

Complete Policy Title:
Indirect Costs Associated with Research

Policy Number (if applicable):

Approved by:
Senate
Board of Governors

Date of Most Recent Approval:
June 6, 2018
June 7, 2018

Date of Original Approval(s):
June 7, 2018

Supersedes/Amends Policy dated:
**Policy on Indirect Costs Associated with
Research Funding from the Private Sector
(March 23, 1995)**

Responsible Executive:
Vice-President (Research)

General Enquiries:
[Policy \(University Secretariat\)](#)

DISCLAIMER: *If there is a Discrepancy between this electronic policy and the written copy held by the policy owner, the written copy prevails.*

BACKGROUND AND RATIONALE

1. Research conducted at McMaster requires necessary and ongoing operating costs that are not associated with a single research project but are incurred while working toward the common objectives of the University's research goals. These are the indirect costs of research, examples include:
 - a) infrastructure and maintenance costs;
 - b) environmental health and safety costs;
 - c) costs associated with meeting regulatory certification requirements; and
 - d) costs associated with providing key administrative and facility resources and other supports.
2. The University is committed to supporting the growth of its research enterprise, but must do so while acting in a fiscally responsible manner by endeavouring to recover the maximum costs.

PURPOSE

3. This policy acknowledges that indirect costs are part of the full and actual cost of the research enterprise at McMaster and establishes the administrative procedures through which the University can maximize its recovery of the indirect costs of research.

DEFINITIONS

4. **Direct Costs:** the costs that are directly connected with a specific research project, including salaries, wages and benefits of research personnel, materials and supplies, equipment, user fees, and travel expenses.
5. **Indirect costs:** the costs that are not directly connected with a specific project but with the research enterprise as a whole, including facilities and equipment use and maintenance; utilities; insurance; administration costs such as legal, procurement, payroll, ethics and research administration; libraries, computing facilities and support; central animal facilities; biohazard handling; and other professional services provided by the University.
6. **Indirect Cost Rate:** to cover the Indirect Costs, the University has established standard Indirect Costs Rates, expressed as percentages, to be applied to each research project budget. This is sometimes referred to as the overhead rate/charge.

ADMINISTRATION

7. The Vice-President, Research is responsible for the implementation and administration of this Policy and may also implement any procedures or guidelines which he or she deems necessary to support the administration of this Policy.

APPLICATION OF INDIRECT COSTS ASSOCIATED WITH RESEARCH

8. The University must strive to obtain funding from our sponsors to cover the Indirect Costs of research.
9. The University requires that the appropriate Indirect Cost Rate be applied to each research project budget, at a minimum, as indicated below.
10. In instances where a sponsor has implemented a written and formal policy for the provision of Indirect Costs, then, provided that sufficient documentation has been supplied to the research office responsible for administering the funding, the sponsor's maximum rate will be applied.
 - a) 65% of the salary costs and 2% of the travel costs of Federal government contracts
 - b) 40% of the direct costs of industry funding
 - c) 30% of the direct costs of a clinical trial sponsored by industry
 - d) 30% of the direct costs of field research (when approved by the Faculty)
 - e) 30% of the direct costs of industry funding when such funding is successfully leveraged through the Ontario Centres of Excellence
 - f) 25% of the direct costs of industry funding when such funding is successfully leveraged through the Tri-Agencies and certain Provincial granting programs
 - g) 25% of the direct costs of non-industry grant funding (e.g., not-for-profit organizations)
11. Note that this rate may be higher depending on the type of project (e.g. research service work) contact the McMaster Industry Liaison Office for guidance on research service projects.
12. This list is not intended to encompass all sponsors and programs and the noted rates may change or be affected when leveraging partner funds from multiple agencies. Faculty members should consult the applicable research administration office to confirm the current rate in effect at the time of application.
13. Certain funding agencies provide funds to support the University's Indirect Costs through different mechanisms as opposed to including a specific rate at the project budget level. For example, the Tri-Council Agencies, CIHR, NSERC, and SSHRC, provide funding support for the indirect costs of research through the Research Support Fund (RSF). The University receives percentage of a national pool of funds based on its three year average of eligible Tri-Council funding. The RSF funds are distributed internally to be used to support the Indirect Costs of research. For agencies that operate in a similar manner, overhead is not included in the project budgets at the application stage; research administration and Faculty offices can provide information and guidance regarding the applicable agencies.

CALCULATION OF INDIRECT COSTS

14. There are two ways to calculate the indirect costs for a research project budget depending on whether the indirect costs are added to the direct costs or if the sponsor has provided a maximum contribution amount from which the indirect costs need to be deducted.

Sample Calculations:

Scenario 1: Total direct costs for project are \$100,000. Applicable Indirect Cost Rate is 40%.

Direct Costs of Research:	\$100,000
Indirect Cost Amount:	\$100,000 X 40% = \$40,000
Total Project Budget:	\$140,000

Scenario 2: Maximum/Total contribution available from the sponsor for project is \$100,000. Indirect cost rate is 40%.

Total Project Budget:	\$100,000
Indirect Cost Amount:	\$100,000 - (\$100,000/1.4) = \$28,571
Direct Costs of Research:	\$100,000-\$28,571 = \$71,429

15. Researchers are encouraged to consult with an advisor at the McMaster Industry Liaison Office (MILO), Research Office for Administration, Development and Support (ROADS), or Health Research Services (HRS) when they are in the early stages of budget development for a grant funding application and/or in discussions with an industry/non-profit partner to determine the appropriate Indirect Cost Rate and ensure proper calculation. The researcher's Faculty office can also provide additional guidance.

DISCRETIONARY AUTHORITY

16. Every application for research funding must include the maximum allowable Indirect Cost Rate. **Any deviation from this practice must be approved in writing by the Dean of the Faculty AND the Vice President, Research prior to submitting the application for funding to the sponsor.**

RESEARCH PROPOSAL DEVELOPMENT AND AUTHORIZATION

17. The Principal Investigator (PI) is responsible for developing the research proposal and budgeting to ensure that all of the costs of the research are adequately included. The PI is also responsible for obtaining the necessary approvals from their Chair/Director and Dean or applicable authorities in advance of the submission to the sponsor. These approvals are to be obtained using the approval practice in place at the time of application (current approval forms are the MILO Checklist, the GAAP Checklist and the FHS Checklist, depending on the Faculty). By granting approval for the proposal, through signature on the approval form, the Department Chair or School/Institute Director and the Faculty Dean, or applicable authority, approve the proposed project, agree that the proposed project is consistent with the Faculty and Department's academic and research efforts, and confirm that the space, facilities and/or other commitments will be made available to the PI to carry out the work described in the proposal. Note that any deviation from the standard Indirect Costs Rates must be approved separately as indicated above.

DISTRIBUTION OF INDIRECT COSTS

18. This policy does not affect or address the distribution of Indirect Costs between the Vice-President, Research, the Faculties and the Departments in accordance with the budget model.

RELATED POLICIES

- Resolution Respecting the Execution of Instruments
- Joint Intellectual Property Policy
- Ownership of Student Work
- Statement on Consulting Policy and Procedure