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Chapter VI - Allowability of Costs

This chapter covers the general applicability of Federal cost principles to NSF cost reimbursement grants, including a discussion of selected items of cost and description of NSF prior approval requirements. It consists of the following topics:

[600 BASIC CONSIDERATIONS](#)

[610 DIRECT COSTS](#)

[620 OTHER DIRECT COSTS](#)

[630 INDIRECT COSTS](#)

[640 FEE PAYMENTS UNDER NSF GRANTS](#)

600 BASIC CONSIDERATIONS

Expenditures under NSF cost reimbursement grants are governed by the Federal cost principles and must conform with NSF policies, grant special provisions and grantee internal policies. Grantees should ensure that costs claimed under NSF grants are allowable, allocable, and reasonable. In the event a grantee anticipates charging an item of direct cost that might subsequently be disputed, an authorized official of the grantee organization should discuss the matter with the cognizant NSF Grants Officer and document the conditions or factors surrounding the item in order to avoid possible subsequent disallowance.

601 Federal Cost Principles

601.1 Applicability to Grantees

The governing Federal cost principles applicable to specific types of grantees are as follows:

Type of Organization	Applicable Federal Cost Principles
Educational Institutions	OMB Circular A-21
Non-Profit Organizations	OMB Circular A-122
State/Local Governments	OMB Circular A-87
Commercial Firms	Federal Acquisition Regulation (FAR), Part 31

601.2 Applicability to Subrecipients

Grantees are responsible for assuring that costs of all subawards under NSF grants are subject to those cost principles and procedures appropriate to the subaward type and organization involved. For example, if the subaward is a cost reimbursement type with a commercial concern, FAR Subpart 31.2 would apply.

601.3 Conflicting Guidelines

In the event of any discrepancy between the summary information contained in this chapter and any specific provision of the applicable Federal cost principles, the cost principles in effect as of the effective date of the NSF grant will govern. In the case of a discrepancy between the special provisions of an NSF grant and the standards of the applicable cost principles, the special provisions of the grant will govern.

602 Other Considerations

602.1 Maximum Obligation

The maximum obligation of NSF for support of the project will not exceed the amount specified in the grant, as amended. NSF does not amend grants to provide additional funds for such purposes as reimbursement for unrecovered indirect costs resulting from the establishment of final negotiated rates or for increases in salaries, fringe benefits and other costs.

602.2 Pre-Award Costs

- a. Grantees may incur allowable pre-award costs within the 90 day period immediately preceding the effective date of the grant providing:
 1. The approval of pre-award spending is made and documented in accordance with the grantee's procedures.
 2. The advanced funding is necessary for the effective and economical conduct of the project.
- b. Pre-award expenditures are made at the grantee's risk. Grantee authority to approve pre-award costs does not impose an obligation on NSF: (1) in the absence of appropriations; (2) if an award is not subsequently made; or (3) if an award is made for a lesser amount than the grantee anticipated.
- c. Requests for pre-award costs for periods exceeding 90 calendar days must be submitted electronically via use of the Notification and Request module in FastLane. Pre-award expenditures prior to funding of an increment within a continuing grant are not subject to this limitation or approval requirement but are subject to paragraph b. above.

602.3 Post-Expiration Costs

NSF funds may not be expended subsequent to the expiration date of the grant except to liquidate valid commitments that were made on or before the expiration date. (See [GPM 452, "Final Disbursement Reporting," \(gpm4.jsp#452\)](#) and [GPM 617, "Publication, Documentation and Dissemination" \(gpm6.jsp#617\)](#).) For example, commitment of project funds is valid when specialized (research) equipment is ordered well in advance of the expiration date but where, due to unusual or unforeseen circumstances, delivery of such equipment is delayed beyond the expiration date. The costs of equipment ordered after the expiration date, however, may not be charged to the project.

