Policy

Lawrence Technological University has negotiated an approved provisional indirect cost rate for use on grants, contracts and other agreements with the federal government. This indirect cost rate agreement is dated February 1, 2008. This rate has been negotiated with the University's cognizant agency the Department of Health and Human Services.

The approved rate is **49% of Modified Total Direct Cost** as of 07/1/2014. Modified Total Direct Cost does not include:

- Equipment over $5,000
- Subcontracts for the portion over $25,000

Some agencies restrict the indirect cost reimbursement rate. The University has generally accepted these restricted reimbursement rates as long as they are documented. Other agencies may decline to pay indirect costs.

Indirect Cost Recovery

Indirect cost recovery (ICR) is the revenue received from a sponsoring agency, under the sponsored agreement, to pay a grant or contracts share to reimburse the University for the Indirect Costs it incurs in support of sponsored research.

Indirect cost amounts generated by charges to research grants and contracts are calculated monthly and transferred from restricted funds as following:

- 25% - LTU Faculty member’s professional discretionary fund
- 25% - Dean’s discretionary fund for PI’s college
- 25% - Research Services Support Committee’s Faculty Research Seed Grant Fund
- 25% - Lawrence Technological University general fund

(See “Indirect Cost Disbursement from Grants and Contracts” for additional explanations)

Background

F&A costs are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity.

Identification and assignment of F&A costs.

1. **Definition of Facilities and Administration.** F&A costs are broad categories of costs. "Facilities" is defined as depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses. "Administration" is defined as general administration and
general expenses, departmental administration, sponsored projects administration, student administration and services, and all other types of expenditures not listed specifically under one of the subcategories of Facilities.

2. Depreciation and use allowances.

The expenses under this heading are the portion of the costs of the institution's buildings, capital improvements to land and buildings, and equipment.

3. Interest. Interest on debt associated with certain buildings, equipment and capital improvements shall be classified as an expenditure under the category Facilities. These costs shall be allocated in the same manner as the depreciation or use allowances on the buildings, equipment and capital improvements to which the interest relates.

4. Operation and maintenance expenses.

The expenses under this heading are those that have been incurred for the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant. They include expenses normally incurred for such items as janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; earthquake and disaster preparedness; environmental safety; hazardous waste disposal; property, liability and all other insurance relating to property; space and capital leasing; facility planning and management; and, central receiving. The operation and maintenance expense category should also include its allocable share of fringe benefit costs, depreciation and use allowances, and interest costs.

5. General administration and general expenses.

The expenses under this heading are those that have been incurred for the general executive and administrative offices of educational institutions and other expense of a general character which do not relate solely to any major function of the institution; i.e., solely to (1) instruction, (2) organized research, (3) other sponsored activities, or (4) other institutional activities. The general administration and general expense category should also include its allocable share of fringe benefit costs, operation and maintenance expense, depreciation and use allowances, and interest costs. Examples of general administration and general expenses include: those expenses incurred by administrative offices that serve the entire university system of which the institution is a part; central offices of the institution such as the President's or Chancellor's office, the offices for institution-wide financial management, business services, budget and planning, personnel management, and safety and risk management; the office of the General Counsel; and, the operations of the central administrative management information systems. General administration and general expenses shall not include expenses incurred within non-university-wide deans' offices, academic departments, organized research units, or similar organizational units.

6. Departmental administration expenses.

The expenses under this heading are those that have been incurred for administrative and supporting services that benefit common or joint departmental activities or objectives in academic deans' offices, academic departments and divisions, and organized research.
units. Organized research units include such units as institutes, study centers, and research centers.

7. **Sponsored projects administration.**

The expenses under this heading are limited to those incurred by a separate organization(s) established primarily to administer sponsored projects, including such functions as grant and contract administration (Federal and non-Federal), special security, purchasing, personnel, administration, and editing and publishing of research and other reports. They include the salaries and expenses of the head of such organization, assistants, and immediate staff, together with the salaries and expenses of personnel engaged in supporting activities maintained by the organization, such as stock rooms, stenographic pools and the like. This category also includes an allocable share of fringe benefit costs, general administration and general expenses, operation and maintenance expenses, depreciation/use allowances. Appropriate adjustments will be made for services provided to other functions or organizations.

8. **Library expenses.**

a. The expenses under this heading are those that have been incurred for the operation of the library, including the cost of books and library materials purchased for the library, less any items of library income that qualify as applicable credits. The library expense category should also include the fringe benefits applicable to the salaries and wages included therein, an appropriate share of general administration and general expense, operation and maintenance expense, and depreciation and use allowances. Costs incurred in the purchases of rare books (museum-type books) with no value to sponsored agreements should not be allocated to them.

9. **Student administration and services.**

The expenses under this heading are those that have been incurred for the administration of student affairs and for services to students, including expenses of such activities as deans of students, admissions, registrar, counseling and placement services, student advisers, student health and infirmary services, catalogs, and commencements and convocations. The salaries of members of the academic staff whose responsibilities to the institution require administrative work that benefits sponsored projects may also be included to the extent that the portion charged to student administration. This expense category also includes the fringe benefit costs applicable to the salaries and wages included therein, an appropriate share of general administration and general expenses, operation and maintenance, and use allowances and/or depreciation.