McCausland College of Arts and Sciences
UNIVERSITY OF SOUTH CAROLINA

POLICY: **Indirect Cost Distribution for Extramural Grants and Fellowship Awards**

DATE: **August 16, 2025 (Revised)**

This revision 1) clarifies that any cost share and 'in-kind' contributions for grant awards will be shared between the unit and college based on IDC, negating IDC distribution for PI on that award, and 2) defines the timing for IDC distribution to PIs.

I. POLICY

Indirect costs (IDC) on extramural grant and fellowship awards, sometimes referred to as 'facilities and administration charges (F&A),' are generally based on a percentage of the modified total direct costs (MTDC) of the award. The university's indirect cost rate agreement is negotiated with the U.S. Department of Health and Human Services and defines MTDC as total direct costs of the award, minus equipment costing $5,000 or more, student tuition, participant costs, and the portion of each subaward exceeding $25,000.

The objective of this policy is to recognize our McCausland College of Arts and Sciences faculty's contributions in leading extramurally funded research and scholarly works by returning some of the IDC to the faculty member for discretionary use in their research program. The goal of this policy is to incentivize and reward faculty for increased research and scholarship productivity, with the anticipation that College's overall extramural funding will increase in response.

II. INDIRECT COST DISTRUBUTION

A. The college collects 100% of IDC on grants led by college faculty and fellows in the current Revenue Centered Management (RCM) budget model. After RCM allocations and fees are paid, the net income from every $100 in IDC collected by the College results in approximately $37.50. The College currently distributes $18.75 of these funds to the department/school where the grant resides. The IDC that remains with the College is used for both traditional needs (i.e., new faculty start-up costs, retention packages, cost-share) and college initiatives.

B. This policy establishes the unit and College distributions to share IDC returns with the lead PI. This policy will be evaluated on at least an annual basis to be certain that funds are still available for current IDC usage at both the college and unit level.

C. The Principal Investigator's (PI) IDC share will be deposited into an 'N' account that is subject to university and state regulations for use, but whose expenditure is not restricted by the fiscal year (FY) in which it was received (please see section V for more information on N accounts). *Note that the university charges IDC to funding agencies based on actual expenditures, not budgeted costs; so IDC does not exist until grant funds are spent and IDC is generated.* **This policy was instituted for existing and new grants as of July 1, 2023**.

III. IDC DISTRIBUTION FOR EXTRAMURAL AWARDS - Tenure Track and Professional Track Faculty

A. Table 1 details the distribution of IDCs to the lead PI based on the distributions to department/school and estimated funds distributed to the College after RCM budget allocations/fees. This includes subcontracts from grants at other institutions with the 'site PI' being considered as lead PI for USC. *Note that for grants with multiple co-PIs, this will only be applied to the lead PI [1] – the lead PI is encouraged to share their IDC funds with co-PIs, but this will be done at the lead PI's discretion and handled at the College department or school level.*

Table 1: IDC Return for Tenured/Tenure Track and Professional Track Faculty

Grant/Fellowship	***% CAS + Dept/School IDC returned to PI [2]***
Total grant funds at > $500,000 annual MTDC as lead PI, IDC ≥ 46% [3]	15%
Total Grant funds at $251,000-500,000 annual MTDC as lead PI, IDC ≥ 26% and >$500,000 annual MTDC at < 46% IDC [4]	10%
All other grant awards	5%

[1] *In the case of multiple PIs (e.g., NIH Multi-PI awards), the investigators are strongly encouraged to submit separate internal budgets to USCeRA so that multiple accounts can be set up for IDC distributions. Without this, it will be up to the PI (i.e., 'lead PI') who submitted the proposal in USCeRA to designate IDC return distributions at the department, school, or center level.*

[2] *College retains ~37.50% of IDC after allocations and fees are paid.*

[3] *You must have ≥ $500,000 in annual MTDC, all with IDC ≥ 46 %. Multiple grant awards are only counted for the duration of funding from the 'Notice of Award' (NOA) in USCeRA – that is, an award in 'No-Cost Extension' (NCE) will not be counted. Thus, a faculty member with multiple grants at ≥ 46 % IDC would revert to lower IDC return rate if total MTDC drops below $500,000 for awards ending or moving to NCE status.*

[4] *For awards between 26 and 45 % IDC rate. Awards above $500,000 at < 46 % IDC rate will be included in this category.*

B. **Table 2** applies this distribution to $100 as an example. Note that PI IDC distribution only applies to the lead PI on the award – the College encourages the lead PI to share their IDC funds with co-PIs/co-Is, but this will be done at the lead PI's discretion and handled at the unit level (see footnote # 1 above for multi-PI awards).

