

University of Guelph

Full Cost of Research Policy (May 1, 2024)

Frequently Asked Questions (FAQs)

USE OF TERMS: ‘External sponsor’ and ‘co-funding external sponsor’ are used. An *external sponsor* is an entity or individual that provides direct support for research at the University, including support from government, business and industry, not-for-profit and/or community organizations, individuals, etc. Internal communications or external sponsor communications may reference the term ‘sponsor’ in place of ‘external sponsor’ and/or the term ‘partner’ may be used to mean co-funding external sponsor (i.e., external sponsors who provide co-funding).

1. What does the Full Cost of Research mean?

Full cost of research = direct costs + indirect costs

Research is supported by both direct and indirect costs.

Direct costs are the expenses directly associated with an individual research project or activity. They can include student salaries, materials and supplies, equipment, travel that benefits the research, etc.

Indirect costs are expenses that cannot be attributed to any one research project. They are real, significant and necessary institutional costs incurred to realize the University’s research goals. They can include expenses such as those incurred for facilities and maintenance, administrative processes and services, provision of campus-wide internet technology, regulation and safety compliance, etc.

2. Where are indirect costs incurred throughout the research lifecycle?

Many projects may incur indirect costs in the areas shown in Table 3, which lists further possible examples of institutional indirect costs that may be incurred throughout the project lifecycle. This table is for illustrative purposes only; it is not exhaustive and does not apply to all research projects or areas.

3. Why is the inclusion of indirect costs necessary in research project budgets?

The University of Guelph completed a study in 2021 to assess the “full cost” of research. The study found that, conservatively, the indirect costs of research at U of G are at least 52% of the direct costs. That means for every \$1 received in direct research funding, the University pays another \$0.52 in indirect costs for the research to actually happen.

The study also showed that while U of G is able to recoup just over half of these costs from various sources (OMAFRA, the federal Research Support Fund and indirect costs levied on other research sponsors such as industry contracts), any costs that aren’t recovered are pulled from University operating budgets across campus.

To support more sustainable fiscal management at the University, this new Full Cost of Research Policy aims to close the gap between indirect costs incurred by the University and those recovered from external sponsors.

4. What rate of indirect costs must researchers include in proposals under U of G's new Full Cost of Research Policy?

The indirect costs recovery rate will be no less than 40% of the total direct costs, or the maximum allowable rate as published by the external sponsor, where funds will be supplied under a research agreement subject to a number of recovery rate exceptions and exemptions.

5. What indirect cost rate applies to specific funding programs?

Indirect cost rates are subject to change over time and will be reflected in external sponsor guidelines and/or updates to the information herein. In the event of conflicting information between an external sponsor's policies and/or program information and the information herein, external sponsor policies and program guidelines take precedence.

a. External sponsor matching funds to Tri-Agency funds

A rate of 25% indirect costs applies to external sponsor's matching contributions to Tri-Agency programs that specify their funding is contingent upon external sponsor cash contributions (e.g., NSERC Alliance, SSHRC Partnership Grants).

b. Low-value agreements equal to or less than \$5,000

A rate of 0% indirect costs applies to low-value agreements for which the total budget for a given project with an individual external sponsor is \$5,000 (CAD) or less.

c. Research projects submitted for funding to the OMAFRA-University of Guelph Agreement (known as the Ontario Agri-Food Innovation Alliance)

The Ontario Agri-Food Innovation Alliance Agreement provides funding for indirect costs (both general and specific) at the program-level rather than the project-level.; thus, these indirect costs are already recovered through other mechanisms. As such, indirect costs do not need to be included in the Ontario Agri-Food Innovation Alliance provincial funds requested as part of individual project proposals. However, the indirect cost rate on external sponsor co-funding contributions committed to Ontario Agri-Food Innovation Alliance grants is 40% or an external sponsor's accepted policy rate.

d. External sponsor matching funds to the Ontario Agri-Food Innovation Alliance Tier 1 program?