603 Prior Approval

603.1 OMB Directive

NSF has waived most cost related and administrative prior approvals required by OMB Circulars A-21 and A-110. Grantees should refer to the general conditions referenced in the grant, and [GPM Exhibit III-1 \(ex3_1.pdf\)](#) for information on NSF required prior approvals.

603.2 NSF Prior Approval Policy

- a. The funding of items identified in budget constitutes NSF's authorization for the grantee to incur these costs, provided there is not a specific limitation in the grant language and the costs are otherwise allowable under the cost principles.
- b. Costs not specifically budgeted in an NSF award may be allowable provided that prior approval is not required and costs are incurred consistently with the applicable cost principle.

610 DIRECT COSTS

The following subsections summarize the allowability of frequently encountered direct cost items in the order they appear in the grant budget.

611 Salaries, Wages and Fringe Benefits

611.1 Salaries and Wages

- a. All Grantees. All remuneration paid currently or accrued by the organization for employees working on the NSF-supported project during the grant period is allowable to the extent that:
 1. Total compensation to individual employees is reasonable for the work performed and conforms to the established policy of the organization consistently applied to both government and non-government activities.
 2. The charges for work performed directly under NSF grants and for other work allocable as indirect costs are determined and documented as provided in the applicable Federal cost principles.
- b. Colleges and Universities. Section J.10 of OMB Circular A-21 establishes criteria for compensation work performed on government projects by faculty members during and outside the academic year.

NSF's policy is:

1. Academic Year Salaries. To be based on the individual faculty member's regular compensation for the continuous period which, under the policy of the institution concerned, constitutes the basis of his/her salary. Except as provided in [GPM 616.2, "Intra-University Consulting," \(gpm6.jsp#616.2\)](#) charges to Federal grants, irrespective of the basis of computation, will not exceed the proportionate share of the base salary for that period.
2. Periods Outside the Academic Year. During the summer months or other periods not included in the period for which the base salary is paid, salary is to be paid at a monthly rate not in excess of the base salary divided by the number of months in the period for which the base salary is paid. NSF policy on funding of summer salaries (known as NSF's two-ninths rule) remains unchanged: proposal budgets submitted should not request, and NSF-approved budgets will not include funding for an individual investigator which exceeds two-ninths of the academic year salary. This limit includes summer salary received from all NSF-funded grants.
3. Sabbatical Leave. Unless there are special conditions in an applicable NSF program solicitation or in the grant, charges to an NSF grant for services rendered to the project by an individual during his/her sabbatical period are allowable provided that such compensation is:
 - a. Proportional to the service rendered.
 - b. In accordance with established institutional sabbatical policies regardless of source of funds; and
 - c. At a rate which, when added to the individual's sabbatical salary rate, does not exceed the individual's base salary rate for the individual's most recent academic year or equivalent prior period.

NSF salary support during sabbatical periods is only intended to make up the difference between sabbatical rate of pay and the individual's base salary rate for periods during which the individual is performing work on an NSF-sponsored project.

611.2 Fringe Benefits

Fringe benefits are allowable as a direct cost (if not included as an indirect cost) in proportion to the salary charged to the grant, to the extent that such payments are made under formally established and consistently applied organizational policies.

612 Equipment

612.1 Related Equipment Guidelines

Additional NSF guidelines on equipment are found in [GPM 540, "Property Management Standards." \(gpm5.jsp#540\)](#)

612.2 Definitions

The following definitions, derived from OMB Circulars A-110 and A-21, apply to all NSF grants (or amendments thereto):

