



# **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)



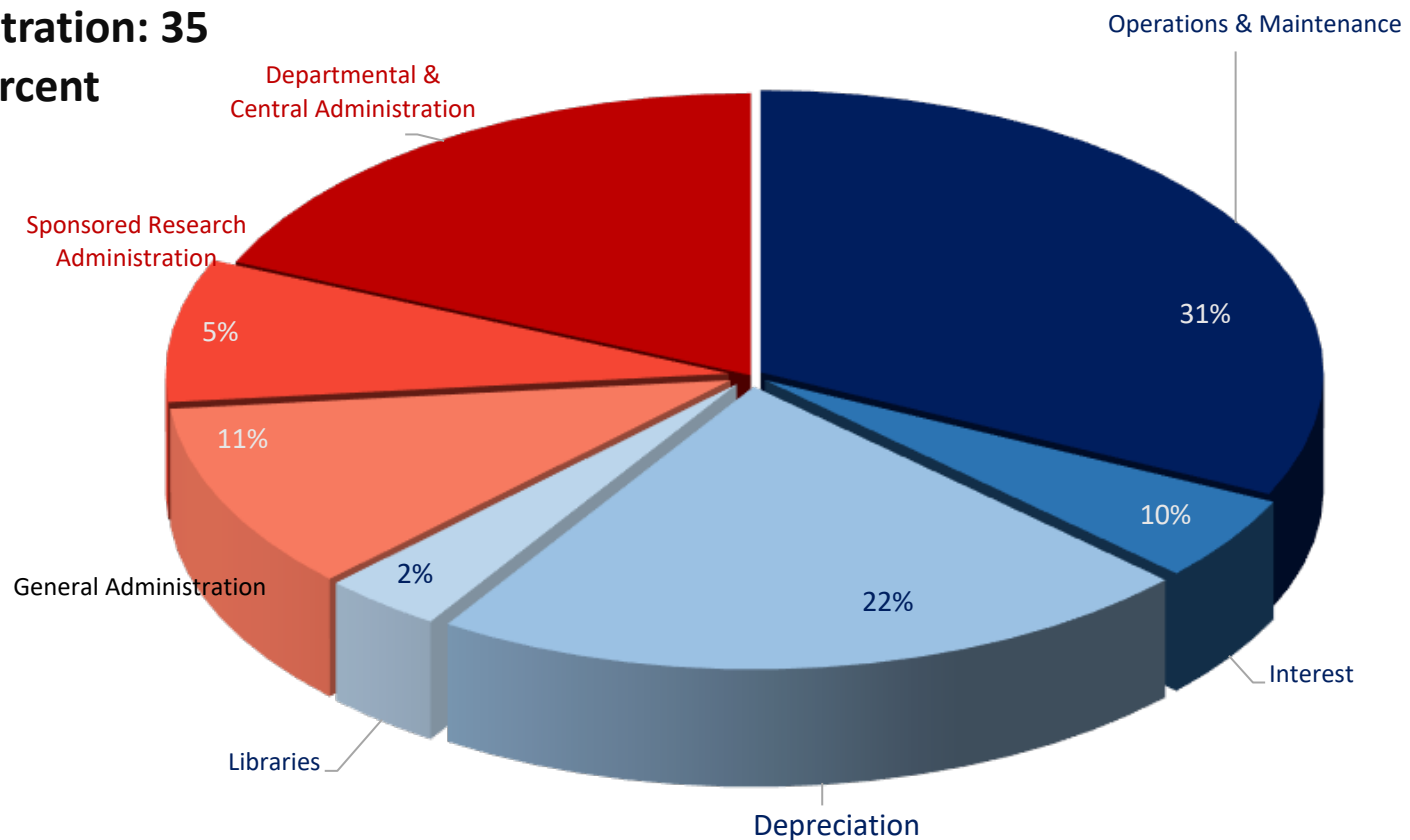
## Cost Pools and WCM Subsidy

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



## Proportionate Components of Facilitative & Administrative Costs

**Administration: 35  
percent**



**Facilities: 65  
percent**



## Research Projects by Sponsor

	<b>Government Grants &amp; Contracts</b>	<b>Private Grants</b>	<b>Industrial Clinical Trials (A)</b>	<b>Corporate Research Agreements(B)</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

