



NSF Indirect Rate

Please visit the NSF web site for the most current information on NSF's Indirect Cost Rate Policies - <https://www.nsf.gov/funding/proposal-budget/indirect-costs>

Helpful Information

1. If your college/university has a **current** federally negotiated indirect cost rate, that rate (and the basis for the rate) must be specified and used in your budget proposal. Negotiated rates are for a specified time frame, and the rate must be valid on the date the award is made. If the institution's rate changes between the time the proposal is submitted and the time the grant award is made, the institution will be required to adjust the budget to accommodate the new rate without increasing the amount of the grant request. Indirect costs rates are not adjusted during the life of the project even if the institution's negotiated rate changes during that time. Indirect costs award documentation will be requested when your proposal is being processed for an award.
2. If your college/university does not have a current negotiated indirect rate:
 - a. You can use the *de minimus* indirect rate of 15% or less of all modified total direct costs (MTDC). No supporting documentation is needed for this option.
 - b. Modified total direct costs (MDTC) include all budgeted direct costs except those expressly prohibited. The Federal government in general, and NSF specifically, does not permit indirect costs to be recovered on:
 - Equipment (Budget category D)
 - The portion of subawards or subcontracts that exceed \$50,000 (budget category G. Other Direct Costs, subpart 5. Subawards)
 - Participant support costs (Budget category F).
3. A college/university cannot apply for a federally negotiated indirect cost rate unless it already has an **active** federal grant award with a proof of award notice.
 - a. Federal awards that are most relevant to community colleges include those from the:
 - i. Department of Labor
 - ii. Department of Education
 - iii. National Science Foundation
4. **The Department of Health and Human Services (DHHS) is the cognizant federal agency for negotiating indirect cost rates for colleges/universities.** An indirect cost proposal should be based on expenditures for the college's most recently ended fiscal year. The regional offices responsible for negotiating indirect cost rates are part of the DHHS Cost Allocation Services. That office is comprised of four field offices and a national headquarters. To determine which regional office serves your state, use this link:
<https://www.hhs.gov/about/agencies/asa/psc/indirect-cost-negotiations/contact-us/index.html>



The following link provides access to the indirect cost allocation system:
<http://portal.icas.hhs.gov>.

5. There is no time requirement for submitting an indirect cost proposal once you have received an award; you can continue to use the *de minimus* rate. However, institutions may wish to submit an indirect costs proposal soon after they receive their initial award to offset the costs associated with administering a grant. New awardees usually receive priority review of their indirect cost proposals within 30-120 days.
6. Please note that the contents and financial data included in indirect cost proposals vary according to the make-up of the proposing organization. Instructions for preparing an indirect cost rate proposal can be found at <https://www.nsf.gov/awards/indirect-cost-proposals>
7. There are no dollar thresholds that have to be met in order to obtain a federally negotiated indirect cost rate. Assuming they already have an active federal grant award, colleges/universities can obtain that indirect rate regardless of the dollar amount of their grant award(s).
8. Indirect costs are based on the expenses incurred by the college/university to administer the grant.
As noted above, specifics vary by institution and the method used to compute those costs.
 - a. The personnel method includes salaries and fringe benefits or only salaries as the basis in calculating indirect costs
 - b. The institutional operations method includes the total direct costs (omitting participant support, equipment, and subaward amounts over \$50, 000) as the basis for calculating indirect costs
9. Any entity included in a grant proposal as a subaward (a sub-recipient of funds from the grant), must include indirect costs in that entity's sub-award budget and budget justification. Indirect costs for sub-recipients should not be included in the host college/university budget or budget justification. Sub-recipients not having a federally-negotiated indirect cost rate must use the *de minimus* rate of 15% MTDC.
10. Final notes
 - a. The higher the institution's indirect rate, the less money available for grant activities.
 - b. How the college/university disperses indirect cost dollars within the institution is left to the discretion of the institution.

Other Resources

- PAPPG 24-1, Chapter II.F.8 (Current when this document was created; check the most recent PAPPG for updates.)
- www.Mentor-Connect.org, Visit Our Library, keyword search "Indirect costs"

