

JACKSONVILLE STATE UNIVERSITY
Manual of Policies and Procedures

POLICY NO.: IV.17

DATE: June 2026

REVIEW/REVISION DATES:

SUBJECT: Indirect (Facilities and Administrative) Cost Recovery for Sponsored Programs

APPROVED: Dr. Don C. Killingsworth, Jr., President

PURPOSE

Jacksonville State University (JSU) incurs costs in support of externally sponsored activities that cannot be traced to any single project — including facility operations, libraries, departmental and central administration, compliance infrastructure, and information technology. These Indirect (Facilities and Administrative, or F&A) Costs are recovered through rates negotiated with JSU's cognizant federal agency, the U.S. Department of Health and Human Services, Cost Allocation Services (DHHS-CAS). This policy establishes JSU's commitment to full, consistent recovery of F&A costs on all sponsored awards to the maximum extent permitted by law and sponsor regulations. JSU's policy is to recover indirect costs to the maximum extent permitted by sponsor terms and applicable regulations. For federal awards, JSU is required to apply its federally negotiated F&A rate in accordance with 2 CFR 200.414(c), except where a statute of formally documented sponsor policy provides otherwise. The F&A is reimbursement for expenditures JSU has already made on behalf of sponsored activities. Failure to recover these costs at approved rates shifts them to JSU's general funds, reducing resources available for instruction, faculty support, and institutional operations.

POLICY

It is the policy of JSU that all proposals for externally funded sponsored awards include the full applicable indirect cost (F&A) rate, applied to the Modified Total Direct Costs (MTDC) base, as established in JSU's Negotiated Rate Agreement with DHHS-CAS. Indirect costs must be budgeted and recovered on all sponsored awards regardless of sponsor type unless a reduction or waiver has been approved in advance through the process established in the Procedures section of this policy.

This requirement is mandated for federal awards under Uniform Guidance and applied as institutional policy to non-federal sponsors. The MTDC base must be applied consistently to all sponsored awards in accordance with 2 CFR 200.68 and Appendix III to Part 200, and the consistency requirements of 2 CFR 200.403(d).

Indirect cost recovery is not at the discretion of the Principal Investigator, department chair, or dean. A Principal Investigator may not offer or agree to reduce or waive indirect costs during sponsor negotiations without first obtaining written institutional authorization. The same type of cost must be treated consistently — as either a direct cost or an indirect cost — across all sponsored awards in accordance with 2 CFR 200.403(d), 200.412, 200.413, and JSU's DS-2 Disclosure Statement of Cost Accounting Practices. Deviations from disclosed practices require advance approval from DHHS-CAS.

DEFINITIONS

Direct Costs are those costs that can be identified specifically with a particular sponsored project, instructional activity, or other institutional activity and can be assigned to such activities with a high degree of accuracy. Examples include salaries and wages of project personnel, fringe benefits, materials and supplies, travel, equipment, and subaward costs. (2 CFR 200.413)

Facilities and Administrative (F&A) Costs — also referred to as Indirect Costs or overhead — are costs incurred for common or joint objectives that cannot be identified readily and specifically with a particular sponsored project, instructional activity, or any other institutional activity. F&A costs are real institutional expenditures, not profit, representing the University's cost of providing the infrastructure and administrative support necessary to conduct sponsored activities. (2 CFR 200.1)

F&A Rate (Indirect Cost Rate) is a percentage, expressed as a fraction of the applicable cost base, representing JSU's indirect costs attributable to a given category of sponsored activity. The rate is negotiated with DHHS-CAS, documented in a Negotiated Indirect Cost Rate Agreement (NICRA), and applied to each sponsored project budget to recover JSU's allocable share of F&A costs.

Modified Total Direct Costs (MTDC) means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and the first \$25,000 of each subaward or subcontract, regardless of the period of performance. MTDC excludes equipment (unit cost \$5,000 or more with useful life exceeding one year), capital expenditures, charges for patient care, rental costs for off-site facilities, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward in excess of \$25,000. MTDC is the standard base for applying JSU's negotiated F&A rates. (2 CFR 200.68)

On-Campus Rate applies to sponsored project activities conducted in JSU owned or JSU operated facilities where JSU bears facility costs from institutional funds. This rate includes both the facilities and administrative components of the F&A rate.

Off-Campus Rate shall apply to sponsored projects when the majority of project activities are performed in facilities not owned or operated by JSU and for which JSU incurs facility costs directly allocable to the project (e.g., rental or lease costs charged as direct costs). For purposes of consistent application, JSU defines "majority of activities" as occurring when more than 50% of total project effort, as measured by salaries and wages, is performed in off-campus locations.