Generally, a rate of 40% indirect costs applies to external sponsor co-funding matched to Tier 1 projects. However, as per the Full Cost of Research Policy, where the external sponsor prescribes a different recovery rate in published terms or policy, and this is accepted by the University, the external sponsor's policy indirect cost rate will apply.

e. Ontario Research Fund – Research Excellence (ORF-RE) proposals

A rate of 40% indirect costs applies to the provincial funding received directly through ORF-RE; the matching co-funding required from external sponsors for this program is subject to an indirect cost rate of 40%. However, as per the Full Cost of Research Policy, where the co-funding external sponsor prescribes a different recovery rate in published terms or policy, and this is accepted by the University, a co-funding external sponsor's policy indirect cost rate will apply.

f. [Genome Canada’s Genome Centres and Ontario Centre of Innovation \(OCI\)](#)

Although indirect costs are not to be included in funding requested directly from Genome Centres and OCI, the matching required from co-funding external sponsor(s) for these programs would be subject to an indirect cost rate of 40% or a co-funding external sponsor’s accepted policy rate.

g. [More indirect cost rates for various types of funding, including policy exceptions and exemptions](#)

Please refer to the **Full Cost of Research Policy Exceptions and Exemptions** to find a list of types of research funding where the Full Cost of Research Policy standard 40% policy rate may not apply.

6. Will sub-awards from/to U of G be subject to indirect costs?

Yes. It is the responsibility of the principal investigator (PI) to include sufficient funds in the budget to allow the appropriate indirect costs to be included in the transfer of funds. Where the University of Guelph is not the lead institution, the rate set by the prime external sponsor for a specific funding opportunity or program is accepted. If there is no prime external sponsor rate or specific program guidelines, then the acceptable rate is the one communicated by the lead institution per their institution's policy.

An example: Agriculture and Agri-Food Canada (AAFC), as the prime external sponsor, awards funding to the University of Saskatchewan (lead institution), and the University of Saskatchewan as the lead institution provides funding to U of G under a sub-agreement. AAFC’s published indirect cost rate for the program through which funding is awarded would be accepted by U of G. If AAFC does not have a published indirect cost rate for the specific funding program in question, the University of Saskatchewan’s applicable indirect cost policy rate would be accepted by U of G.

7. What do other universities use for the indirect cost rate for leveraged funds required under Tri-Agency partnered programs?

The standard rate for most of the U15 universities on leveraged funds from the Tri-Agencies in Canada ranges between 25 to 40%. A recent environmental scan found that 93% of universities reviewed (N=28) apply an indirect cost rate to funds matching a Tri-Agency grant (i.e., Canadian Institutes of Health Research (CIHR), Natural Sciences and Engineering Research Council (NSERC), Social Sciences and Humanities Research Council (SSHRC)). Aligning with other research universities is critical because:

- consistently recovering indirect costs at the same rate strengthens the position of all research institutions in negotiations with federal and provincial funding agencies to fund a greater percentage of indirect costs and
- recovering sufficient funds ensures the University of Guelph can continue to support leading-edge research, while still offering a reduced rate (25%) for leveraged funding.

8. Why do researchers not need to include indirect costs on the direct Tri-Agency (i.e., CIHR, NSERC and SSHRC) dollars requested in application budgets?

Indirect costs of research funded by the Tri-Agencies are partially recovered through the federal [Research Support Fund](#) grant as an allocation to the University annually. The Research Support Fund assists Canadian postsecondary institutions with the costs associated with managing their research

enterprise, helping them to maintain a world-class research environment. This is intended to make Canada a world leader in research and development. The University of Guelph publishes how the Research Support Fund is [allocated and used](#) within the University of Guelph annually.

9. How does the institution distribute funds recovered for indirect costs?

a. Distribution of indirect costs associated with Tri-Agency funding

The distribution of indirect costs recovered through the Research Support Fund relating to Tri-Agency funds is 90% to central University and 10% to the colleges. The University of Guelph publishes [how the Research Support Fund is allocated and used](#) within the University of Guelph annually.

b. Distribution of indirect costs associated with non-Tri-Agency funding

The distribution of indirect costs associated with non-Tri-Agency funding is 55% to central University and 45% to the colleges.

