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

<table>
<thead>
<tr>
<th>Facility Costs</th>
<th>Actual Rate (percentage)</th>
<th>Capped Rate (percentage)</th>
<th>WCM Subsidy (percentage)</th>
<th>WCM Subsidy (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operations</strong></td>
<td>29</td>
<td>22</td>
<td>7</td>
<td>$4.8</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>21</td>
<td>15</td>
<td>6</td>
<td>$4.1</td>
</tr>
<tr>
<td><strong>Interest</strong></td>
<td>10</td>
<td>4.5</td>
<td>5.5</td>
<td>$3.8</td>
</tr>
<tr>
<td><strong>Libraries</strong></td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>62</td>
<td>43.5</td>
<td>18.5</td>
<td>$12.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Administrative Costs</th>
<th>Actual Rate (percentage)</th>
<th>Capped Rate (percentage)</th>
<th>WCM Subsidy (percentage)</th>
<th>WCM Subsidy (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General and Central</strong></td>
<td>10</td>
<td>8</td>
<td>2</td>
<td>$1.4</td>
</tr>
<tr>
<td><strong>Departmental</strong></td>
<td>17</td>
<td>13</td>
<td>4</td>
<td>$2.7</td>
</tr>
<tr>
<td><strong>Sponsored Programs</strong></td>
<td>5</td>
<td>5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>32</td>
<td>26</td>
<td>6</td>
<td>$4.1</td>
</tr>
</tbody>
</table>

**Grand Total**  
94                       69.5                     24.5                     $16.8
Proportionate Components of Facilitative & Administrative (F&A) Costs

Administration: 35 percent

- Depreciation: 22%
- Operations & Maintenance: 31%
- Interest: 10%
- Facilities: 65 percent
- General Administration: 2%
- Sponsored Research Administration: 11%
- Libraries: 5%
- Departmental & Central Administration: 5%
# Research Projects by Sponsor

<table>
<thead>
<tr>
<th></th>
<th>Government Grants &amp; Contracts</th>
<th>Private Grants</th>
<th>Industrial Clinical Trials (A)</th>
<th>Corporate Research Agreements (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>F&amp;A Rate</strong></td>
<td>69.5 percent</td>
<td>33 percent</td>
<td>33 percent</td>
<td>33/69.5 percent (C)</td>
</tr>
<tr>
<td><strong>Includes Facility Costs</strong></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓ (D)</td>
</tr>
<tr>
<td><strong>Includes administration Costs</strong></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Subjected to Rate Cap</strong></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Rate Negotiated</strong></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(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
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.

Upkeep of any building space not used directly for federally funded research, such as classrooms or lobbies, is not covered by F&A reimbursement.

Costs of federal, state and local regulatory compliance, including human and animal safety review boards.

Utilities – ventilation, heat, air conditioning, waste and lighting.

Advanced research lab equipment.

Library and research facilities.

Radiation and chemical safety, including safety training and hazardous waste disposal.

Secure data storage, internet, telecommunications and high-speed data processing.

Personnel in support of research, including security and maintenance as well as financial, administrative, technical and janitorial staff.
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