

Senate Policy 143: Policy on the Indirect Costs Associated with Scholarly, Research and Creative (SRC) Funding – Frequently Asked Questions

1) What are indirect costs in research, and why are they important?

In contrast to direct costs that can be identified and easily attributed to a particular SRC activity, indirect costs (sometimes also known as overhead costs) are expenses incurred by universities to support SRC activities that cannot be directly attributed to any one specific research project. For a detailed, non-comprehensive list of direct costs and indirect costs, please refer to section 3.1 and 3.2 of the Policy.

Indirect costs are a necessary and substantial component of the SRC enterprise, not just at TMU, but at all universities conducting research. Indirect costs are important because they enable universities to provide the infrastructure and services necessary for SRC activity to take place and continue to be incurred whether or not SRC funding applications and agreements are successful. Indirect costs are so fundamental that members of the Ontario Council on University Research (OCUR) enacted a policy on indirect costs of research, in order to ensure a standard rate of recovery of the indirect costs of research while also advocating for a similar approach at the national level.

For TMU's SRC enterprise to continue sustainable growth, both the direct and indirect costs **must** be recovered. Without factoring in indirect costs, the true cost of conducting research is incomplete.

Direct Costs plus Indirect Costs equals Total Cost of SRC at TMU

2) How are indirect costs recovered?

Indirect costs are typically recovered as a proportion of the direct costs of SRC funding that we receive at TMU, including government grants and specific indirect cost programs associated with Tri-Agency funding (e.g. the Research Support Fund and the Incremental Project grant), SRC contracts and agreements, and other SRC revenue generated by the university itself.

3) What is the standard indirect cost rate at other Canadian universities?

Rates can vary between institutions and even between SRC projects within the same institution, though it is accepted that most Canadian universities charge between 15-30 per cent of direct costs on grants, and 40 per cent of direct costs on contracts and agreements. Each institution sets its own indirect cost rates based on its specific needs, policies and agreements.

4) How can I determine the indirect cost rate for my specific SRC project?

To help you determine the indirect cost rate applicable to your SRC project, please refer to [Section 4.1 in Policy 143](#). If you have any questions about how to apply the policy to your project, please reach out to your [Grants and Contracts Officer](#), or Research Services at researchservices@torontomu.ca.

5) Is the indirect cost negotiable?

The indirect cost rates set out in the Policy are required to be applied unless an external funding partner prescribes a different rate in established terms or policy.

TMU researchers have a responsibility to apply the appropriate rates to the budgets of their respective SRC projects and may reach out to their OVPRI Contact for specific guidance.

6) Can I waive indirect costs for my SRC project?

No. Normally indirect costs will not be waived.

In extraordinary circumstances, it may be desirable for some indirect costs recovered by the University relating to a specific SRC project to be reallocated to support unique indirect cost expenses related to that project, i.e. for project management support for a large SRC project. However, these types of expenses are normally eligible direct costs in most funding programs. In extraordinary circumstances, it is highly recommended that researchers reach out to their OVPRI Contact for specific guidance.

7) What are the potential impacts of not considering indirect costs for a SRC project?

If indirect costs are not accounted for when applying for SRC funding, the total amount available for direct project expenses may be reduced, which may put the SRC project at risk.

8) What is the benefit of accounting for indirect costs?

The main benefit is that the total SRC costs are accounted for, which allows the researcher to deliver the project and to responsibly sustain the SRC enterprise at TMU. Importantly, researchers should remember that a portion of indirect costs are also distributed after the closeout of their SRC project to their Faculty, Department/School, and/or research centre to help sustain local SRC resources, as well to the researcher themselves to be utilized at the researchers' discretion on future research projects or investments on research infrastructure or personnel.

9) If I apply indirect costs to my project, does this mean I'll get less money for my SRC project?

This depends on whether indirect costs were considered as part of the total project budget. If the proposed budget does not consider indirect costs and the funder has considered the amount requested as the total SRC project costs, then the researcher would indeed have less money to carry out the direct costs associated with that project. As such, researchers must include indirect costs **in addition to** the direct costs of research when discussing project budgets with external (non-Tri-Agency) sponsors or partners.

10) If I build-in the indirect costs of research into the price of a SRC project, is this deceptive?

No. Indirect costs of research are normally built into the price of goods and services, worldwide.

11) How do I calculate indirect costs for my SRC budget?

- If you know the Direct Cost budget:

Indirect Costs equals Direct Costs multiplied by Indirect Cost Rate

e.g. If the Direct Costs were \$50,000 and the Indirect Cost Rate is 40 per cent, the Indirect Costs would be \$50,000 multiplied by 0.4, which equals \$20,000

- If you know the Total Project Costs (inclusive of direct and indirect costs):

Indirect Costs equals Total Project Cost minus the result of the Total Project Costs divided by 1 plus Indirect Cost Rate

e.g. If the Total Project Cost is \$100,000 and the Indirect Cost Rate is 10 per cent, the Indirect Costs would be \$100,000 minus the result of \$100,000 divided by 1 plus 0.1, which equals \$9090.91

12) Are gifts subject to indirect costs?

