



INDIRECT COST RETURN & USE POLICY

Approved by the President December 17, 2013

Revision October 2025

Responsible Office: OGSP

I. Policy Statement

Loyola University New Orleans includes indirect costs in grants and contracts to reimburse the university for services such as facility use and administrative support. Loyola applies the de minimis rate of 15% of Modified Total Direct Costs (MTDC)¹. Loyola believes a portion of these indirect costs should be used to encourage faculty and student scholarship.

II. Purpose of Policy

The Indirect Cost Return & Use Policy establishes guidelines for the allocation and use of indirect costs written into grants and contracts.

III. Applicability

This policy and the following procedures apply to principal investigators, colleges, departments, and the Office of Grants & Sponsored Programs for indirect costs earned from externally-funded grants and contracts, whether the sponsor is from the public or private sector.

IV. Definitions

Indirect Costs: As defined by the Uniform Guidance, for major Institutions of Higher Education (IHE) and major nonprofit organizations, indirect costs must be classified within two broad categories: “Facilities” and “Administration.” “Facilities” is defined as depreciation on buildings, equipment and capital improvements, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses.

¹ The Office of Management and Budget (OMB) approved the de minimis indirect cost rate increase from 10% to 15% through a final rule on [2 CFR 200 \(Uniform Guidance\)](#), which became effective on October 1, 2024. This change allows certain organizations to charge a higher indirect cost rate without a formal rate negotiation.

“Administration” is defined as general administration and general expenses such as the director's office, accounting, personnel, and all other types of expenditures not listed specifically under one of the subcategories of “Facilities”.

De minimis Indirect Cost Rate: The flat 15% rate that certain organizations are allowed to apply to their Modified Total Direct Costs (MTDC) when charging indirect (Facilities & Administrative) costs on a public or private award. The de minimis IDC rate provides a simple, standardized way for smaller or less research-intensive institutions and organizations to recover indirect costs without negotiating a formal rate agreement.

Modified Total Direct Costs: MTDC refers to all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward or subcontract, regardless of the period of performance of the subaward.

However, MTDC excludes certain cost categories that do not generate indirect costs, such as:

- Equipment (items with a unit cost \geq \$10,000 and a useful life of \geq 1 year)
- Capital expenditures
- Tuition remission
- Scholarships and fellowships
- Participant support costs
- The portion of subawards and subcontracts exceeding \$25,000

Sponsored Project: An organized activity that is supported by external funding from a grant, contract, or cooperative agreement and for which there is a level of accountability to the sponsor that is characterized by three things: 1) a pre-defined work plan or scope of work, 2) a budget, and 3) reporting requirements.

Principal Investigator/Project Director: A Principal Investigator (PI) is the project lead who is directly responsible for the design, conduct, management, and overall success of a research project or grant. The PI:

- Develops the project idea and prepares the grant proposal or research plan.
- Oversees all research activities, ensuring they are carried out according to approved protocols, ethical standards, and sponsor requirements.
- Manages the budget and resources allocated to the project.
- Supervises project personnel, including co-investigators, research assistants, and students.
- Ensures compliance with institutional, sponsor, and federal regulations (e.g., human subjects protection, conflict of interest, reporting requirements).
- Reports results to the sponsoring agency through progress reports, final reports, and publications.

Earned Indirect Costs: The portion of the indirect costs earned as a result of a direct-cost expenditure as outlined in a grant or contract.

V. Policy Procedure

The Office of Grants & Sponsored Programs (OGSP) is required to include 15% for indirect costs in all grant or contract budgets unless an agency has a published and uniformly-applied lower indirect cost rate or if the funder explicitly disallows indirect costs to be included in program budgets.

Earned indirect costs on sponsored research projects will be allocated according to the following schedule:

- 75% to the University
- 10% to the PI
- 10% to the Office of the Dean
- 5% to the OGSP/Office of Faculty Innovation

When co-principal investigators are involved in an award, the investigators' dean(s), with input from the OGSP and the investigators, will determine how earned indirect cost returns for the principal investigator and college will be apportioned among the principal investigator, the co-principal investigator(s), and their respective colleges. This allocation plan will be determined prior to the grant or contract being submitted to the funding agency.

Funds from earned indirect cost returns are intended to be used to further faculty and student scholarship. The funds may be used for any expense consistent with that policy and permitted within the financial, budgetary, and purchasing guidelines of the University but may not be used for recurring faculty salaries. Use of these funds must adhere to appropriate University policies and procedures.

Earned indirect cost returns will be distributed annually at the beginning of the fiscal year for continuation grants or at the end of the grant if it ends earlier. Earned indirect income will be based upon the indirect cost earned during the prior fiscal year. These distributions are allowed to roll over from year to year.

Funds will be placed into a separate account for each award that rolls over for up to second (2) years. Accounts will be created by Financial Affairs. Each distribution will be annually approved upon the project or year-end reconciliation by Finance and approved by the CFO.

In the event the PI/PD leaves the institution, any indirect funds will return to the appropriate department.

VI. Policy Oversight and Administration

The Provost & Senior Vice President of Academic Affairs and the Chief Financial Officer holds authority for this policy and ensures that it aligns with the academic and research mission of the university. The OGSP and Financial Affairs are responsible for the implementation, administration, and day-to-day management of this policy, determining budget implications,

including providing guidance to faculty and staff and ensuring compliance with applicable regulations.