Policy: 01-73-00

Indirect Cost Policy

OFFICE OF RECORD: Office of the President
ISSUED BY: President
APPROVED BY: 01-73-00
EFFECTIVE DATE: 7/21/88 (Revised 6/29/09)

Policy

Indirect costs are those costs that have been incurred for purposes common to a number or all of the specific projects, programs, or activities of an institution. Such costs usually cannot be identified and charged directly to each project, program or activity in a systematic manner. Examples of indirect costs are heat, light, power, janitorial, library, accounting, personnel and purchasing services, secretarial support, and administrative costs such as the time and expertise of deans, Business Office and the President's Office.

Indirect costs are real costs to DSU. They are unlike direct costs only in the sense that they are accounted for differently: indirect costs are averaged over a group of projects rather than being charged directly on an item-by-item basis to each project.

Procedures

Application

All grant/contract proposals submitted to federal agencies should include the negotiated indirect cost rate established between DSU and the Federal government. In the event legislation governing particular federal funds has statutory limitations on indirect cost recovery, the statutory limitation must be used.

Grant/contract proposals submitted to state or other funding agencies should include the negotiated indirect cost rate. In unusual circumstances, the Vice President for Business and Administrative Services, in conjunction with the project director, will negotiate indirect cost rates other than the established federal rate or cost-share agreements.
**Indirect Cost Recovery Rates**

The current indirect cost recovery rate effective through June 30, 2012 is:

1. Federal Grants/Contracts

   **Activity: Federal Rates**
   
   All programs: 40.0% *

   *Applicable to salaries and wages (including fringe benefits) of proposed budget. Rates negotiated bi-annually between the University and the Department of Health & Human Services for the federal agencies in accordance with OMB Circular A-21.

**Indirect Cost for State Agencies Grants**

In order to recognize the State of South Dakota's monetary contribution to higher education and higher education's desire to serve the State of South Dakota, indirect cost rates charged to State agencies will be limited to 60% of each institution's Federally-approved indirect cost rate. (This rate adjustment for State agencies does not apply to grants and contracts that involve Federal or other non-state funds.)

**Uses of Indirect Cost Revenue**

The utilization of indirect cost reimbursement funds must be consistent with Board of Regent's Special Resolution No. 138-1968 which states

"BE IT RESOLVED that Research Grants Overhead Funds be utilized as follows:

(1) That these monies be utilized directly in matching support of organized research on a departmental basis.
(2) For administrative and audit costs related to research undertakings.
(3) For physical plant costs on a reimbursement basis as related to each grant project (per procedures as prescribed by the Commissioner's Office).
(4) For graduate research assistants in developing new and needed research areas.
(5) To support research in departments where outside grants funding is not available.
(6) Annual budget requests shall be submitted with June routines for Board approval."

**DSU Use of Indirect Cost Revenue**

Thirty percent of the recovered indirect cost revenue will be returned by the Business Office to the originating administrative or academic office. These funds must be used for purposes consistent with Board of Regents policy, i.e., for the purpose of initiating or continuing research and development projects or activities. The
administrative or academic office is encouraged to allocate the funds in a manner that recognizes the units responsible for obtaining the grants and contracts. Offices receiving funds must prepare an annual summary indicating use of the funds and any results for the Vice President for Business and Administrative Services. Seventy percent of the recovered indirect cost revenue will be retained for grants administration and other uses as determined by the President. Exceptions to this distribution must be agreed to in writing by both the President and the Project Director.

(Also see BOR Policy 5:2, Externally Sponsored Programs.)