



Indirect Costs



What are Indirect Costs?

- Federal strategic decision to support research at academic medical centers in addition to the central NIH laboratory complex.
- Medical schools provide capital investment and employ scientists; government funds peer-reviewed research projects (through direct cost support).
- Government acknowledges that schools incur administrative and facilitative costs in support of approved research projects.
- Government cost principles regulate which costs and how much will be reimbursed to schools.
- The reimbursement process features audits as well as compliance and negotiation components, yielding an annual reimbursement rate that is applied to direct project support similar to a sales tax.



Examples of Direct and Indirect Costs

Direct costs can be specifically attributable to a specific project, and include:

- Scientific and technical staff salaries and fringe benefits
- Lab supplies
- Office supplies
- Communication and IT fees
- Professional travel

Indirect costs are common costs that support multiple projects and activities, and include

- Utilities, security, cleaning, maintenance
- Depreciation and interest
- Governance/oversight (dean's office and faculty appointments)
- Compliance (university counsel, grant administration, human resources)
- Transaction processing (payroll, purchasing, accounting)



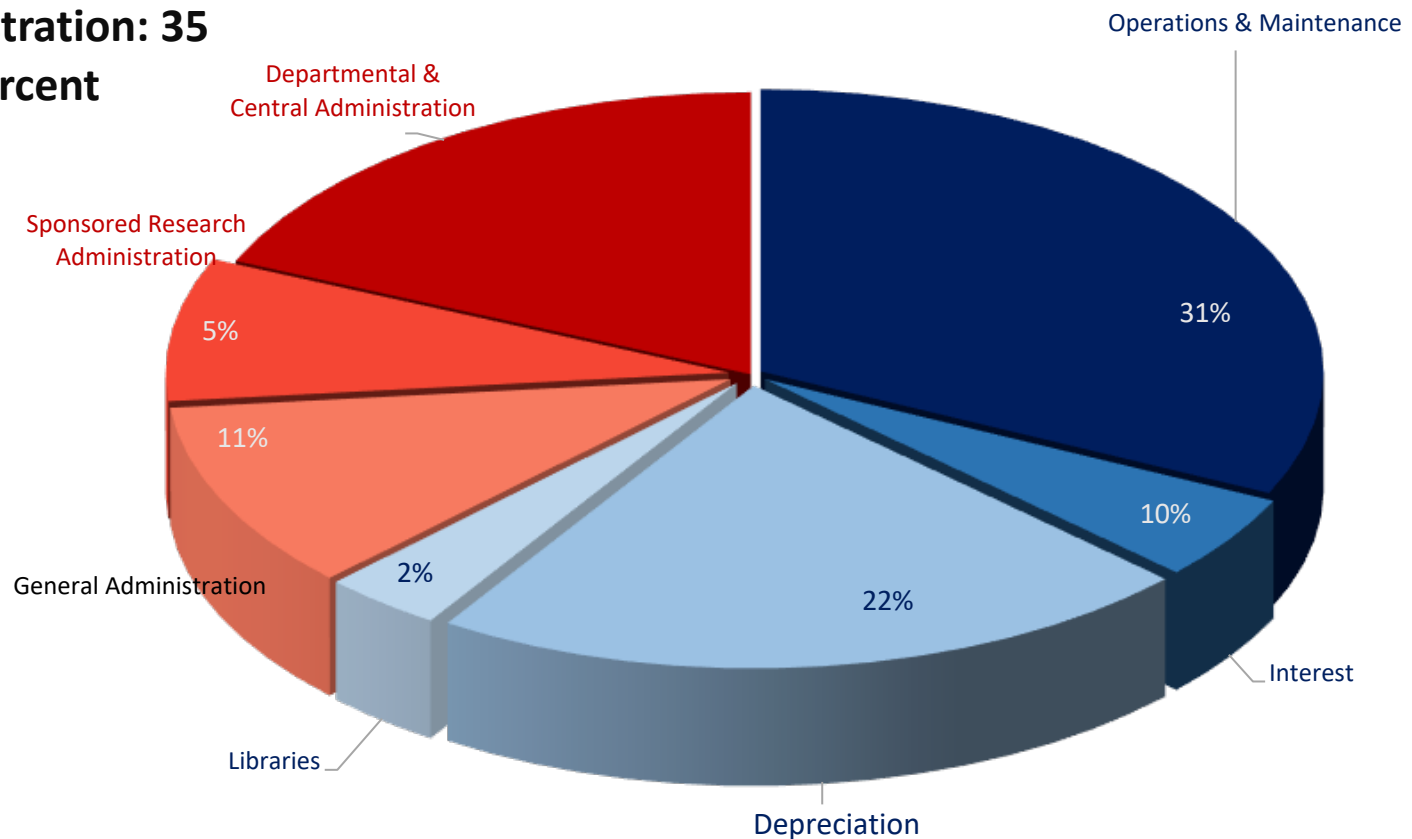
Cost Pools and WCM Subsidy

	<u>Actual Rate (percentage)</u>	<u>Capped Rate (percentage)</u>	<u>WCM Subsidy (percentage)</u>	<u>WCM Subsidy (in millions)</u>
<u>Facility Costs</u>				
Operations	29	22	7	\$4.8
Depreciation	21	15	6	\$4.1
Interest	10	4.5	5.5	\$3.8
Libraries	2	2	-	-
Total	62	43.5	18.5	\$12.7
<u>Administrative Costs</u>				
General and Central	10	8	2	\$1.4
Departmental	17	13	4	\$2.7
Sponsored Programs	5	5	-	-
Total	32	26	6	\$4.1
Grand Total	94	69.5	24.5	\$16.8



Proportionate Components of Facilitative & Administrative (F&A) Costs

**Administration: 35
percent**



**Facilities: 65
percent**



Research Projects by Sponsor

	Government Grants & Contracts	Private Grants	Industrial Clinical Trials (A)	Corporate Research Agreements(B)
F&A Rate	69.5 percent	33 percent	33 percent	33/69.5 percent (C)
Includes Facility Costs	✓			✓ (D)
Includes administration Costs	✓	✓	✓	✓
Subjected to Rate Cap	✓			
Rate Negotiated	✓			

(A) Features human interventions/interaction, outcome variables and prospective design

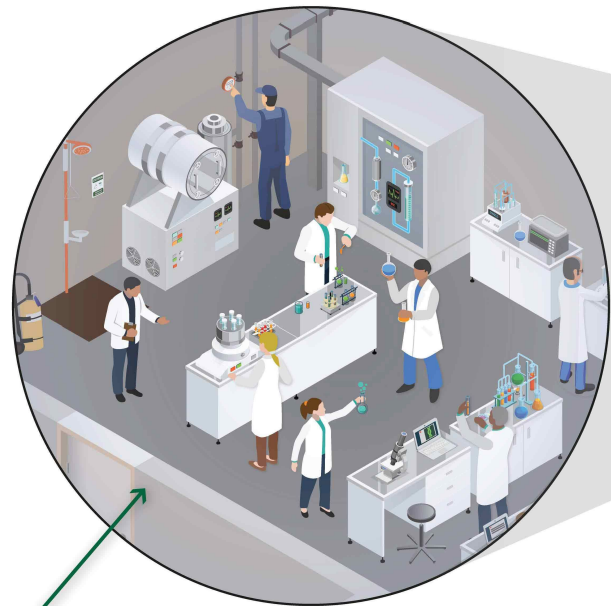
(B) Features basic scientific research, animal research and unidentified research on human samples/data

(C) 33 percent per-subject reimbursement, 69.5 percent faculty effort reimbursement

