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## Policy #FA003: Indirect Cost

Recommended for Approval by: **Teresa Smith** Digitally signed by Teresa Smith  
Date: 2025.08.27 16:23:04 -04'00'  
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Approved by:   
Jon Anderson, Ph.D.  
President

**Effective Date:** 07/01/2025

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### A. Intent

Many grants provide for an Indirect Cost fund allowance by the grantor. The purpose of this policy is to establish guidelines by which these funds will be receipted and used within the University.

### B. Definition(s)

- PI – Principal Investigator
- Direct Costs - are those costs that can be specifically identified as budget line items within a funded project.
- Indirect Cost Funds – are funds recovered from a granting agency that are used to offset the overhead cost an institution incurs managing grants.

### C. Policy Statement

- Indirect cost funds are funds recovered from a granting agency that are used to offset the overhead cost an institution incurs managing grants. They are allowed on most federal grants, some state grants, and occasionally on private grants. The University's current federally negotiated rate is 44.5% on-campus and 23.2% off-campus, applied to direct salaries and wages including all fringe benefits. However, there are times when granting agencies, including federal agencies, use a flat percentage rate based on all direct costs of a grant. For example, the rate could be 10% of all direct costs, not just personnel costs. Grants are not allowed to waive all indirect costs, if a grant would like to use a rate lower than the University's current federally negotiated rate, special permission must be granted by the Grant Office, and that rate **cannot be less than 10%**

of all direct costs.

Indirect cost rates are generally established and documented by the granting agency. The Principal Investigator (PI) applies those rates to their proposal during the grant submission process.

- The PI allocation percentage will be reviewed on an annual basis by the VP of Finance and Administration. The PI allocation may be increased or decreased at any time based on budget needs.
- **Indirect Cost Distribution for Periods Beginning with FY2023**
  - **PI Allocation** - 10% of each specific grant's indirect costs will be allocated first to an individual E&G designated cost center to support that grant's PI.
    - These funds can be used to support faculty professional development, incentivize grant writing, and other special projects approved by the VP of Academic Affairs.
    - See Section C for additional procedures related to the PI's allocation of indirect costs.
  - **Direct Costs Grant Accounting Office** – Remaining indirect costs after the PI allocation will be allocated to the Grant Accounting office and the Accounting office to directly offset all direct costs the organization incurs in the management of grants. Total direct costs for these areas will be determined annually with the approved budget. Any costs that exceed the budget in these areas during a fiscal year will be the responsibility of that department and will not affect the established allocation for indirect costs in that said fiscal year.
  - **Grant Matching Reserve** – 80% of the remaining indirect costs after the PI allocation and the direct grant cost allocation will be allocated to a match reserve pool. This pool will be used to fund the University's committed matching contribution on existing grants. This reserve will be reviewed annually and is not to exceed 120% of the next fiscal year's committed match. Any funds that exceed 120% of the next fiscal year's match commitment will be transferred to E&G operating reserves.
  - **E&G Reserves** – Any remaining indirect costs after the PI allocation, direct cost allocation, and the match pool contribution will be reviewed annually by the VP of Finance and Administration and allocated either to additional match pool reserve or to E&G operating reserves.

#### **D. Related Policies**

Not Applicable.

#### **E. Contact Information**

For additional information, please contact the Office of Finance and Administration or Accounting.

#### **F. Policy Review Schedule**

Each policy shall be reviewed by the corresponding Vice President on a regular basis as appropriate.

**Procedure #FA003: Indirect Cost**

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|------------------------------------|--|
| <b>Corresponding Policy:</b>       | Indirect Cost (FA003)                                |
| <b>Responsible Office:</b>         | Office for Finance and Administration and Accounting |
| <b>Effective Date:</b>             | 07/01/2025   |
| <b>Last Reviewed/Updated Date:</b> | Not Applicable                                       |

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**A. Intent**

The purpose of the Indirect Cost Procedure is to define the process by which indirect cost funds are receipted and used within the University.

**B. Definition(s)**

- PI – Principal Investigator
- Direct Costs - are those costs that can be specifically identified as budget line items within a funded project.
- Indirect Cost Funds – are funds recovered from a granting agency that are used to offset the overhead cost an institution incurs managing grants.

**C. Procedure**

- **PI Allocation**
  - The PI allocation will be calculated and placed into the PI's designated fund center on June 30th of the fiscal year in which the costs were earned. These funds will be available for use beginning July 1 of the following fiscal year.
  - Any funds not spent within the following fiscal year will be transferred to the match pool reserve.
    - These funds will not be transferable between PIs and are designated for use by the PI assigned when those costs were earned.
    - PI's will not be able to carry funds over into a future fiscal year unless there is the approval of both the VP for Finance and Administration and the PI's Vice President. A written request must be provided as to the rationale for the carry forward. This will not be the norm, but an exception granted only with fundamental justification.
    - If a PI terminates employment with the university, the balance of any funds in their designated fund center will be transferred to the match pool reserve.
    - There will be an exception made to the indirect costs earned prior to FY 2025. These funds must be spent by the dates noted below. Any amounts not spent by these deadlines will be transferred to the match pool reserve.
      - Indirect costs earned prior to 7/1/2022 must be spent by 6/30/2026
      - Indirect costs earned during FY2023-24 must be spent by 6/30/2026

- Indirect costs earned during FY2024-25 must be spent by 6/30/2026
- Indirect costs earned during FY2025-26 must be spent by 6/30/2027
- Indirect costs earned during FY2027 must be spent by 6/30/2028
- The PI designated fund balances will be managed and maintained by the Grant Accounting office. Approval for spending these designated funds must be obtained from the Director of Grants and Special Projects. Any special projects approved by the VP of Academic Affairs will need to be communicated to the Grants office to facilitate the approval of that spending.

**D. Related Policies or Procedures**

Indirect Cost Policy (FA003)

**E. Forms/Resources**

No Applicable.

**F. Contact Information**

For additional information, please contact the Office of Finance and Administration or Accounting.

**G. Procedure Review Schedule**

Each procedure shall be reviewed by the corresponding Vice President on a regular basis as appropriate.