



POLICY STATEMENT 47 POLICY ON EMPLOYMENT AND INDIRECT COST RATES

POLICY DIGEST

Monitoring Unit:
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Last Revised:

I. PURPOSE

To establish a policy regulating the application of employee benefits and indirect costs in sponsored programs.

II. DEFINITIONS

- A. Employee Benefit costs are those costs associated with University employment such as University contributions to the Retirement System, Social Security, and group life and hospitalization programs. In addition, such costs as workmen's compensation and minor costs as the subsidy of Faculty Club operations are also included. The rate is computed by dividing these costs by the total expended for personal services, including student wages.

Because the University does not record costs incident to the accumulation of sick and annual leave credits, these substantial costs are not a factor in the calculation of employee benefit costs.

- B. Indirect Costs are those costs associated with the provision of space, utilities, library support, use of departmental equipment, departmental and general University administration and other institutional support activities. These rates must be calculated under Federal guidelines and are subject to review by Federal auditors. Our cognizant audit agency is the Department of Health, Education and Welfare.

III. GENERAL POLICY

Employee benefits and indirect costs are real costs to the University and deviations from standard policy in the application of these costs to sponsored programs will be made only with deliberation.

Information is distributed to you on approved indirect cost rates in the various categories as they are developed. Institutional cost sharing agreements are in effect with the National Science Foundation and the Department of Health, Education and Welfare.

Because both employee benefit costs and indirect costs are real, and because indirect cost rates are negotiated at below computed costs, the following is University policy on their application:

* For procedure in submitting grants and contracts, see PS-32

A. Employee benefits.

1. In no case will employee benefits be waived or costshared.

B. Indirect Costs

1. Indirect costs will not be waived, reduced or cost shared unless there are compelling academic or public service reasons. Variations from normal application must be approved by the Chancellor or his designee. Considerations in deviation are:
 - a. Salary savings in general university operations result.
 - b. Additional student credit hours are generated as a direct result of the program.
2. In instances when indirect costs are waived, reduced or cost shared and salary savings result, normal indirect costs will be applied to such savings before consideration is given to sharing salary savings with departments.
3. It is University policy to share indirect cost recoveries with departments when such recoveries are the result of increased sponsored activities.