- a. ACQUISITION COST OF EQUIPMENT means the net invoice price of the equipment, including the cost of modifications, attachments, accessories or auxiliary apparatus necessary to make the property usable for the purpose for which it was acquired. Other charges, such as the cost of installation, transportation, taxes, duty or protective in-transit insurance, should be included in the unit acquisition cost consistent with the grantees regular accounting practices.
- b. EQUIPMENT means tangible nonexpendable personal property including exempt property charged directly to the grant having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. However, consistent with grantee policy, lower limits may be established.
- c. GENERAL PURPOSE EQUIPMENT means permanent equipment (as defined in b., above) that is usable for other than research, medical, scientific or technical activities, whether or not special modifications are needed to make it suitable for a particular purpose. Examples of general purpose equipment include office equipment and furnishings, air conditioning equipment, reproduction and printing equipment, motor vehicles and computer equipment.
- d. SPECIAL PURPOSE EQUIPMENT means permanent equipment (as defined in b., above) which is usable only for research, medical, scientific or technical activities. Examples of special purpose equipment include microscopes, x-ray machines, specialized drilling equipment, spectrometers, and diamond knives.

612.3 Special Purpose Equipment

Expenditures for special purpose equipment are allowable as direct costs provided the acquisition of items with a unit cost of \$5,000 or more is:

- a. Necessary for the research or activity supported by the grant.
- b. Not otherwise reasonably available and accessible.
- c. Of the type normally charged as a direct cost to sponsored agreements.
- d. Acquired in accordance with organizational practice.

NSF review and approval is required for all equipment purchases by small businesses or other commercial organizations.

612.4 General Purpose Equipment

Expenditures for general purpose equipment are normally unallowable unless the equipment is primarily or exclusively used in the actual conduct of research. NSF review and approval is required for all equipment purchases by small business or other commercial organizations.

613 Materials and Supplies

Materials and supplies are defined as tangible personal property other than equipment, costing less than \$5,000, or other lower threshold consistent with grantee policy. Materials and supplies that are necessary to carry out the project are allowable as prescribed in the governing cost principles.

614 Travel Costs

- a. Expenses for transportation, lodging, subsistence and related items incurred by project personnel and by outside consultants employed on the project (GPM 616.1, "Outside Consultants" (gpm6.jsp#616.1)) who are on travel status on business related to an NSF-supported project are allowable as prescribed in the governing cost principles. The requirements for prior approval detailed in the governing cost principles are waived.
- b. Except as provided in the governing cost principles, the difference between economy airfare and a higher-class airfare is unallowable. A train, bus or other surface carrier may be used in lieu of or as a supplement to air travel at the lowest first-class rate by the transportation facility used. However, if such travel could have been performed by air, the allowance will not normally exceed that for jet economy airfare.
- c. Foreign travel costs of dependents of key project personnel is allowable provided the:
 1. Individual is a key person who is essential to the research on a full-time basis.
 2. Individual's residence away from home and in a foreign country is for a continuous period of six months or more and is essential to the effective performance of the project.
 3. Dependent's travel allowance is consistent with the policies of the organization administering the grant.
- d. For restrictions concerning the use of non-US flag carriers while on foreign travel see GPM 761, "Travel to Foreign Countries." (gpm7.jsp#761)

615 Computer Costs

The costs of services involving the use of highly complex or specialized facilities operated by the organization, such as computing facilities, are allowable provided the charges meet the conditions of the governing cost principles. Awardees should address lease versus purchase factors as required by OMB Circular A-110 Subpart C.44, "Procurement Procedures." <<http://www.whitehouse.gov/omb/circulars/a110/a110.html#44>>

616 Consultant Services

616.1 Outside Consultants

- a. Grantees normally are expected to utilize the services of their own officers or employees to the maximum extent in managing and performing the activities supported by NSF grants. Where it is necessary for a grantee to enter into a subaward for the services of persons who are not its officers or employees, it is expected to do so in accordance with written organizational standards which provide for consideration of the factors outlined in the governing cost principles.
- b. If the need for consultant services is anticipated, the proposal narrative should provide appropriate rationale, and the summary proposal budget should estimate the amount of funds that may be required for this purpose. To the extent possible, consultant rates should show separate amounts for actual services and each of the components of the rate (such as fringe benefits, indirect costs, and other expenses).
- c. Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill and who are not officers or employees of the performing organization are allowable when reasonable in relation to the services rendered. However, payment for a consultant's services may not exceed the daily equivalent of the then current maximum rate paid to an Executive Schedule Level IV Federal employee (exclusive of indirect cost, travel, per diem, clerical services, fringe benefits and supplies).