No. Gifts of a truly philanthropic nature that have no deliverables or intellectual property requirements and that usually involve charitable tax receipts are not subject to indirect costs.

If you are working on an SRC project or proposal where a gift or donation from an external organization or individual is a potential consideration, please reach out to your [University Advancement representative](#) to discuss further.

13) Do student scholarships and fellowships attract indirect cost recovery?

Awards or scholarships/fellowships payments made directly to a student and/or postdoctoral fellow in a competitive process (e.g. CGS Scholarships, Tri-Agency Post-Doctoral Fellowships) are not subject to indirect cost recovery. These awards are generally administered by YSGPS and are not subject to Policy 143.

Indirect costs will, however, be charged against salaries paid to students and postdoctoral researchers from applicable research grants and contracts.

14) Is Tri-Agency funding subject to indirect costs?

Tri-Agency funding is not exempt from the indirect costs of research. These costs are recuperated through a mechanism known as the Research Support Fund (RSF). The RSF assists Canadian postsecondary institutions and their affiliated research hospitals and institutes with the expenses associated with managing the research funded by the three federal research granting agencies. Eligible institutions receive an annual grant through the RSF to help pay for a portion of the central and departmental administrative costs related to federally funded research.

The RSF also provides a separate and distinct funding stream for indirect costs through their Incremental Project Grant (IPG). The IPG allocates additional support for projects that focus on a set of federally-determined priorities which cut across the RSF's existing categories of eligible expenses.

15) Do indirect costs apply to funding received from a non-academic partner to support a Tri-Agency or other government grant application where matching funding is a required program and budgetary element of the application?

Yes. All external funding contributions towards SRC at TMU are subject to indirect costs, unless they are philanthropic in nature (see FAQ 10 above). The indirect cost rate for such contributions in support of government grant applications with matching funding (leveraged funding) would depend on the nature of the terms and conditions of the funding agreement and SRC project:

- For contributions where the funding terms and conditions from the external partner would be considered a grant, the rate of 10 per cent applies.
- For contributions where the funding terms and conditions from the external partner would be considered a contract, a rate of 25 per cent will apply for those contributions that are a required match to a government granting program (such as the NSERC Alliance Advantage program) instead of the normal 40 per cent rate.

Researchers are encouraged to reach out to their [OVPRI Contact](#) early on to help navigate the application and presentation of indirect costs in the preparation of these applications.

16) Are sub-awards to TMU from other institutions subject to indirect cost recovery?

Yes. Indirect costs should always be considered and passed on as part of the sub-award process, in proportion to the sub-award funding.

17) What is the process for distributing indirect costs?

Indirect costs will be distributed only once the SRC project has finished and all costs associated are paid, all funds received from the sponsor and all reporting requirements have been met as outlined by the funding agreement. The indirect costs are distributed to the internal parties (Faculty, Department/School, Principal Investigator or Centre as applicable), at the prescribed percentages detailed in Policy 143.

18) Are there any restrictions on how the funding recovered as indirect costs can be used by the Department/School, Faculty, Centre or Principal Investigator?

Unless explicitly dictated by the terms and conditions of a funding agreement, funding recovered as indirect costs can be used to support any SRC-related activities, noting Policy 143's exception to the allocation of this funding as a consultancy fee for the Principal Investigator. This funding is meant to be flexible to support expenditures or activities that might be otherwise difficult to support through other means or those that might be ineligible as a direct cost of research for certain existing grants or contracts. Examples might include research infrastructure maintenance and upkeep, procuring administrative or professional tools or resources that support SRC activities, or simply to support travel or hospitality for SRC which cannot be covered by existing sources of SRC funding. The discretion lies with the appropriate approving internal party for each distribution sector (University, Faculty, Department/School or faculty member – see Section 4.2 of the policy). This funding follows typical institutional guidelines for expense eligibility.

19) Are there any exemptions for recovering indirect costs on a quarterly or yearly basis for multi-year projects?

No. Due to the risk involved, indirect costs cannot be distributed at any other point in the life cycle of the SRC project so as to ensure that all institutional and funder requirements are met. Indirect costs are not a mechanism for ensuring continuity of a multi-year project; instead, researchers need to fully consider the total direct costs associated with these types of projects to ensure successful delivery.

20) Where can I get more information about indirect costs related to SRC at TMU?

The OVPRI through the [Research Services](#) team is the primary source of information on indirect costs at TMU. They can provide guidance, policies and any updates regarding indirect cost rates and usage specific to TMU or to the funding agreement or contract.