Principal Investigator
- 20% to the Provost or appropriate Vice President
- 20% to the college/department/center
- 15% Research Support (AVP for Research)

This distribution will remain in effect until revised and notification is received by the UARSC in writing.