Organized Research means all separately budgeted and accounted-for research and development activities funded by external federal and non-federal sources, including sponsored research and research training programs that utilize the same facilities as other R&D activities. Organized Research carries the highest F&A rate. (2 CFR 200, Appendix III)

Other Sponsored Activities (OSA) means programs and projects financed by external sources involving work other than Instruction and Organized Research, such as health service projects, community service programs, conference grants, and certain outreach activities. (2 CFR 200, Appendix III)

Principal Investigator (PI) is the individual designated by JSU and accepted by the sponsor as having primary responsibility for the scientific, technical, and programmatic leadership of a sponsored project. The PI is responsible for ensuring that the project budget includes appropriate indirect costs and that expenditures are consistent with the approved budget and all applicable regulations.

Sponsored Award means a grant, contract, cooperative agreement, subaward, or other financial assistance instrument awarded to JSU by an external sponsor to support a defined scope of work, subject to programmatic and financial accountability requirements. Distinguished from a gift by the presence of a defined scope of work, required reporting, and/or sponsor control over the use of funds.

Waiver (F&A Waiver / Rate Reduction) is a formal institutional authorization to charge indirect costs on a specific sponsored award at a rate lower than JSU's applicable negotiated rate. Waivers are exceptions to policy, require documented justification and tiered approval, and are specific to the individual award for which they are granted.

PROCEDURES

Applicable Indirect Cost Rates and Distribution

JSU's current indirect cost rates, as established by the NICRA with DHHS-CAS, are maintained on the Office of Sponsored Programs and Research (OSP) website and are available upon request. The OSP will communicate updated rates promptly upon execution of any new or amended rate agreement. All proposals must use the rates in effect at the time of submission.

Proposal Requirements

- Principal Investigators must submit all sponsored program proposals through the OSP using approved routing and submission procedures. Proposals may not be submitted to a sponsor before receiving OSP institutional review and sign-off. See policy [II.05.01](#) for more information.
- All proposal budgets must include the full applicable F&A rate applied to MTDC, unless a sponsor's published program regulations cap the rate or an approved waiver is on file with the OSP prior to submission.
- PIs must attest to the on-campus or off-campus classification of each project on the proposal routing form. The OSP will confirm the appropriate rate before submission.
- When a project involves more than one activity type (e.g., both organized research and instruction), the rate for the activity comprising the majority of direct salary expenditures will apply to the entire project.

Waivers and Rate Reductions

A waiver of the full applicable indirect cost rate is an exception to this policy and must be approved in writing before any representation is made to a sponsor about reduced indirect costs. Waivers are granted on a project-specific basis and do not create precedent for any other award. The following applies:

- Waivers will be considered when one or more of the following conditions is met (and must be supported by documented justification):
 - a sponsor has a written, publicly available policy consistently applied to all grantees that limits indirect cost recovery. Written documentation of the sponsor's published policy or statutory restriction to OSP and the Grant Accountant. The written documentation must be retained in the grant files;
 - federal statute or program regulation explicitly caps the rate;
 - a state or local government sponsor's program regulations explicitly limit recovery; or
 - the award is below \$25,000 in total direct costs and collection of full indirect costs would leave insufficient funds to conduct meaningful project activities.
- Waivers will not be granted solely because a sponsor is unwilling to pay the applicable rate, to increase the perceived competitiveness of a proposal, or because indirect costs were omitted from a budget already submitted to the sponsor.
- JSU may apply a standard reduced institutional F&A rate of 15% of MTDC for non-federal sponsors, as approved through the waiver process.
- Waiving indirect cost (F&A) in the absence of a sponsor requirement constitutes voluntary committed cost sharing, which is discouraged under 2 CFR 200.306(b). JSU will not approve waivers that create voluntary committed cost sharing.
- Waiver requests must be submitted using the OSP F&A Waiver Request Form with written justification and documentation of the sponsor's policy or statutory basis. Approval is required from either the President or the Senior Vice President for Finance and Administration and CFO.

MAINTENANCE OF RECORDS

The OSP shall retain all records related to indirect cost rate proposals, NICRAs, F&A waivers, and distribution of recovered indirect costs for a minimum of three years from the date the final close out for each sponsored award, or from such other dates as specified in 2 CFR 200.334 or longer if required by the [State of Alabama Records Disposition Authority](#) and the [JSU Records Retention Policy \(I.05.01\)](#).

REFERENCES

Federal: [2 CFR Part 200](#) , Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Federal: [2 CFR Part 200, Appendix III](#) — Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education.

JSU: Negotiated Rate Agreement with DHHS-CAS (current version on file with The Office of the Controller and OSP).

JSU: DS-2 Disclosure Statement (Cost Accounting Practices), on file with DHHS-CAS.

RESPONSIBILITY

The Senior Vice President for Finance and Administration and CFO is responsible for this policy.

EVALUATION

This policy will be reviewed at least every five (5) years by the University Controller.