



Fact Sheet: Indirect Rate for CESU Partners

Cooperative Ecosystem Studies Units (CESUs) provide research, technical assistance, and education to federal land management, environmental, and research agencies and their partners. Their broad scope includes the biological, physical, social, cultural, and engineering disciplines needed to address natural and cultural resource management issues at multiple scales and in an ecosystem context. There are seventeen CESUs, each composed of federal agencies, a host university, and partner institutions, which are linked together in a CESU network.

The CESU Network is coordinated by the CESU Network Council; it includes a representative from each of the fifteen federal agencies who signed a Memorandum of Understanding (MOU) to participate in the network. The Council sets policies and issues guidance to the CESU members.

The CESU Network Council policies include establishing a single indirect cost rate that is consistently applied to all CESU projects. The federal agency pays an indirect cost to cover the non-federal partner's facilities and administrative costs; it is not a profit. Indirect costs include things like facilities operations and maintenance, equipment use, clerical staff salaries, supplies, and student administrative services.

In 1999, the CESU Network Council set the indirect cost rate at 15%. On May 1, 2004, the Council raised the rate to 17.5%.¹ Some federal agencies are exempted from this because their indirect cost rate is established by law. For example, the USDA Forest Service cannot reimburse "state cooperative institutions" for indirect costs, pursuant to 7 USC 3103(16) and 7 USC 3319. The USDA Natural Resource Conservation Service indirect rate is limited to 10% for colleges, universities, and other nonprofit organizations pursuant to Section 705 of P.L. 111-8.

Outside the CESU Network, a federal agency and nonfederal partner may individually negotiate the indirect cost rate, with some limitations. The CESU overhead rate is far below the national average. A recent study analyzed the facilities and administrative costs at 163 schools with published rates and found that the average indirect cost rate was 48.2%.² The savings that the CESU overhead rate provides often means that more federal dollars are going to actual project costs incurred by the researcher and students during the project such as salaries, travel to the field site, supplies, printing, and mailing. The nonfederal partner can count this reduction in overhead as a match to the federal dollars.



■ CESUs stretch federal dollars.

The CESU facilities and administrative rate is 17.5%. A recent study found that the average indirect cost rate was 48.2% (the average for private universities was 54.4% and for public universities was 46.5%). Above, a researcher measures a cottonwood tree at Sand Creek Massacre National Historical Site. (Lisa Gerloff, Rocky Mountains CESU)

¹ See CESU Council memorandum dated June 12, 2003, available at www.cesu.org.

² See, 2009, Martha Lair Sale and R. Samuel Sale, *Indirect Cost Rate Variation for University Research: An Empirical Investigation of Overhead Rate Determinants* (Academic and Business Research Institute conference proceedings, www.aabri.com).