

NORCO COLLEGE

INDIRECT REINVESTMENT PROCESS

Est. 11-2018

Preamble

Norco College intends to increase college-going rates and college-completion rates, thus changing the trajectory of our students' lives and the trajectory of our surrounding communities. To expand this effect dramatically, part of our strategy must include intentionally building a college campus that is larger, beautifully constructed to stimulate social interaction, and designed to generate academic success. The Strategic Development staff should be funded by our fundraising efforts as much as possible and fundraising success towards our \$800 million goal will require proportionate growth in the Strategic Development area.

Definitions: Direct vs Indirect Costs

Every sponsored project has both Direct and Indirect Costs. The direct costs are those that can be specifically and easily identified with a particular project or activity (e.g. instructional equipment or staff) and are allowable under the sponsoring organizations guidelines. Indirect costs¹ are those costs that are incurred for joint objectives across projects, and cannot be specifically and easily identified with a particular sponsored project, an instructional activity, or any institutional activity. These costs, sometimes called "facilities and administrative costs (F&A)" or "overhead," cannot be claimed as direct costs.

Indirect costs are not profit. Instead, they are part of the real costs of securing, reporting, and/or conducting resource generation activities. Indirect costs may include building and equipment depreciation and use allowance; strategic development administration; departmental, sponsored program, and sponsored project administration expenses; interest; endowment growth; reinvestment into college initiatives; and/or operation and maintenance expenses. The terms "indirect" and "administration fee" are used synonymously.

Pre-Established Indirect Rates

A number of indirect rates already exist throughout the district:

- The Riverside Community College District Foundation has established a 5% administration fee on all private gifts. The only exception is when the funding agency has a written policy that they do not allow/fund indirects.
- Riverside Community College District has negotiated with the Department of Health and Human Services to establish an approved indirect rate to support grants and contracts with the Federal Government. This rate is 37.5% for on-campus programs and is 18% for off-campus programs (e.g. grants within the RCCD Office of Economic Development).
- [BP/AP 3280](#) (Section 1.7) requires a minimum 10% indirect rate to be charged to grants unless alternatively prescribed by the funding agency to be lower (e.g. CA grants at 4%) or larger (e.g. NSF grants at 37.5%).
- District Split: Currently, our district office keeps 17% of all indirects received from state and federal grants (not private donations or appropriations) to support human resources, payroll, purchasing, IT and other district services. The balance (83%) remains with Norco College.

Norco College Indirect Rate

In compliance with BP/AP 3280 (grants) and BP/AP 3820 (gifts), and as an administrative fee to help cover already subsidized costs and our real expenses associated with executing/implementing project workplans, Norco College establishes a minimum 10% indirect rate on all grants, non-scholarship private donations directed to a programmatic fund, and appropriations. This 10% indirect may only be applied on gifts through the RCCD Foundation when provided in the

¹ According to the federal Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards issued by the Office of Management and Budget (Uniform Guidance)

initial gift agreement, donor specifications, or approved workplan proposal. Exceptions to applying an indirect rate or administrative fee include:

- Some private foundations do not permit/fund indirect costs. To increase the College's ability to secure gifts/grants from private sources, Strategic Development may waive applying an indirect rate, or may reduce the percentage, on a case-by-case basis (regardless if the RCCD Foundation receives a 5% administrative fee).
- If alternatively prescribed by the funding agency to apply a lower or higher indirect rate.
- The RCCD Foundation manages accounting functions on nearly all philanthropic money received from private sources. As our district's 501c3 entity, they receive, hold, invest, and manage money from private sources in scholarship, unrestricted, and programmatic accounts. Gifts given to the Foundation shall not incur any additional fee/rate, however grants may. For example: Norco College shall not add any additional indirect on scholarship gifts or scholarship endowments on top of the RCCD Foundation's 5% administration fee, however an additional 5% indirect is appropriate in addition to RCCD Foundation's 5% fee on grants requiring substantial coordination of Norco College employees such as a James Irvine Foundation grant.
- Grants/gifts given to the college not received through the RCCD Foundation shall not incur an indirect from the Foundation and in those instances (e.g. state appropriations) Norco College may charge up to a 10% indirect.
- Allocations from the state that are not coordinated or supported via Strategic Development (e.g. our annual CalWorks allocation) shall not have an indirect rate. All such funds go directly to the unit to support program logistics and expenditures.
- Norco College may elect to waive or reduce our indirect fee after discussion with the affected unit, Strategic Development, and our Executive Cabinet (e.g. Veterans Resource Center appropriation)

College Allocation

From either a) the remaining 83% of indirects that we may internally allocate after the district split from state and federal grants, b) the entire indirect amount received from legislative appropriations, or c) the entire indirect amount received from private/foundation gifts above the RCCD Foundation's administrative fee, Norco College shall reinvest 50% of indirects back into raising additional funds via the Strategic Development unit to increase our college-wide capacity for external revenue generation. The total indirect split for state and federal grant revenue would be 17% District, 41.5% College, and 41.5% Strategic Development, and the total indirect split for all other revenue would be 50% College, and 50% Strategic Development.

