1. Purpose

This policy and its procedures are provided to assist the University in recovering indirect costs as well as direct costs associated with conducting research and scholarly activity through grants and other sponsored agreements. The University is responsible for recovery of indirect costs associated with conducting research and scholarly activities. State appropriated academic funds and student tuition are not used to pay for these costs. Research and scholarly activities have two types of real and allocable costs; direct costs and indirect costs.

2. Definitions

   a. Direct costs: costs that can be identified specifically with a sponsored project, an instructional activity or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

   b. Indirect costs: costs incurred for common or joint objectives and therefore cannot be identified readily and specifically for a particular sponsored project, instructional activity, or any other institutional activity. Indirect costs are also sometimes referred to as overhead.

   c. F&A: acronym for facilities and administration costs, the two main components in determining indirect costs.

   d. Institutional F&A rate: a university’s base F&A rate determined through negotiation with the federal government. This rate is often referred to as the university’s federal negotiated rate and is lower than the actual F&A costs incurred by the university.

3. Policy

   a. All applications for extramural funding are to include direct costs and indirect costs according to the current University F&A rate schedule.

   b. As per SDBOR Policy 5:2.4.A, the F&A rate charged to state agencies in South Dakota shall be limited to 60% of the current University F&A rate schedule. This rate adjustment for State agencies does not apply to grants and contracts that involve Federal or other non-state funds.
c. Negotiation for and subsequent approval of any F&A rate that is different than the University F&A rate schedule must be conducted by the Vice President for Research or Associate Vice President for Research.

4. Procedures

   a. All budgets associated with an application or contract for extramural funding must be submitted for review and approval via the University’s online routing system. An application must be approved before it is submitted to a sponsor in accordance to University Policy 8:3 on reporting applications for external funding. Documentation regarding a sponsor’s policy on paying indirect costs should be included with the information provided in the online routing system, if available.

   b. Employees are to contact the Office of Research and Sponsored Programs to determine if a negotiated F&A rate agreement exists before discussing costs or budget details with a specific sponsor.

   c. Requests for an F&A rate that is different than the institutional F&A rate schedule are to be referred to the Associate Vice President for Research.

5. Responsible Administrator

   The Vice President for Research, successor, or designee is responsible for annual and ad-hoc review of this policy and its procedures. The University President is responsible for approval of modifications to this policy and procedures.

SOURCE: Approved by President on 05/27/2014.