



POLICY VIII-7.1: INDIRECT COST POLICY

Sponsored Research and Special Programs

Responsible Offices: Office of Sponsored Programs; Office of Administration and Finance

I. PURPOSE AND APPLICABILITY

Sponsored research, grants, contracts, continuing education, and special programs are integral to Frostburg State University's mission of teaching, learning, applied scholarship, workforce development, and regional engagement. These activities advance the University's service to Western Maryland, Mountain Maryland, and the tri-state region.

To ensure responsible stewardship of institutional resources, regulatory compliance, and full recovery of costs incurred in support of sponsored and special program activities, the University requires that all such activities reflect both direct and indirect costs.

This policy applies to all Frostburg State University faculty, staff, centers, institutes, and administrative units engaged in sponsored research, grants, contracts, continuing education (credit and non-credit), and special programs. Compliance with this policy is mandatory.

II. DIRECT COSTS

Direct costs are those expenses that can be specifically identified with and directly charged to a particular sponsored project or special program. Allowable direct costs include, but are not limited to: salaries and wages (including paid absences), fringe benefits, consultants, capital equipment, travel, consumable supplies, computer software, equipment maintenance and repair, printing and publishing, telephone and postage, conference expenses, space rental, subcontracts, insurance, recruitment expenses, and remitted tuition and scholarships.

Fringe benefits are charged at actual rates. Composite fringe rates may be used when individual rates are unavailable. Faculty buyouts must use the faculty composite rate provided annually by the Budget Office.

III. INDIRECT COSTS

Indirect costs are expenses incurred by the University in support of sponsored research and special programs that cannot be readily assigned to a single project. These costs include operation and maintenance of facilities, security, financial and human resource services, sponsored program administration, procurement services, general maintenance, administrative support, technology services, library services, and equipment depreciation.

IV. COST SHARING

When a sponsor requires institutional cost sharing, such contributions must represent real, quantifiable direct costs and must be approved prior to proposal submission. Required approvals include the initiating unit head, the appropriate dean, and the Provost or divisional Vice President.

If required cost-sharing resources are unavailable, a supplemental budget request must be submitted for Presidential approval. Unapproved or undocumented cost sharing will not be honored.

V. INDIRECT COST RATES AND MTDC

Approved indirect cost rates are applied to recover institutional support costs. Federally sponsored projects apply rates to salaries and wages, while non-federal projects apply rates to Modified Total Direct Costs (MTDC).

MTDC excludes equipment, capital expenditures, scholarships, fellowships, remitted tuition, rental costs, and the portion of subcontracts exceeding \$25,000.

Voluntary waivers are discouraged and require documented justification and approval.

VI. ADMINISTRATIVE RESPONSIBILITIES

The Provost or designee approves proposals and ensures proper rate application. The Director of Sponsored Research reviews non-negotiated rates annually. The Comptroller negotiates federal rates. All rate changes require Presidential approval.

Failure to apply approved rates may result in proposal withdrawal or post-award adjustment.

VII. DISTRIBUTION OF INDIRECT COST RECOVERY

Indirect cost recovery is distributed as follows: 40% to the General University Fund, 20% to the Provost, and 40% to the Academic or Business Unit. For each project, the Principal Investigator must receive no less than 15% of the indirect cost recovered (to be used for allowable purposes), and the college/business unit may receive no more than 25%. Deans submit annual distribution plans for approval. Personal compensation increases are prohibited.

The following examples demonstrates this distribution: If a project recovers \$10,000 in indirect costs, the General University Fund receives \$4,000 (40%), the Provost receives \$2,000 (20%), the Principal Investigator receives at least \$1,500 (15%), and the academic/business unit receives no more than \$2,500 (25%).

VIII. DISTRIBUTION OF NET INCOME

Net income from sponsored research is distributed to the sponsoring unit upon project closeout. Special program residuals of \$5,000 or greater are distributed 40% General

University Fund, 20% Provost or Vice President, and 40% Academic or Business Unit. Residuals below \$5,000 are fully distributed to the program.

IX. APPROPRIATE USE OF FUNDS

Recovered indirect costs and net income are intended to support future grants, research infrastructure, and academic enhancement. Funds must comply with State and University policies. Multi-year commitments are prohibited. All expenditures require prior approval by the Provost or appropriate vice president.

X. POLICY REVIEW

This policy will be reviewed at least every five years or as required by changes in law or regulation.