d. In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors, among others, are relevant:

1. The nature and scope of the service rendered in relation to the service required.
2. The necessity of issuing a subaward for the service considering the organization's capability in the particular area.
3. The past pattern of such costs, particularly in the years prior to the award of government contracts and grants.
4. The impact of government contracts and grants on the organization's total activity (e.g., what new problems have arisen).
5. Whether the proportion of government work to the organization's total activity is such as to influence the organization in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under government contracts and grants.
6. Whether the service can be performed more economically by employment rather than by consulting.
7. The qualifications of the individual or concern rendering the service and the normal/customary fees charged and received by the individual for comparable services, especially on non-government contracts and grants.
8. Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation and termination provisions).

e. In addition, retainer fees to be allowable must be supported by evidence of bona fide services available or rendered.

f. Costs of legal, accounting and consulting services and related costs incurred in connection with organization and reorganization, defense of antitrust suits and the prosecution of claims against the government are unallowable. Costs of legal, accounting and consulting services and related costs incurred in connection with patent infringement litigation are unallowable unless otherwise provided for in the grant.

g. Grantees may hire consultants not identified in the grant proposal or award, provided:

1. It is in accordance with written organizational standards.
2. Grant funds are reallocated in accordance with the grantee's policies which are consistent with the governing cost principles.
3. It is within the limits of the grant funding.

616.2 Intra-University Consulting

Since intra-university consulting is assumed to be undertaken as a university obligation requiring no compensation in addition to full-time salary, the principles summarized in [GPM 611, "Salaries, Wages and Fringe Benefits," \(gpm6.jsp#611\)](#) also apply to those who function as consultants or otherwise contribute to a project conducted by another faculty member of the same institution. However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the consultant is in addition to his/her regular appointment, any charges for such work representing extra compensation above the salary are allowable if consistent with established university policy and the applicable cost principles.

616.3 Federal Employees

Employees of the Federal government (other than NSF) may be utilized as lecturers or staff members on a project and may receive compensation and/or expenses if they obtain prior approval from their agencies to participate, and if services to the project are performed outside their regular working hours or while they are on leave status from official duties.

Under no circumstances may NSF employees receive compensation from an NSF-supported project.

617 Publication, Documentation and Dissemination

- a. Costs of documenting, preparing, publishing, disseminating and sharing research findings and supporting material are allowable charges against the grant.
- b. Page charges for scientific and engineering journal publication are allowable where:
 1. The research papers report work supported by NSF.
 2. The charges are levied impartially on all research papers published by the journal, whether by non- government or by government authors.
- c. GPM 452, "Final Disbursement Reporting." ([gpm4.jsp#452](#)) permits a grantee to transfer from the grant account to an institutional account an amount equal to valid unpaid obligations outstanding at the time a grant expires. Grantees should refer to this section if it has incurred valid commitments for the costs of publication or sharing of research results and it is not possible to affect an actual payment for such charges by the time the final disbursements are due.

618 Participant Support Costs

618.1 General

- a. Participant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with meetings, conferences, symposia or training projects.
- b. Funds provided for participant support may not be used by grantees for other categories of expense without the specific prior written approval of the cognizant NSF Program Officer. Therefore, awardee organizations must account for participant support costs separately.
- c. Participant support allowances may not be paid to trainees who are receiving compensation, either directly or indirectly, from other Federal government sources while participating in the project. A non-NSF Federal employee may receive participant support allowances from grant funds provided there is no duplication of funding of items and provided no single item of participant cost is divided between his/her parent agency and NSF grant funds.
- d. Additional guidelines are found at GPM 734, "Dissemination and Sharing of Research Results." ([gpm7.jsp#734](#)) and GPM 740, "Publication/Distribution of Grant Materials." ([gpm7.jsp#740](#))

