**University of Baltimore Indirect Costs Policies**
**Sponsored and Special Programs**
Effective 7/1/2024 thru 06/30/2027

## Overview

Research and other sponsored activities, as well as other special program initiatives, are an integral part of the University of Baltimore's institutional mission. Funding sources for such programs are the federal government, state and local governments and private entities. Furthermore, to be responsive to the dynamic and changing needs of Maryland citizens, businesses and other organizations, the University must be able to offer a variety of special training and instructional programs. To reflect the total operational cost of such activities, approved grants, contracts and special programs must fully reflect the direct and indirect costs that are incurred by the University.

## Direct Costs

Direct costs are all costs explicitly identified with delivery of the program. Typically, but not exclusively, such costs include:

| | | |
|---|---|---|
| Salaries and Wages | Equipment Maintenance/Repair | Subcontracts |
| Fringe Benefits | Printing and Publishing | Insurance |
| Consultants | Photocopying | Recruitment |
| Capital Equipment | Telephones | Remitted Tuition |
| Travel | Postage | Scholarship |
| Consumable Supplies | Conferences | |
| Computer Software | Space Lease/Rental | |

Salary and wages may include vacation pay, holiday pay, sick leave pay and other paid absences

Fringe benefits are charged at actual fringe rates. For budgeting purposes, actual salary and fringe rates should be used; however, if a position is filled by an employee whose fringe rates are not yet determined, a composite fringe rate should be applied based on the employment category (faculty or staff, exempt, non-exempt or contingent). For all faculty buyouts, use the faculty composite rate. The University Budget Office provides these composite rates during the annual budget planning process.

The costs of the following benefits may be included in the full-time employees' fringe benefit rate:

FICA (social security)
Medicare/Medicaid
Unemployment compensation
Health insurance
Retirement
Tuition remission
Life insurance/Disability insurance
Workers compensation[1]

The costs of the following benefits may be included in the part-time employees' fringe benefits rate:

FICA (social security)
Medicare/Medicaid
Unemployment compensation

[1] Accounted for centrally and not charged back to home department; therefore not an applicable direct cost.

Tuition Remission

## Indirect Costs

Indirect costs are those incurred by the University to support sponsored or special programs but that cannot be directly traced and charged to a specific program. A non-exhaustive list of indirect costs includes:

Operation and Maintenance of Facilities
Security and Safety
Financial/Accounting and Human Resource Services
Sponsored Research Services
Procurement Services
General Maintenance of University Equipment
General University and Departmental Administrative Expenses
Use of Computing Resources
Library
Equipment and facilities use allowance (depreciation)
Technology Services

## Cost Sharing for Sponsored Programs

Occasionally, grantors/sponsors require the University to make a contribution toward a project's total cost. Cost sharing represents a real and quantifiable direct cost that must have the approval of the initiating department/center/unit head during the proposal routing process. The appropriate school/college dean and the Provost for academic departments and the divisional Vice President for non-academic administrative departments also must give approvals. Initiating units should identify existing financial resources for cost sharing or request funding from other sources, such as the appropriate school/college dean and/or the Provost or vice president. If the required cost sharing resources are not available through the Provost or appropriate vice president, a supplemental budget request will be prepared for the President's approval, with a copy sent to the Vice President for Administration and Finance. Approvals for cost sharing must be secured prior to proposal submission. Since cost sharing is examined and audited by the sponsoring organizations (2CFR200 requires that cost sharing contributions are verifiable in recipients' records) and the University's independent auditor, the budget proposal must specify the exact amount of contributions anticipated and cost sharing expenditures must be accounted for in accordance with applicable grant and University guidelines.

## Indirect Cost Rates and Modified Total Direct Cost (MTDC)

The University strives to recover all support costs by applying an appropriate indirect cost rate to each sponsored or special program. An appropriate indirect cost rate is applied to Modified Total Direct Costs (MTDC) for non-federally sponsored projects and to Salaries and Wages for federally sponsored projects.

Modified Total Direct Costs (MTDC) are calculated as Direct Costs less equipment, capital expenditures, scholarships, fellowships, remitted tuition, rental costs, and the portion of subcontracts in excess of $25,000 (as per the federal 2CFR200). Salaries and wage expenses should include provisions for vacations, holidays, sick time and other paid absences.

## Administrative Responsibilities

The Provost or his/her designee approves proposals for sponsored research, special contracts, certificates, and other continuing education programs (credit and non-credit) and ensures application of the University's authorized indirect cost rates. Some grantors/sponsors may require the application of different indirect cost rates, or a complete waiver. Where it is in the interest of the University, particular special contracts, certificates or other continuing education programs may also warrant application of different indirect cost rates. Under such circumstances, the Provost or his/her designee may propose modification of the University's indirect cost rates. Final program approval is required from the Provost or appropriate vice president.