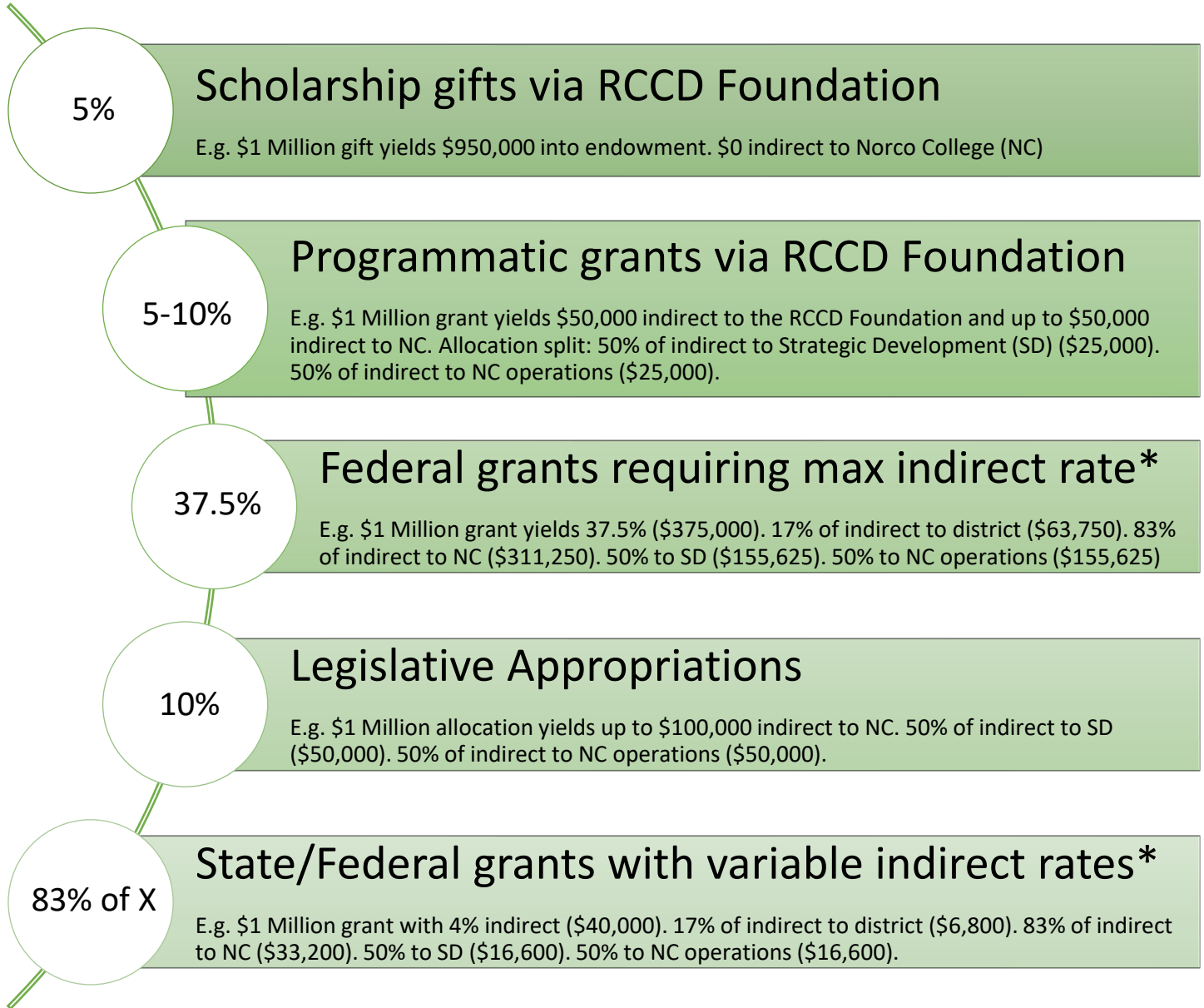
The college shall avoid accounting for, or spending, indirects that may need to be returned to the funding agency or may never be realized due to the unspent grant funds by the sponsoring department. Therefore, the process for allocating Norco College's shared indirect will be as follows: At such time the Norco College Business Services Office receives the college's portion of indirect, only then shall the share due Strategic Development and the share due to the college's holding account be transferred into the budget account established for those specific purposes, but not before.

Transparency & Accountability

Norco College values the clear communication of our soft money expenditures and the reinvestment of our indirect funds into increasing external revenue to support our college programs/services. In a spirit of transparency and accountability, ISPC has requested an annual report of our indirect spending and our one-time holding account, so that the college community knows where, and how, our indirect and one-time accounts are reinvested.

NORCO COLLEGE INDIRECT RATES

INDIRECT REVENUE EXAMPLES BY SOURCE



X = ALLOWABLE INDIRECT RATE AS STATED BY THE FUNDING AGENCY

* EXAMPLES ARE FOR ILLUSTRATIVE PURPOSES ONLY AND DO NOT FULLY ACCOUNT FOR REDUCTIONS IN RECEIVED INDIRECT DUE TO UNDERSPENT AWARDS, DRAWDOWNS, RESTRICTIONS WRITTEN INTO GRANT AGREEMENTS, NOR SUB AWARD AGREEMENTS. DISTRICT OFFICE RECEIVES 17% OF STATE/FEDERAL GRANT INDIRECT REVENUE.