618.2 Stipends or Subsistence Allowances

To help defray the costs of personal maintenance while participating in a conference or training activity, participants may be paid a stipend, per diem or subsistence allowance, based on the type and duration of the activity, as outlined in the pertinent program solicitation and in the grant. Such allowances must be reasonable, in conformance with the usual policy of the grantee organization and limited to the days of attendance at the conference plus the actual travel time required to reach the conference location by the most direct route available. Where meals or lodgings are furnished without charge or at a nominal cost (e.g., as part of the registration fee), the per diem or subsistence allowance will be correspondingly reduced. Although local participants may participate in conference meals and coffee breaks as provided for in GPM 625, "Meetings and Conferences," ([gpm6.jsp#625](#)) grant funds may not be used to pay per diem or similar expenses for local participants in the conference.

618.3 Travel Allowances

- a. Travel costs of participants may be allowable as outlined in the pertinent program solicitation and in the grant. If so, the restrictions regarding class of accommodations (see GPM 614, "Travel Costs" ([gpm6.jsp#614](#))) and use of U.S.-flag air carriers (see GPM 761, "Travel to Foreign Countries" ([gpm7.jsp#761](#))) are applicable.

- b. In training activities that involve field trips, costs of transportation of participants are allowable.

620 OTHER DIRECT COSTS

621 Rearrangements and Alterations

- a. Except under certain programs, NSF does not normally make grants for construction or facility improvements. However, rearrangement and alteration costs that do not constitute construction (i.e., rearrangements and alterations aggregating less than \$25,000) may be allowable under NSF grants to adapt space or utilities within a completed structure to accomplish the objective of the NSF-supported activity, provided that:
1. The grantee is not an individual or a foreign institution.
 2. The building has a usable life consistent with project purposes and is architecturally suitable for conversion.
 3. The rearrangement and alteration are essential to the project supported by the grant.
 4. The space involved will actually be occupied by the project. In situations where the space is rented, in order for the costs of the rearrangement and alteration to be allowable, the grantee must secure a lease for the length of the project. (See GPM 623, "Rental or Lease of Facilities or Special Purpose Equipment" (gpm6.jsp#623).)
- b. Rearrangements and alterations under \$25,000 may be approved by grantees. For rearrangements and alterations expenditures exceeding \$25,000, the grantee must request prior approval from NSF via use of the Notification and Request module in FastLane. Otherwise, any plans for such rearrangement or alteration should be clearly set forth in the proposal. If approved by NSF, such approval will be indicated in the grant. Note that Appendix A, Contract Provisions, of OMB Circular A-110 contains various requirements concerning contracts for construction or repair in excess of \$2,000.

622 News Release Costs

In amplification of the provisions of the various cost principles regarding public information service costs, the cost of news releases announcing the results of an NSF-supported project is allowable. In the event the performing organization wishes to join with NSF in a simultaneous news release, arrangements may be made through the NSF's Office of Legislative and Public Affairs, Public Affairs Group, telephone (703) 292-8070 (see GPM 812.1, "Press Releases" (gpm8.jsp#812.1)).

623 Rental or Lease of Facilities or Special Purpose Equipment

- a. Normally the grantee is expected to make appropriate facilities available without direct charge to grant funds. However, on occasion, it is necessary to use facilities not under the control of the grantee. Rental of space off-site may be allowable, for example, for a research project if laboratory facilities or other work areas of a type or coverage not normally available to the grantee are required.
- b. Rental of special purpose equipment is allowable. See also GPM 615, "Computer Costs." (gpm6.jsp#615)

624 Relocation Costs

- a. Relocation costs may be charged to an NSF grant as another direct cost in accordance with the applicable governing cost principles provided that:
1. A proposal for NSF support specifically indicates that the grantee intends to hire a named individual for full-time work on the project.
 2. Such recruitment action is not disapproved by the grant terms.

