

MSU Policy on Indirect Cost Distribution and Expenditures	
Policy ID #: TBD	Effective Date: 9/28/21
Policy Owner: Vice Provost for Research, Budget Office, and Division of Finance and Treasury Responsible Office: Office of Research, Office of Grant Accounting Policy Contact: Vice Provost for Research	Revision Date:
Policy Summary: The policy sets parameters and guidelines for the expenditure of indirect cost revenues recovered from sponsored program and contract activity.	
Reviewed by: Finance and Treasury, Budget and Planning, Human Resources, Office of Research, Dean’s Council Approved by: Kimberly Hollister, Acting Provost and Vice President for Academic Affairs	Date: 9/28/21
Policy Stakeholders: Principal Investigators, Program/Project Directors, University Program and Administrative Staff, Department Chairs, Center Directors, Deans, Office of Research, Office of Grant Accounting, Human Resources, and University Auditor.	

I. Policy Statement/Scope/Rationale

- A. **Purpose and Background:** The purpose of this policy is to establish Montclair State University’s Policy on the distribution and expenditure of indirect cost funds recovered from externally sponsored grants, contracts, and cooperative agreements. (Note: The term “grant” herein is applied globally to include “grants, contracts, and cooperative agreements.”)
- B. **Scope.** This policy applies to all MSU Principal Investigators/Project Directors, Departments, Colleges, Divisions, and administrative offices that collect, distribute, and/or expend indirect cost dollars in support of their research, scholarly and other programmatic activities. (Note: The term “research” herein is applied globally to include other scholarly activities and non-research/programmatic activities.)

II. Definitions

All capitalized items that are not defined by the Policy shall have the same meaning as defined by the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (known as “Uniform Guidance”) as issued by the federal Office of Management and Budget (“OMB”).

III. Policy and Policy Description

A. BACKGROUND

Indirect costs are expenses that are incurred by the University as part of the general operations of the institution that support research activities. Indirect costs are typically not readily identifiable to any single project, but rather support overall research activities. In order to recoup such overhead costs, research institutions negotiate an indirect cost rate with their applicable cognizant federal agency. Montclair State University's cognizant federal agency is the Department of Health and Human Services, or "DHHS". Once agreed upon, the rate is applied to the direct costs of a sponsored project and charged to the applicable grant.

Indirect costs are also known as Facilities & Administrative costs (F&A) as defined by federal Uniform Guidance. F&A costs include such expenses as utilities, building maintenance, telephones, and the library, and administrative costs, such as the offices of Sponsored Programs, Grants Accounting, Procurement, or Student Services. There are several allowable methods of calculating a F&A or indirect cost rate as defined by Uniform Guidance. The University currently utilizes the Modified Total Direct Costs (or "MTDC") methodology in its triennial filing with DHHS. Rates are established both for on-campus and off-campus research activities. Information about the current rates may be obtained by reaching out to Grants Accounting. The off-campus rate is applied when 50% or more of the project's activities are located in facilities off-campus. [MTDC requires that certain costs, such as those for equipment items greater than \$5,000, tuition remission, subawards greater than \$25,000, patient care costs, and rental facilities, are excluded from the calculation of the F&A rate.]

Not all sponsors reimburse the University for F&A costs at the federally negotiated rate. Statutory limitations prevent some federal sponsors from reimbursing F&A costs at the federally negotiated standard rate. In addition, many state and non-federal sponsors reimburse the University at rates less than the federally negotiated standard rate. Rates less than the federally negotiated rate must be verified and approved by the Office of Sponsored Program during proposal development.

F&A costs are recovered from sponsors when direct costs of the awards are expended, i.e., they are charged to individual awards as direct costs are spent. Grants Accounting is responsible for drawdowns of federal funds and can provide additional information for specific grants and how indirect costs are applied to the applicable cost centers.

B. IDC DISTRIBUTION

While the indirect cost rate is established based on facilities and administrative expenses, the University has discretion to reinvest these funds towards the research and scholarship enterprise. The University's standard distribution of indirect costs recognizes the shared responsibility between central administration, academic units, research centers, and faculty in supporting research and other scholarly activities at MSU:

Unit	Allocation
General University Fund	30%
Office of Research/Sponsored Programs	20%
School/College Dean's Office	15%
Academic Department	25%
Principal Investigator	10%
Total	100%

A portion of the college's and the department's F&A recovery may be allocated to an institute, center, or core facility per a written agreement between the applicable director(s), the dean(s), the Vice Provost for Research, and the Provost. In unique circumstances, the Provost may determine it is in the best interest of the University to continue the development of the research mission by reallocating the above percentages (with the exception of the General University fund) as needed.

C. Indirect Cost Expenditures

Indirect cost revenue from grants may be used for expenses related to research, scholarship, programmatic activities, or for the development of future sponsored projects. These funds cannot be used to augment the Principal Investigator's salary.

The list below, while not exhaustive, provides examples and guidance regarding the appropriate use of indirect cost revenues.

Seed funding:	Funding to help initiate new research. Each college/school may define its own program.
Bridge funds:	Gap-funding to continue existing research when a grant has ended and a new grant has not yet been awarded or when funds from a recently awarded grant are not yet available.
Supplemental funding:	Funding for existing research initiatives.
Special research projects:	Funds to support research activities that are not externally funded and can be carried out with a relatively small amount of funding.
Grant writing:	Support for grant writing in the development of proposals.
Travel:	Research travel not otherwise funded, including international travel.
Journals:	Funds for faculty to support journals hosted at the University.
Professional Development:	Funds for specialized training in using research equipment and research methods.
Equipment:	Funds for equipment purchases, maintenance, and repairs not covered by existing awards.

Undergraduate and Graduate students:	Funds to support student research and/or research-related travel.
Research meetings:	Funds to support for colloquia, workshops, or conferences.
Publication costs:	Funds to publish in journals that require publication payments, such as page charges.
Matching funds:	Funds required by grants when other revenue streams are unavailable.
Deans' Faculty Research Awards:	Funds to create research awards to be used in support of the awardee's research agenda. Each college may develop its own program.
Provost's award:	Funds to support a large conference or other initiative prioritized by the VP for Academic Affairs.

Exceptions to this policy may be considered on a case by case basis and must be approved by the Dean, the Vice Provost for Research, and the Provost.

IV. History

This section will be used to indicate the date(s) changes/revisions to policy (if applicable). The dates included in the update log should correspond to the dates entered in the revision field of the policy.

V. References and Related Requirements

- [Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR 200](#)