



PERMANENT MEMORANDUM 10 INDIRECT COST ALLOWANCES ON GRANTS & CONTRACTS

Monitoring Unit: Finance & Administration
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I. POLICY

The sponsored programs in which the University System is extensively engaged causes the University to incur indirect costs which cannot be specifically identified with the sponsored project. These expenses are nevertheless significant and must in most instances be recovered. The University would otherwise be required to underwrite a greater share of the cost of such indirect expenses than it is presently doing.

Grants for research, public service, and/or instruction which are outright gifts to the University for general unrestricted purposes are not subject to the charge for indirect costs. Generally, the donor of these gifts does not necessitate an accountability of the fund nor does the donor in many instances, require results of the research project, therefore, eliminating the administrative efforts of the project. Even though the donor or grantor may indicate the area of research or teaching, no indirect cost shall be chargeable unless the terms of provisions of the agreement are for the special benefit of the grantor as indicated by the criteria outlined below.

Grants for research, public service, and/or instruction which impose meaningful specific responsibilities on the University and/or grants for research for the special benefit of the grantor are subject to indirect cost charges. Some of the criteria which should be used to determine the necessity for an indirect cost charge are:

A. Provisions of the proposal or agreement which

1. limit the *area* of research to one which will result in a study of the product of the grantor
2. retain patent rights to the grantor
3. provide that special and/or periodic reports shall be made to the grantor to the exclusion of the public
4. reserve the right to edit publications of the University stating the results of the research.
5. restrict the rights of the University to publish or to make known the results of the study under the grant.
6. obviously provide for the performance of work which could ordinarily be done by private testing laboratories

B. If to complete the terms of the grant, it will be necessary for the University to

1. acquire specialized equipment or supplies not chargeable against the grant.
2. provide significant amount of space for the specific project being performed under the grant.

3. employ personnel for which the University will have some responsibility for continuance of payment after the termination of the grant.

Charges for indirect costs by the University are justified on the basis of the many additional costs which arise out of the acceptance of gifts and grants, such as building use charges, library use charges, general administration and general expenses, etc.

II. INDIRECT COST RATES TO BE CHARGED

The indirect cost rate(s) to be charged by each campus shall conform to the federally negotiated Rate Agreement. In most cases non-profit organizations which are established under Internal Revenue Service Code 501(c)(3) of the 1954 tax code have policies which stipulate the basis for reimbursing indirect cost to a university. We will adhere strictly to these established policies. Overheads involving private companies will conform to either the policy statement of that company with respect to overheads or to a negotiated overhead between a campus and a company.

Indirect cost rates are negotiated on a regular basis and are subject to change. Information concerning new rates are distributed by the Office of Business Affairs on each campus. The federally negotiated indirect cost rate in effect at the time proposals for new sponsored projects are submitted shall be applied. Proposals for continuation of awards which maintain the same sponsored grant or contract number may use the rate approved in the award. Ongoing projects with funds already awarded may also continue at the rate approved in the award. However, attempts should be made to include the current indirect cost rate in proposals submitted for continuation funding. The Chancellor of each campus, or designee, may reduce or waive the indirect cost recovery if one or more of the following conditions are met.

- A. The primary purpose of the project is to benefit students (provide for tuition, scholarships, graduate assistantships, etc.).
- B. The project will contribute to the social well-being or economic development of the State.
- C. The sole purpose of the project is to fund conferences, symposia, or conventions.
- D. The sponsor is a non-profit foundation which has provided a copy of its established policy prohibiting payment of indirect costs or the sponsor is a federal agency which cannot fund indirect costs due to statutory requirements.
- E. The sponsor is in the private sector and the award is small, \$10,000.00 or less.
- F. The reduction in overhead is necessary in order to be competitive with other institutions applying for the same funding.

Any deviation from the above policy must be justified to and approved by the Office of the President. In cases where research is performed at off campus locations, a rate deviation is permissible and generally is separately negotiated.

This statement of policy and procedure sets forth general guidelines for every campus within the LSU System. The Chancellor of each campus may modify these guidelines provided such modifications are more limiting than the provisions herein.