3. the prospective employee or visiting staff member:
 - a. is essential to the project on a full-time basis for a continuous period of at least twelve months; and
 - b. is regularly located at a place sufficiently removed from the project site that his/her employment necessitates the change.
- b. The amount of actual reimbursement should be in accordance with the grantee's established policy or practice which:
 1. Is in conformance with the applicable governing cost principles.
 2. Has been approved by the cognizant governing audit agency.
 3. Is consistently applied.

625 Meetings and Conferences

The points below summarize the allowability of various items of cost associated with conferences, symposia, workshops or other meetings supported by an NSF grant. Any costs charged to an NSF grant also need to be reasonable and directly allocable to the supported activity. Meeting and conference costs identified below are only allowable if such costs are specifically and clearly identified in the proposed scope of work and budget, as modified and approved by NSF. NSF funds are not otherwise to be spent for meals or coffee breaks for intramural meetings of an organization or any of its components, including, but not limited to, laboratories, departments and centers.

- a. Conference Facilities. Rental of facilities and necessary equipment is allowable. (See [GPM 623, "Rental or Lease of Facilities or Special Purpose Equipment" \(gpm6.jsp#623\)](#).)
- b. Supplies. Purchase of expendable materials and supplies necessary for the meeting is allowable.
- c. Conference Services. Costs of translation services and of recording and transcribing the proceedings are allowable.
- d. Publication Costs. Costs of publishing the proceedings are allowable if approved in the grant.
- e. Salaries. Salaries of professional personnel, editorial and clerical assistants and other staff members are allowable in accordance with [GPM 611, "Salaries, Wages and Fringe Benefits," \(gpm6.jsp#611\)](#) in proportion to the time or effort devoted to the preparation and conduct of the conference and summarizing its results.
- f. Consultant Services and Speaker Fees. Reasonable fees and travel allowances and per diem (or meals provided in lieu of per diem) are allowable as prescribed in [GPM 614, "Travel Costs," \(gpm6.jsp#614\)](#) and [GPM 616, "Consultant Services." \(gpm6.jsp#616\)](#)
- g. Meals and Coffee Breaks. When certain meals are an integral and necessary part of a conference (e.g., working meals where business is transacted), grant funds may be used for such meals. Grant funds may also be used for furnishing a reasonable amount of hot beverages or soft drinks to conference participants and attendees during periodic coffee breaks.
- h. Participant Support Costs. Participant support costs allowable as prescribed in [GPM 618, "Participant Support Costs." \(gpm6.jsp#618\)](#) (See also [GPM 633.2, "Exceptions to Basic Policy." \(gpm6.jsp#633\)](#))
- i. Entertainment. Costs of entertainment, amusement, diversion and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation and gratuities) are unallowable. Expenses of awardee employees who are not on travel status, serving as hosts, or otherwise participating at meals that are primarily social occasions are not allowable. Costs of employees on travel status are limited to those allowed under the governing cost principles for travel expenses (see [GPM 614, "Travel Costs" \(gpm6.jsp#614\)](#)).
- j. Alcoholic Beverages. No federal funds may be spent on alcoholic beverages.

630 INDIRECT COSTS

631 Background

As authorized by statute (41 USC §254a) and Comptroller General decision (B-157584) and recommended by governing cost principles, NSF has elected to use predetermined fixed overhead rates where appropriate. When NSF elects not to use predetermined fixed rates, the grant will indicate the type of indirect cost rate applicable to the award.

632 Indirect Costs in Proposals for NSF Support

Each proposal for NSF support of a project should include a budget indicating the total dollar amount requested from NSF with subtotals for direct and indirect costs. The amount for indirect costs should be calculated by applying the current Federally negotiated indirect cost rate(s) to the approved base(s). For grantees that do not have a current negotiated rate agreement with a cognizant Federal agency, its business officer should prepare an indirect cost proposal based on expenditures for its most recently ended fiscal year. If the proposal is recommended for funding, the grantee will be required to provide its indirect cost proposal to support the budgeted indirect rate. The contents and financial data included in indirect cost proposals vary according to the make-up of the proposing organization. Guidelines for preparing an indirect cost proposal are available at <https://www.nsf.gov/bfa/dias/caar/indirect.jsp> <<https://www.nsf.gov/bfa/dias/caar/indirect.jsp>>. Grantees submitting a proposal to NSF for the first time are encouraged to request guidance from the Cost Analysis and Audit Resolution Branch.

