



BALL STATE UNIVERSITY

Policy for Indirect Cost Recovery on Service Contracts for Knowledge Units

Purpose

Ball State University operates several centers and institutes (“Centers”) that serve as an extension of the University to the surrounding community and beyond. This procedure pertains to the overhead recovery and distributions related to contracts that deliver services to an external contractor for a pre-negotiated price or are of a routine nature that require specialized expertise to conduct the work, for example services that are not routinely available from the private sector (“Service Contracts”). See the Policy for the Administration of Centers for complete procedures for the development and administration of Service Contracts.

Procedure for Indirect Cost Recovery of Service Contracts

All external activities performed with external sponsors, not processed as a sponsored program through the Sponsored Projects Administration, must have a contractual agreement, including the activities of Centers. For the purpose of this procedure, “Overhead” is defined as funds that the University collects to cover indirect and support costs related to the conduct of research and services external to the University and which cannot be identified readily and specifically with a particular project. Service Contracts must identify the full cost of delivering the services and returning the appropriate Overhead to the University. All budgets will be developed using the established budget template. Budgets will be developed by the appropriate proposal manager in SPA, put into clearance, and submitted to the Associate Vice President for Research (AVPR) for approval. Following budget approval by the APR, Business Affairs will provide final signatory approval.

For all Service Contracts, except as provided below, the Overhead funds recovered for the first **\$7,500 of the Service Contract are completely retained by the Center** in the Center’s non-general fund account. The Center may also elect not to charge Overhead on the first \$7,500 of any contract. The table below lists the required indirect cost rates for Service Contracts:

Updated 06/2015

Academic Affairs

Sponsored Projects Administration

Muncie, Indiana 47306-0155 | Phone: 765-285-1600 | Fax: 765-285-1624

Sponsor Type	On-Campus Rate	Off-Campus Rate
Indiana not-for-profit organizations*	≥ 15%	≥ 15%
All other entities (including for-profit, out-of-state, etc.)	49%	27%

Federal **per regulations, federal agencies must be offered the lowest advertised rate, of 15%.

* Proof or declaration of not-for-profit status, if external sponsor is not a traditional, long-standing non-profit organization, is required.

**Projects involving state or federal funds in most cases are fiscally administered by SPA. In the event that a University-recognized recharge center is in a “vendor” role, that center may fiscally administer the project themselves.

Distribution of Collected Overhead Funds

Table: The distribution of collected Overhead funds for all Service Contracts except for those granted a lower Overhead rate are as follows:

Center	50%
Service Center Support	15%
Matching Contract Reserve	10%
General Fund	25%

If a Center reports to a Department, based on the reporting lines defined in the Knowledge Unit denominator calculations, 10% of the Center’s 50% (or 5% of what is recovered) will be returned to the Center’s corresponding department.

If the center does not report to a department, based on the Knowledge Unit denominator calculations, the Center retains the full 50%.

Updated 06/2015

In the case of a Service Contract having a Departmental Co-PI,

- The Co-Departments will share in the 10% as stated above. If the Center does not report to a department, then the Co-department will receive a pro-rated share of the 10%.
- Co-PIs must negotiate the amount of their recovery with the Center PI/Director. SPA will not move these funds, nor provide assistance in negotiations beyond calculations.

Overhead Distribution at a Lowered Rate

If a Center chooses to execute a Service Contract at a lower Overhead rate, the Service Center is required to absorb the difference between the collected rate and the required rate. An Overhead rate waiver (including lowering of the rate) may be requested from the **Associate Vice President for Research** and will be considered on a case-by-case basis. Final contract approval will come from an authorized University signatory through the Contracts Office in Business Affairs. When a waiver is granted to lower the Overhead rate, the \$7,500 exemption does not apply and the percentage distribution of collected Overhead from the table above is recovered in the following priority until each successive area is paid:

1 st	General Fund	(original 25%)
2 nd	Center Support	(original 15%)
3 rd	Matching Contract Reserve	(original 10%)
4 th	Center	(original 50%)

Examples:

- An Indiana not-for-profit agency awards a Service Contract to a Center for a total dollar value of \$25,000.

Full Overhead rate recovery:

\$25,000 x 15% = \$3,750 overhead rate recovery

\$7,500 x 15% = \$1,125 to the Center’s non-general fund account

Allocation of remaining \$2,625:

Center	50%	\$1312.50
Center Support	15%	\$ 393.75
Matching Contract Reserve	10%	\$ 262.50
General Fund	25%	\$ 656.25

Updated 06/2015

b. Lowered Overhead Rate recovery on the full contract value:

A lower Overhead rate of 7.5% is granted. The Center forfeits any recovery on the first \$7,500.

$\$25,000 \times 7.5\% = \$1,875$ overhead rate recovery

Allocation of overhead rate recovery:

Total Overhead rate recovery	\$1875.00
General Fund	\$ 656.25
Center Support	\$ 393.75
Matching Contract Reserve	\$ 262.50
Center	\$562.50

c. Lowered Overhead Rate recovery with the first \$7,500 waived:

A lower Overhead rate of 7.5% is granted and the Center waives Overhead on the first \$7,500.

The Center forfeits any recovery on the first \$7,500.

$\$25,000 - \$7,500 = \$17,500 \times 7.5\% = \$1,312.50$

Allocation of overhead rate recovery:

Total Overhead rate recovery	\$1312.50
General Fund	\$ 656.25
Center Support	\$ 393.75
Matching Contract Reserve	\$ 262.50
Center	\$0

Small Contracts

Service Contracts for a total value of \$7,500 or less in a calendar year may be treated as small contracts of limited value and duration for services to be rendered by a Center after an abbreviated contract review process or with pre-approved standard forms. Such review processes or pre-approval of standard forms shall be conducted by the University's Contract Office in Business Affairs. These small dollar Service Contracts must identify the full cost for the services provided and returning the appropriate overhead to the University. Centers are encouraged to collect all direct costs and all scheduled overhead in the execution of these small dollar Service Contracts.

Updated 06/2015

Academic Affairs

Sponsored Projects Administration

Muncie, Indiana 47306-0155 | Phone: 765-285-1600 | Fax: 765-285-1624