



Rev. 081025

INDIRECT COST RECOVERY POLICY

Background

Indirect costs are expenses incurred by an organization that are not directly attributable to a specific project, program, or activity, but are essential for the general operations of the organization. These may include costs associated with employment, benefits management, maintenance, depreciation, utilities, janitorial services, purchasing, grants management, insurance, legal expenses, consulting services and similar functions.

To acknowledge that these costs are legitimate and necessary, a process was established to allow organizations to recover indirect costs through a negotiated indirect cost rate. These rates are determined by categorizing organizational expenses into indirect cost pools and distributing them across applicable organizational activities through a cost allocation method. Grantee organizations submit this financial data to a cognizant federal agency authorized to negotiate a federal indirect cost rate. The grantee's fiscal information is analyzed by federal officials to determine the allowable indirect cost rates, which are expressed as percentages. They are usually applied to either "modified total direct costs" (MTDC) base, which excludes certain expenditure categories such as subaward expenses and capital outlay (equipment); to salaries and wages only; or to salaries, wages and fringe benefits only. The base upon which the rate is applied is determined during the rate negotiation with the cognizant federal agency.

NMC's current federally negotiated indirect cost rate agreement (NICRA) is with the United States Department of the Interior and is public information.

NMC's rate is the MTDC base.

This rate is renegotiated annually to reflect inflation, operational changes, or fluctuations in the level of sponsored activity.

Policy

Indirect costs represent real costs of the NMC infrastructure. As a policy of NMC, indirect costs, sometimes referred to as Overhead or OH, should be recovered on all sponsored projects. Recovery of these costs allows NMC to remain solvent and meet all its incurred expenses as a matter of doing business.

Indirect Cost Reduction or Waiver

NMC acknowledges that some sponsors impose restrictions on the allowable indirect cost rates. Therefore, a reduction or waiver of NMC's indirect costs may be allowed under specific, well-justified circumstances. NMC may consider a reduction in indirect costs or indirect cost waiver when either of the following criteria are met:

- The request for proposals explicitly restricts or prohibits reimbursement of NMC's full indirect cost rate.
- The sponsor has a publicly posted policy or statute stating that reimbursement of full indirect costs is restricted or prohibited.

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Note: NMC does not accept informal communications (e.g., emails, calls, letters) as sufficient evidence of a lower indirect cost rate. Only published and verifiable documentation is acceptable.

When NMC agrees to reduce or waive indirect cost recovery, it still bears the responsibility of providing infrastructure and institutional support for the sponsored activity. Although a sponsor may require, as a condition of funding, a reduced indirect cost rate below that of the official negotiated rate, NMC's incurred expenses are not reduced. Caution is exercised in a decision to accept a lower rate than the negotiated rate: there must be a way to recover the costs of doing business (usually via limited NMC discretionary funds) and NMC must avoid setting precedents that may lead to future reductions in indirect cost recovery with the same sponsor.

Therefore, NMC contributions to a research project in the form of indirect cost waivers should be viewed as exceptional and requests for such waivers / reductions will be evaluated carefully. In many cases, cost sharing may be a more appropriate alternative.

Process for Requesting Indirect Cost Reduction or Waiver

The request must be submitted to and approved by NMC prior to any proposal development work by the NMC Office of Research Administration.

A completed and signed [Indirect Cost Reduction or Waiver Request](#) form, along with supporting documentation, must be attached to the [Proposal Application Form](#).

All waiver requests must be submitted no less than two weeks before the proposal submission deadline to allow adequate time for review.