633 NSF Policy

633.1 Basic Policy

- a. It is NSF policy that grantees are entitled to reimbursement from grant funds for indirect costs except where specifically excluded by [GPM 633.2, "Exceptions to Basic Policy," \(gpm6.jsp#633.2\)](#) or when the grantee waives entitlement to full reimbursement of indirect costs voluntarily. Also, some types of awarded indirect cost rates limit full recovery (i.e., maximum provisional rates).
- b. The awarded indirect cost rate is generally based upon a grantee current Federally negotiated indirect cost rate agreement. When establishing an indirect rate for an award where the grantee does not have a current negotiated rate agreement, NSF will consider the rate proposed in the budget, the grantees indirect cost proposal submission, the amount of total funding requested and other pertinent financial factors. Since some types of rates limit indirect cost recoveries and require adjustments, grantees receiving awards should ensure that they understand the type of indirect cost rate applicable to the award. Types of indirect cost rates used on NSF awards are as follows:
 1. **Maximum Provisional Rate:** A maximum provisional rate is a temporary rate established for an award to permit funding and reporting of indirect costs pending establishment of a final rate (the rate determined at the end of an accounting period using actual direct and indirect cost data). This type of rate limits indirect cost recoveries to the lower of the maximum provisional rate established at the time of award, or the final rate established at the end of an accounting period. Grantees awarded maximum provisional rates are required to submit indirect cost proposals to the NSF Cost Analysis and Audit Resolution Branch within six months after the close of each fiscal year during which the award is active.
 2. **Predetermined Fixed Rate:** A predetermined fixed rate is a permanent funding rate established for an award based on an estimate of costs for that period. Grantees may charge NSF projects at the rate(s) stipulated in the award. However, should negotiations between the organization and the cognizant Federal agency result in changes in the approved indirect cost rate not reflected in the NSF award, the grantee may charge NSF projects at the newly negotiated rate in effect at the time direct cost expenditures are made, provided that this method of charging indirect costs is consistently applied and meets generally accepted accounting principles; and provided further that to do so would not:

- a. Reduce or adversely affect the scope of the project.
 - b. Result in increased costs over the NSF award amount during the award period.
 - c. Decrease the period of support as contemplated in the award.
 - d. Be inconsistent with any special indirect cost provision of the award.
3. Fixed Rate: A fixed rate is similar to a predetermined fixed rate in that it is a permanent rate established for an award based on an estimate of costs for the award period. However, a fixed rate is fixed both for funding and reimbursement. When NSF funds an award using a fixed indirect cost rate, the grantee may recover indirect costs from grant funds at no more than the fixed rate established for the award.
4. Fixed Dollar Amount: A fixed dollar amount limits grantees to the □amount□ of indirect costs specified in the approved budget. A fixed indirect dollar amount is not subject to adjustment.
- c. NSF will not amend a grant solely to provide additional funds for changes in indirect cost rates.
- d. NSF will generally fund continuing grant increments and supplemental support at the indirect cost rate(s) approved at the time of the initial award. (See [GPM 260, "Additional Funding Support."](#) ([gpm2.jsp#260](#)))
- e. When a project involves off-campus (off-site) activities, NSF normally will fund the indirect cost amount on the basis of the off-campus rate. When a project involves both on- and off-campus activities, NSF normally will fund the indirect cost amount on the basis of the on-campus/off-campus policy reflected in the most recent agreement between the organization and the cognizant Federal agency. In the absence of such an agreed policy, NSF normally will compute the indirect cost amount by applying the on-campus rate to the on-campus base costs and the off-campus rate to the off-campus base costs.
- f. Any negotiations with respect to business and financial matters on specific grants, including the amount of indirect cost reimbursement, are conducted by the cognizant Grants Officer in DGA with an authorized official of the grantees organization. The NSF Cost Analysis and Audit Resolution Branch provides advisory assistance to the Grants Officer.
- g. NSF program staff may not negotiate indirect costs as a discrete item of a proposal budget since only the duly authorized Grants Officer has authority to negotiate indirect costs. NSF program staff are not authorized to suggest or request that PI/PDs seek reductions or waivers of indirect costs except as explicitly specified in applicable NSF program solicitations.

