ESU Indirect Rate Procedure
July 1, 2016

Introduction:

Many grants allow for indirect costs (also known as facilities and administrative F&A costs) by the grantor. This procedure covers the distribution of funds for indirect costs received from grant and contract activities (federal, state and private) at East Stroudsburg University based on the University's federally approved indirect rate, which is renegotiated every four years, and other indirect rates determined by funders.

East Stroudsburg University has made a commitment to furthering opportunities for external funding for faculty and staff. That support is evidenced by the restructuring of the Faculty Development and Research Fund (FDR), the Office of Sponsored Projects and Research, and the revisiting of the distribution of indirect costs. The university has increased its recognition of the importance of research and in obtaining external funds to support campus initiatives and to improve student learning through scholarly engagement. The indirect cost associated with scholarly engagement can provide additional resources to participating faculty and staff, and to the OSPR for additional support for a pre- and post-grant coordinator; additional human resources in OSPR can help increase overall capacity at ESU to bring in external grants and resources.

Procedure:

All indirect funds that East Stroudsburg University receives from grant or contract proposals shall be distributed as outlined in this procedure. The allocation pool and percentages will be reviewed annually and agreed upon by the Provost and Vice President for Academic Affairs, the Vice President for Finance and Administration, and the Vice President for Research and Economic Development.

All grant funds, restricted and unrestricted, that come to ESU become public funds once they are received by the university. As such, all grant money is treated under the Expenditure of Public Funds Policy.
The Principal Investigator (PI) or grant writer (if different) shall, in developing a grant proposal, incorporate the maximum permissible amount of indirect or administrative costs/allowances into the grant budget to be funded by the funding source.

If a grant proposal is written to include the acceptance of a reduction in the full and allowable indirect charges, written approval from the Provost, Vice President for Academic Affairs or the Vice President for Administration and Finance is necessary to accept that reduction. There is space for their approval on the Grant Internal Clearance Form.

The recovery of indirect costs from sponsored activities is normally allowed based on the approved institutional, federally negotiated rate. ESU’s federally negotiated indirect rate is 40% for activity that takes place on campus and 20% for activity that takes place off campus. The indirect rate for private grants, and certain federal agencies, may be lower, or higher, than the 40%.

Indirect costs are now allocated as follows:

**E&G – 15%**

**Provost and Academic Affairs – 10%**

**Department or Unit – 5%**

**PI – 20%**

**OSPR – 50%**

If the Primary Investigator (PI) is a faculty member, the indirect funds follow the PI should he/she move departments. If the PI is a manager (non-represented), AFSCME, APSCUF (Non-Faculty Coaches), OPEIU, SCUPA or SPFPA union member, the indirect funds will remain with his/her division/department/unit should he/she change departments.

The share of indirect costs received by the Department/Unit and the faculty PI is intended to support research and creative activity efforts and to enhance future grant acquisition.

Faculty PIs will be given access to their own accounts containing their share of the indirect cost. Specific expenditures from this account for faculty PIs will have to be approved by the Dean and Provost before processing. Specific expenditures from this account for non-faculty PIs will have to be approved by the appropriate Vice President.

**Guidelines for Use of Indirect Funds:**

- Travel to a Professional Conference
- Purchase of Materials and Supplies
- Purchase of Equipment
- Support of Research, Scholarship, or Creative Activities
- Support of Student Research
- Data Collection and Analysis
- Professional Consulting on Specific Scholarly Activity
- Manuscript Publication Costs
- Patent Fees and commercialization

Examples of Improper Use of Indirect Funds:

- Travel for personal reasons
- Purchasing food for celebrations with classes

All expenses should relate to scholarly activity and are subject to the Use of Public Funds Policy.

Definitions:

a. **Primary Investigator (PI):** The person who takes direct responsibility for completion of a funded project, directing the research or project and reporting directly to the funding agency. The lead scientist or engineer for a particular well-defined science (or other research) project.

b. **Indirect Cost:** Expenses incurred for common or joint objectives. Indirect cost items include items such as building depreciation, library expenses, space, utilities, payroll, accounting, and other faculty research support services, and student services. Indirect cost rates are negotiated with the federal government and then applied to projects as a percentage of the direct costs.

c. **F&A Costs:** The "F" is for **Facilities** such as depreciation on equipment, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses related to the research, and library expenses. The "A" stands for **Administrative** expenses including sponsored projects administration at the university, human resource activities such as hiring and evaluation of grant personnel, student administration and services when students are hired on a project, utilities, and departmental administration costs.

d. **Maximum Permissible Amount of Indirect or Administrative costs/fees:** The University’s approved “indirect cost rate” received from the Dept. of Health and Human Services or the maximum percentage of project costs or salary amounts as specified by the funder.