Indirect Cost Policy for Externally Funded Awards

Rationale

Indirect cost recovery is essential to the sustainability of Minnesota North College's Grant and Business Services activity. The management and administration of externally funded activities require sufficient human resources, equipment, and infrastructure to carry out grant-funded projects successfully. Indirect costs are not considered direct costs within a particular grant award as these expenses serve a larger function across the institution. Indirect expenses include categories such as Business Services and Grant Services staff, accounting software and Microsoft Office licensing, facilities, utilities, and general office supplies and equipment.

In accordance with Minnesota Statute 16A.127, Minnesota North College requires Indirect cost recovery on all externally funded projects. The college reserves the right to reject any external award that does not allow for indirect cost recovery. If indirect costs **can** be recovered, they **must** be recovered in a consistent manner from all funding agency types (i.e., federal, state, local government, foundation, corporation). Indirect costs must be collected on grants, cooperative agreements, and subawards. Monetary gifts and donations are exempt (defined below).

Policy

It is the policy of Minnesota North College to apply an indirect cost rate to all externally funded projects. All grant, cooperative agreement, and subaward budgets must include indirect expenses at the federal indirect de minimis rate of 15%. This rate is subject to change upon the College's acquisition of a Negotiated Indirect Cost Rate Agreement. The de minimis rate must be calculated based on the total modified direct costs of an award budget. The 15% indirect rate is applied to total direct budget expenses **excluding** equipment or participant support costs (definitions below). Exceptions to the policy may include the following:

- The funding agency does not allow for indirect costs to be included in project budgets.
- Based on funding agency guidelines, the maximum award amount an applicant may request cannot exceed $5,000 or less AND the applicant can show justification for needing this maximum amount for direct costs to carry out project activities.

- The funding agency allows for indirect costs to be included but the allowable rate differs from the de minimis rate or must be calculated in a different manner than that which is outlined above.
- The benefit of the proposed project to the College, in terms of institutional capacity building, may be deemed to outweigh the loss of indirect cost revenue.

When an exception may be applicable to a project, the applicant must notify the Minnesota North College Grant Services Office in writing as soon as possible ***prior to*** preparing proposal materials for submission to the funding agency. Minnesota North College administration reserves the right to decline any grant application or award due to failure of the applicant to provide sufficient notification (a minimum of 10 days prior to the application deadline) to the Grant Services Office of a potential indirect rate exception.

The Grant Services Office will not process a proposal/application that does not budget for an indirect cost rate that adheres to this policy and Minnesota Statute 16A.127 or have documentation of an exception.

The purpose and goal of the indirect cost recovery is to ensure continued funding and support for new and ongoing externally funded projects and programs within Minnesota North College.

Terms and Definitions

Direct Costs

Direct costs are those that are directly attributed to grant project activities. These items may include but are not limited to salaries, participant support costs, travel, and supplies. Direct, allowable costs are typically outlined in the request for proposals or posted on the funding agency website.

Equipment

Federal guidelines define equipment as any tangible, non-expendable item with a useful life of more than one year and an acquisition cost equal to or exceeding the lesser of the organization's capitalization level or $10,000. Please note, by Minnesota State policy, computers are defined as equipment. For additional information on purchasing, tracking, and disposal of equipment, please see https://www.minnstate.edu/system/cte/operational-guide/equipment.html. The definition of equipment along with maintenance and disposal processes may change depending on the funder and particular solicitation.

Gift

A gift is a voluntary transfer of something valuable (e.g., money, equipment) from the donor to the institution without the expectation of any significant reciprocal benefit or return. The contribution may be unrestricted, meaning the institution has broad discretion of how to use it; however, some gifts may be restricted. There are typically no application or reporting processes required with receiving or managing the gift, and no indirects can be charged.

Grant

A grant is a formal and legal transfer of funds or resources for a specific purpose. Grants are typically associated with application and reporting processes and there are strict guidelines laid out in a contract or similar agreement as to how the grant must be used. Grants generally have significant oversight and compliance requirements and are often associated with a specified timeframe in which the grant must be utilized.

Indirect Costs

Indirect costs are real costs incurred by the college by administering an externally funded project. These costs are indirect as they cannot be readily identified or associated with a single externally funded project or institutional function. Examples are utilities, public safety, building and equipment use, and maintenance, libraries, student administrative services, personnel, payroll, academic and sponsored administration, and purchasing. Other terms for indirect costs are overhead or facilities and administrative expenses (F&A).

Modified Total Direct Cost (MTDC)

Includes all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, contracted services, and subawards up to the first $50,000 of each subaward budget (regardless of the period of performance). MTDC excludes capital expenditures (buildings, individual items of equipment; alterations and renovations); the portion of each subaward in excess of $50,000; hospitalization and other fees associated with patient care whether the services are obtained from an owned, related or third-party hospital or other medical facility; rental/maintenance of off-site activities; student tuition remission and student/participant support costs (e.g. student aid, stipends, dependency allowances, scholarships, fellowships.) MTDC defines the costs to which indirect costs will be applied (e.g., an overhead rate of 15% MTDC means that all applicable direct charges will be assessed 15% overhead).

Participant Support Costs

Participant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, training projects, or academic programs.

Subaward

Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of an externally funded award received by the pass-through entity. It does not include payments to a contractor/vendor or payments to an individual. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract. If Minnesota North College is serving as a subawardee/subrecipient, indirect costs at the 15% de minimis rate must be included unless otherwise specified in the above exceptions.

Total Direct Cost (TDC)

The sum of all expenses charged that are allocable and allowable on an externally funded project, including salaries and benefits, participant support costs, necessary supplies and equipment, subaward expenses, and services from external vendors or internal service providers.