633.2 Exceptions to Basic Policy

- a. No Indirect or Limited Reimbursement. Program solicitations may indicate no or limited reimbursement for indirect costs. In addition, NSF generally provides no amounts for indirect costs for the following:
- 1. Grants to individuals
 - 2. Grants solely for the support of travel, equipment, construction of facilities, or doctoral dissertation research (see [GPM 333.1, "Unsolicited Research Projects"](#) ([gpm3.jsp#333.1](#))).
 - 3. Grants in which NSF support is exclusively in the form of fellowships, traineeships or other fixed amounts such as cost-of-education allowances.
 - 4. Foreign grantees
 - 5. Participant support costs. However, an allowance for indirect costs associated with participant support costs may be established or negotiated in advance when circumstances indicate that the grantee could be expected to incur significant expenses in administering participant payments (other than salary or other direct expenses being reimbursed under the award).

b. Independent Research and Development (IR&D). NSF does not typically fund IR&D as part of an indirect cost rate under its grants. IR&D, as defined at FAR 31.205-18(a), includes cost of effort that is not sponsored by a grant or required in performance of a contract and that consists of projects falling within the four following areas:

1. Basic research
2. Applied research
3. Development
4. Systems and other concept formulation studies.

NSF's primary purpose is to support and advance independent research within the scientific and engineering community. NSF has well recognized and established procedures for supporting research through competitive grant awards based on merit review of proposed projects. Reimbursement for independent research and development costs through the indirect cost mechanism could circumvent this competitive process.

To ensure that all projects receive similar and equal consideration, eligible organizations may compete for direct funding of independent research projects they consider worthy of support by submitting proposals for those projects to NSF. Since proposals for these projects may be submitted for direct funding, costs for independent research and development projects are not typically allowable as indirect costs under NSF grants.

c. Facilities Capital Cost of Money (FCCM). NSF does not typically fund facilities capital cost of money under its grants. FCCM is defined for commercial organizations at FAR 31.205-10 as "an imputed cost determined by applying a cost-of-money rate to facilities capital employed in contract performance."

634 Under recovery of Indirect Costs

NSF recognizes that any inability to obtain "full reimbursement" for indirect costs means the grantee must absorb the under recovery. Any such under recovery may be allocated as part of the organization's required cost sharing. (See [GPM 330, "Cost Sharing and Matching."](#) ([gpm3.jsp#330](#)))

635 Rebudgeting of Indirect Cost Funds Provided Under NSF Grants

If the actual allowable indirect costs chargeable to a grant is less than those funded by NSF under the grant, the grantee may use the difference to pay additional allowable direct costs under the grant. In addition, grantees may elect to charge less than the full amount of allowable indirect costs to grants in order to pay for additional allowable direct costs.

636 NSF Cognizant Organizations

Organizations for which NSF is their cognizant agency for negotiation of indirect cost rates are required to submit indirect cost proposals, reconciled to financial statements, within six months after the close of each accounting year during which NSF has active awards. Indirect cost proposals should be sent to the Cost Analysis and Audit Resolution Branch.

640 FEE PAYMENTS UNDER NSF GRANTS

Payment of fees (profit) are allowable only if specifically permitted by a program solicitation and only to the extent that it does not exceed the amount negotiated by the Grants Officer and specified in the award letter.