Table 2: Examples for IDC distribution based on every $100 of IDC

Annual MTDC/PI	***Overall IDC rate on grant***	***IDC Distribution for every $100 based on $37.50 retained by College*** *(values rounded to nearest $0.01)*		
		$ distributed to College	***$ distributed to unit***	***$ distributed to PI***
$501,000	≥ 46%	$15.93	$15.93	$5.64
$275,000	≥ 46%	$16.875	$16.875	$3.75
$501,000	26%	$16.875	$16.875	$3.75
$200,000	26%	$17.81	$17.81	$1.88
$500,000	10%	$17.81	$17.81	$1.88

Please note that awards with IDC distributed to multiple units will be returned in accordance with the MOU, with the College providing their standard distribution to the lead PI per Table 1.

Cost-share and 'in-kind' contributions on grant awards from the College are provided in large part from anticipated IDC returns for that award. Thus, grants with these contributions are handled on an ad hoc basis in consultation with PI, Chair/Director, and Dean's Academic Leadership Team. Any commitments from the College are anticipated to be split with the PI's unit(s) and will negate any IDC sharing with PI for that award.

IV. IDC DISTRIBUTION FOR EXTRAMURAL AWARDS - Post-Doctoral Fellows and Fellows Recently Advanced to Research Faculty

Several funding opportunities exist to support the research/scholarship of post-doctoral fellows, and these can often be the first step in building a relationship with the funding agency. If IDC is provided on these awards, it is typically less than the University's

lowest regular IDC rate (i.e., 26%). In contrast to faculty and graduate students, these individuals are typically supported on grants for 100% of their effort while at USC.

A. **Incentivize Postdoctoral Fellows**

To incentivize postdoctoral fellows to pursue extramural funding, 50% of the College's net IDC return (i.e., after the RCM budget allocations/fees are removed) will be distributed to the PI/Fellow as outlined in **Table 3**. Distribution using $100 as an example is shown in **Table 4**. Please note that CAS leadership encourages the unit to also share their portion of the IDC with the fellow, but that is a unit-level decision.

1. Occasionally, post-doctoral fellows are advanced to non-tenure track research faculty positions to advance their career stage and provide them with more flexibility in developing independent projects and pursuing extramural funding. Research Assistant Professors in rank for ≤ 3 years ('research grant positions/RGP' only) will be included in this IDC distribution plan.

2. In the event that a fellow or recently advanced research assistant professor is awarded a grant at full IDC as PI, their IDC distributions will revert to the IDC distribution as outlined in **Table 1**.

Table 3: IDC Return for Post-doctoral fellows and recently advanced research faculty

Grant/Fellowship	*% of College IDC returned to PI*
Single award @ < 26% IDC	25 %
Single or multiple awards @ ≥ 26% IDC	*Refer to Table 1*

** College Leadership encourages units to also share their portion of the IDC return with post-doctoral fellow/research faculty.*

Table 4: Examples for IDC distribution based on every $100 of IDC to Post-doctoral fellows and recently advanced research faculty

Annual MTDC	***Overall IDC rate on grant***	***IDC Distribution for every $100 based on $37.50 retained by College*** *(values rounded to nearest $0.01)*		
		$ distributed to College	***$ distributed to unit***	***$ distributed to PI***
N/A	< 26%	$9.37	$18.75	$ 9.38
N/A	≥ 26%	*Reverts to distribution indicated in Table 1*		

V. Use of N account funds

Each investigator will have a separate N account where IDC will be transferred when IDC distributions are made by their unit on a semi-annual basis. As noted above, the use of N account funds is subject to university and state regulations but is not restricted to the fiscal year (FY) in which it was received. The department or school will be responsible for making the fund transfers, monitoring spending on N accounts, and ensuring that funds are not overspent – overspending will be the responsibility of the department or school to resolve. Of note, N account funds can be used to resolve overspending on grant awards (and RISK accounts) that occurred in FY22 and thereafter.