The Assistant Provost of Sponsored Research also is responsible for initiating annual reviews of the University's non-negotiated indirect cost rates. The Assistant Provost of Sponsored Research, with the agreement of the Offices of University Budget and the Comptroller, may make recommendations for changes to the indirect cost rates. Changes to indirect cost rates require approval of the University President. The Office of the Comptroller is responsible for negotiating the federal indirect cost rates with the federal government.

## Approved Indirect Cost Rates

Different types of non-federally sponsored and special program activities require different levels of support. Consequently, the following on-campus and off-campus rates for each type of program have been established. Unless noted otherwise, the indirect cost rates are applied as a percentage of Modified Total Direct Costs (MTDC). Approved minimum rates are as follows:

**Approved Indirect Cost Rates**

| Sponsored Research Programs | On-Campus | Off-Campus |
|---|---|---|
| Federal Grants/Contracts | 60% S&W | 30% S&W |
| Federal Training Grants/Contracts | 8% | 8% |
| State Government | 15% | 15% |
| Local Government | 15% | 15% |
| Private/Corporate | 50% | 25% |
| Non-Profit/Foundations | 15% | 15% |

| Other Special Programs | On-Campus | Off-Campus |
|---|---|---|
| Instruction (credit) | 30% | 25% |
| Non-Credit Courses | 20% | 20% |

## Distribution of Indirect Cost Recoveries

The Office of the Comptroller is responsible for collecting and distributing indirect cost funds recovered from all sponsored research programs and the other special programs, which are established as projects, with the exception of financial aid and scholarships.

Prior to the distribution of recovered indirect costs (ie overhead), the full cost of the salary and benefits of specific positions directly attributed with the management of sponsored research awards will be deducted from the total recovery during the fiscal year end closeout process. For FY2019, this was limited to the Grants Accountant and starting in FY2020, this expanded to include the office of sponsored research staff. After this reduction, recovered overhead is distributed in the next fiscal year according to the following schedule:

**Approved Indirect Distribution Rates**

| | |
|---|---|
| General University Fund | 35% |
| Divisional Vice President/Provost | 20% |
| Academic or Business Unit | 45% |

Prior to the annual distribution of this policy, each Dean will propose a plan for the distribution of the 45% allocated to their school / college, according to the relative contributions of the parties involved. The proposed distribution will be reviewed and approved by the Provost on the case-by-case basis for each department or unit and may only be revised annually. As an appropriate incentive, the principal investigator or center director shall be eligible to use a minimum of 10% of the total indirect cost recovery of the program for which she/he is responsible. For non-academic projects, the Divisional Vice President will determine the annual distribution of the indirect cost recovery. Funds cannot be used to increase the principal investigator's personal annual compensation.

## Distribution of Net Income

Some special programs and sponsored research activities, but not federally sponsored research programs, may generate income in excess of direct and indirect costs. Residual balances on any particular project or program will be distributed in its entirety by the Office of the Comptroller to the center/sponsoring unit. Internal projects performed for other units at UB will be reimbursed at cost only, including indirect cost recoveries and no residuals will be allowed.

## Distribution of Indirect Cost Recovery and Net Income

### Projects and Grants

Distributions of Indirect Cost Recoveries from projects and grants will be made by the Office of the Comptroller subsequent to the closing of each fiscal year. This will permit verification of projected revenues and an audit of expenditures related to each award. Net income of Sponsored Research projects and grants will be distributed following the closing of the project to the program that generated it.

### Special Programs

Distributions of Indirect Cost Recoveries from special programs will be made by the Office of the Comptroller on a monthly basis during the accounting close process throughout the year it is earned. Net income of special programs will be treated as residuals, added to the reserve balance of the academic or business unit responsible for the program, and follow the distribution outlined below.

Residual balances of $5,000 or greater on any particular program will be distributed by the Office of the Comptroller during the year-end close process according to the below schedule. If the total residual balance is below $5,000, 100% is distributed to the program.

| **Distribution of Net Income** | |
|---|---|
| General University Fund | 35% |
| Divisional Vice President / Provost | 20% |
| Academic or Business Unit | 45% |

## Appropriate Use of Indirect Cost Recovery and Net Income Funds

The most important underlying purpose of indirect cost recovery and net income expenditures is, among other things, to stimulate the development of new grants, contracts, and special projects, while furthering the educational and training mission of the University.

Recovered indirect costs and net income that are distributed to principal investigators, academic departments and school/college deans may be used for any purpose for which general University funds may be expended consistent with State regulatory requirements and University policies. No commitment for multi-year expenditures may be made from these resources. Before funds from indirect cost recoveries or net income are expended by principal investigators and academic department, authorization for expenditures must be provided by the appropriate school/college dean. Expenditures by school/college deans must be approved in advance by the Provost for those not under the Responsibility Center Management (RCM) budget model.

This policy will be in effect until an operational or procedural change requires an update and sign off by the institutional leadership.