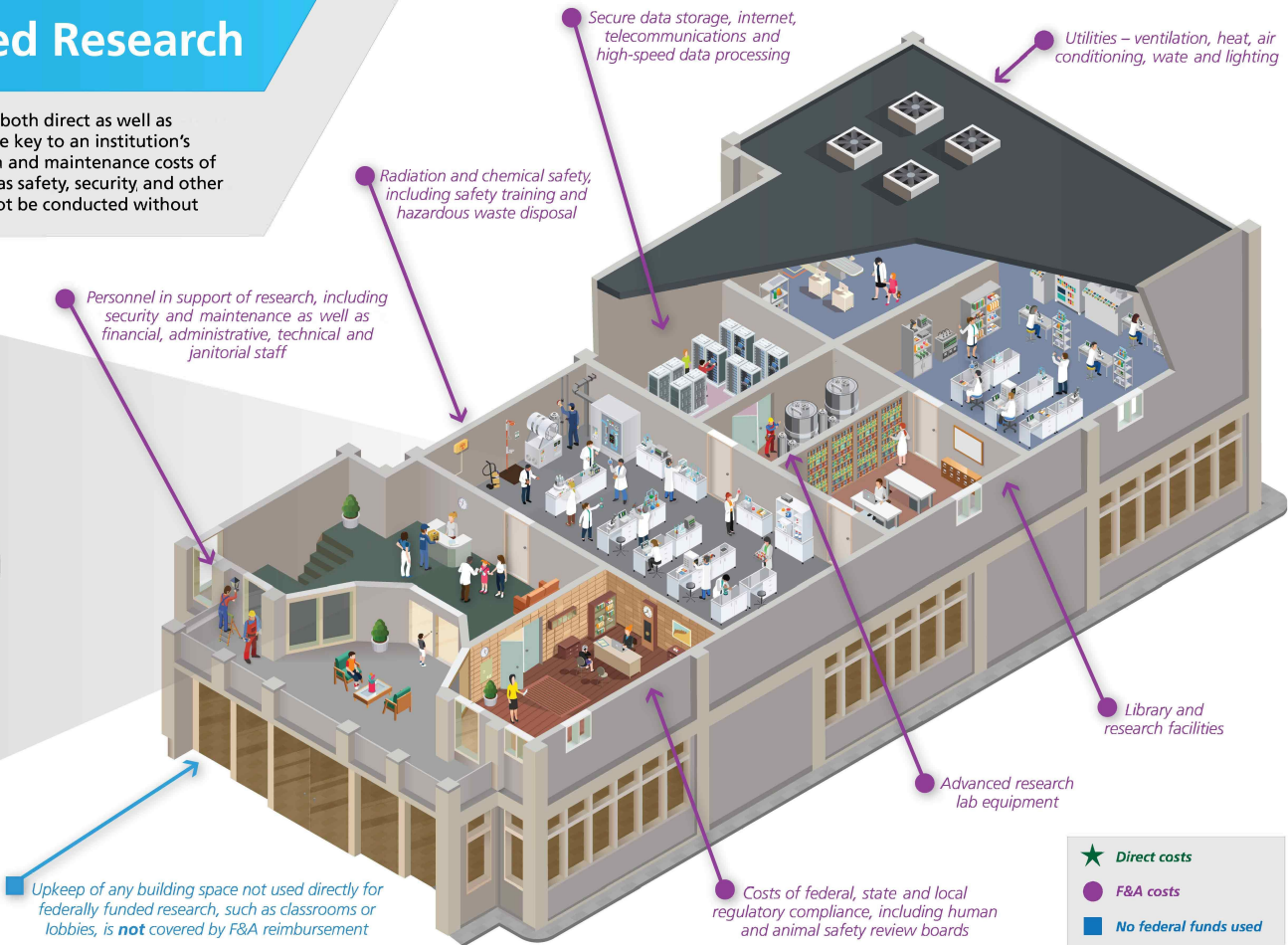
(D) Includes facility costs if facility effort is reimbursed

Costs of Federally Sponsored Research

The total cost of federally sponsored research includes a combination of both direct as well as Facilitative and Administrative (F&A) costs. Both types of expenditures are key to an institution's ability to conduct cutting-edge research. F&A consists of the construction and maintenance costs of laboratories and high-tech facilities, energy and utility expenses, as well as safety, security, and other government-mandated expenses. These costs are real and research cannot be conducted without them.



★ **Direct costs** - these expenses solely cover research and include lab supplies and equipment; salaries and stipends for researchers and graduate students, and travel costs for conducting and sharing research.



2019 F&A Cost Recovery Rates

- On-campus research: 69.5 percent
- Westchester Division research: 44 percent
- Off-campus research: 26 percent
- Industry-sponsored research: 69.5 percent
- Service agreements: 69.5 percent
- Non-governmental clinical trials: 33 percent