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## SECTION 8 - INDIRECT COST RETURN

*Policy Sequence 8-000*

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**Policy***Policy # 9-000.1*

(Adopted August 8, 1991, by the CSULB Foundation Board of Directors)

Indirect costs are the recovery of actual costs incurred by the University and the Foundation; they are not a profit. Indirect costs are costs incurred for common or joint objectives which cannot be readily identified to a specific grant or contract. These costs are areal costs and include expenses to operate and maintain facilities, equipment and grounds, depreciation and/or use allowances, general and departmental administration, and sponsored projects administration. Indirect costs are reimbursed on the basis of a maximum of the established indirect cost rate(s) included as part of the total cost of the research project.

There is no entitlement to indirect costs recovered. Practices within the CSU and across the country vary widely. Federal regulations govern the reported costs which form the basis of establishing the negotiated rate; Federal regulations do not govern the use of indirect costs recovered.

**Policy Objectives***Policy #8-010.1*

The indirect cost program should advance the following objectives to the extent possible:

- X Maximize total indirect costs recovered;
- X Maximize the negotiated indirect cost rate;
- X Increase incentives for grant participation;
- X Increase incentives for improving the effective rate of indirect cost recovery;
- X Increase incentives for minimizing disallowed costs;
- X Provide for Foundation operations as required by law;
- X Provide operating funds for programs operating on a cost reimbursement basis;
- X Provide reasonable grant matching requirements.

**Indirect Cost Return Policy***Policy #8-020.1*College Allocation Formula:

Effective rate of return X Indirect Costs Recovered on a grant by grant basis.

This formula is designed to provide incentives to the principal investigators and the Deans to increase their allocations by achieving a higher indirect cost rate recovery. The allocation is based on the effective rate of return on a grant by grant basis; that is, the effective rate of indirect costs return<sup>1</sup> (total indirect / total direct costs) X the total indirect earned for EACH grant within a college.

College Allocation Formula (continued):

For example, Grant A has a 40% indirect cost rate and \$100,000 of direct costs. Of the \$40,000 total indirect revenue (\$100,000 X 40% = \$40,000), the college would be allocated \$16,000 (\$40,000 X 40% = \$16,000).

These grant by grant calculations are summed to ascertain the allocation to the college. The distribution of these funds will occur on a monthly basis as the indirect cost revenue is earned.

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<sup>1</sup> On March 1, 1996 the Foundation Board of Directors amended the policy to exclude activity and related indirect cost in the effective rate calculation for indirect cost returns to colleges and departments when inclusion impacts negatively on the amount of return.

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### Matching Funds Allocations:

There are two components of the matching funds allocation: Base Matching Funds Allocation (Provost Match) and Additional Matching Funds Allocation (Foundation Match). Each component is described below. Should Foundation finances be in deficit status on June 30 of any year, allocation of matching funds in the succeeding fiscal year will be suspended. The suspension of these allocations shall not exceed the amount of the Foundation deficit or \$200,000 for the fiscal year, whichever is less. The deficit in Foundation finances shall be reduced first from the Foundation's matching fund allocations, with the remainder reduced by the allocation to the Provost match.

### Base Matching Funds Allocation:

2.5% X Total Indirect Costs Recovered.

This calculation will be made to assure that critical matching funds are available to support sponsored programs. Matching funds will be computed at 2.5% of the Foundation's gross indirect cost revenue of the prior fiscal year. Funds will be made available as soon as the Foundation's audited financial statements for the prior fiscal year are completed, usually September. These funds will be transferred to and under the management of Academic Affairs. If at the end of the current fiscal year, the Foundation has a surplus, the matching funds to the Provost will be increased an additional 2.5%, or the amount of the surplus, whichever is less. This will result in the matching funds totaling not more than 5% for those years that have sufficient surplus.

### Additional Matching Funds:

Any matching required by a Grant or Contract is the responsibility of California State University Long Beach and its Colleges, Divisions and Departments. If the grant requires matching funds, the Deans or Directors shall identify revenue sources sufficient to meet the matching obligation at the time the proposal or concept paper is submitted.

It is implicit in this policy that matching funds, which are made available to support a specific grant, must be used in the same time frame as the prime award. This time frame is established by the granting agency. For most awards, a grantor allows a 90-day closeout window after the grant's expiration date. If the matching funds have not been utilized at grant closeout, the funds remaining will revert to the original contributors at the same ratio that dollars were contributed.

For fixed price agreements, the matching funds must be utilized within 60 days of delivery of the final report/product.

### Grants With Rates <8%:

A fee up to 7%, to cover administrative costs, will be computed against the direct cost expenditures on all projects which do not recover at least 8% indirect costs. This amount will be a monthly lump sum adjustment to the college allocation.

For example, Grant B has \$3,000 of direct costs in a month and it has an indirect cost rate of 0. The allocation made to the college for that month will be reduced by \$210 ( $\$3,000 \times 7\% = \$210$ ) to cover administrative costs.

Grant C has \$3,000 of direct costs in a month and it has an indirect cost rate of 5%. The grant has covered \$150 ( $\$3,000 \times 5\% = \$150$ ) through the normal process. An additional 2% (7% - 5%) or \$60 ( $\$3,000 \times 2\%$ ) will be reduced from the college's allocation for that month.

### Disallowed Cost/Overdrafts:

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Each college must assume responsibility for the non-reimbursable costs on the sponsored agreements of its investigators. These disallowed costs will be written off as a lump sum adjustment to the college=s indirect allocation on a monthly basis.

Distribution of Indirect Cost Allocations:

In order to make the allocations available on a more timely basis, the distribution will be made as earned on a monthly basis, except for the first three months of a fiscal year. This portion will be disbursed after the Foundation=s annual audit is finalized in September.

On March 1, 1996 the Foundation Board of Directors amended the policy to exclude activity and related indirect cost in the effective rate calculation for indirect cost returns to colleges and departments when inclusion impacts negatively on the amount of return.@

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