
**USE OF INDIRECT COST RECOVERED: GUIDELINES
THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO**

**(Approved by the Chancellor, April 4, 1985
Amended, January 30, 2002)**

I. Background

The recovery of indirect cost is an allowable charge against contracts and grants awarded by both public and private entities. The elements of costs which are included in the definition of indirect cost vary greatly; however, the most definitive guidelines for the allowability of costs, both direct and indirect, under contracts and grants is Circular A-21 issued by the Office of Management and Budget of the United States. The following broad elements of costs are included in indirect costs that are recoverable under Circular A-21:

- A. Depreciation and use allowances;
- B. Operation and maintenance of physical plant;
- C. General administration of the institution;
- D. Departmental administration;
- E. Sponsored project administration;
- F. Library; and
- G. Student administration and services.

Unless specifically prohibited by the granting or contracting agency or entity or limited by statute, the rate approved by the appropriate cognizant agency based on a computation submitted by the University shall be reflected in all budget proposals submitted to outside funding authorities. To the extent that the amount is recoverable it shall be included in the budget as a line item. To the extent that such costs are not recoverable, they shall be reflected as a footnote to the budget and shall be stated as contributed costs to the project.

II. Expenditure Policy at the University

Indirect Cost Recovered funds normally will be used to support the teaching and research aims of the University very broadly defined. Such use might include equipment and facilities modifications, library acquisitions, research projects, etc. These funds will also be used to provide encouragement and incentive to investigators and to their departments.

At the beginning of each fiscal year, the Indirect Costs Recovered during the preceding fiscal year will be allocated by the Chancellor upon recommendation of the Provost, according to these general guidelines:

- A. Approximately twenty (20) percent will be made available to the departments that generated the grants and contracts won during the preceding year. Of this sum, half (10%) will be made available for use by the principal investigator(s). This allocation may be used for expenses

related to the development of future proposals for funding, such as research-related travel, equipment, supplies, etc. The purposes just listed are intended to illustrate rather than limit use. It is anticipated, however, that these funds will not be used for continuing expenses such as personnel.

- B. Approximately eighty (80) percent will be held by the Provost and allocated for the uses cited earlier. As noted above in item II.A., these funds will not normally be committed to support continuing expenses. Such use must be recommended by the Provost and approved by the Chancellor.
- C. Budget plans for these funds will normally be made in advance of the start of the academic year and preferably at the same time that other institutional allocations are made by the Chancellor.

It is expected that balances may remain from year to year beyond that allocated in the manner described above. Within the limitations stated above, the Provost may recommend allocating such balances for special needs.

The Chancellor from time to time may amend this policy to respond more effectively to the changing needs of research and scholarly or creative activity on this campus.