College practices vary concerning the use and allocation of their portion of indirect costs received. Associate Deans Research and Graduate Studies may be contacted for further information on college-specific practices.

The portion of indirect costs retained by the central University is allocated toward institutional costs incurred to support research activities and can include facilities and maintenance, administrative processes and services, provision of campus-wide internet technology, regulation and safety compliance, etc. These are detailed more fully in Table 3, which illustrates further possible examples of institutional indirect costs that may be incurred throughout the project lifecycle. (See FAQ 2).

10. If the external sponsor will pay a higher indirect cost rate than University policy rates, should I include more in the research project budget?

Yes, researchers are to include the external sponsor's maximum indirect cost rate.

11. How do I calculate the amount of indirect costs to include in my research project budget?

When the external sponsor permits indirect costs, request the indirect costs in one of the following ways:

a. External sponsor does not specify a maximum rate

Use the University's standard rate of 40%.

If the external sponsor does not specify a maximum budget amount and your total direct costs budget is \$20,000, then multiply your total direct costs by 40% to determine the indirect cost amount of \$8,000. Your total budget would thus be \$28,000.

- External sponsor's indirect rate (%) x Total direct cost budget = Indirect cost amount
- Total direct cost budget + Indirect cost amount = Total budget

If the external sponsor specifies a maximum budget of \$20,000, direct costs would equal $\$20,000 / 1.4 = \$14,286$. Indirect costs at 40% would be \$5,714.

- Maximum budget / University's indirect rate (.40) + 1) = Total direct costs
- Maximum budget – Total direct costs = Total indirect costs

b. Indirect costs on external sponsor matching funds to funds from Tri-Agencies that are contingent upon the external sponsor's contribution

The percentage of indirect costs included on funding requested directly from NSERC or SSHRC would be 0% in accordance with their policies. However, the percentage of indirect costs included on the matching funding provided by the co-funding external sponsor would be 25% (University-approved policy exception). If the co-funding external sponsor has a published rate that is lower than 25%, apply their policy rate. Calculate the amount of indirect costs on the matching funding in accordance with one of the examples below. NSERC Alliance and SSHRC Partnership Grant funding are used as examples herein because the NSERC and SSHRC funding provided through these programs is *contingent upon* matching funding from co-funding external sponsor(s).

For example, if a co-funding external sponsor is providing \$125,000, the contribution to direct costs is \$100,000 ($\$125,000 / 1.25$) and the portion for indirect costs at 25% (University-approved policy exception) is \$25,000. The NSERC contribution is \$200,000 since NSERC only matches direct costs provided by the co-funding external sponsor (2:1 NSERC: co-funding external sponsor funding). Therefore, the total project costs are as follows:

Total direct costs of research: \$300,000 (NSERC + co-funding external sponsor contribution toward direct costs)

Total budget (direct + indirect costs): \$325,000

Note: If indirect costs are not negotiated up front with the co-funding external sponsor, and they agree to contribute \$100,000 total toward your budget, your **total** budget available for research (direct costs from NSERC + co-funding external sponsor) will be \$240,000. In this case, \$20,000 indirect costs are deducted after applying the 25% indirect cost rate to the \$100,000 contribution from the co-funding external sponsor contribution. The remaining \$80,000 cash contribution from the co-funding external sponsor contribution of \$100,000 ($\$100,000 / 1.25$) is available for direct project costs and 2:1 matching to NSERC.

c. External sponsor permits indirect costs to be included as a percentage of direct costs

Apply the external sponsor's published indirect rate. For example, if the external sponsor rate is determined to be 20% indirect costs, and your total direct cost budget is \$100,000, then multiply your total direct costs by 20% to determine the indirect cost amount, which in this example would be \$20,000. Your total budget would thus be \$120,000.

- External sponsor's indirect rate (%) x Total direct cost budget = Indirect cost amount
- Total direct cost budget + Indirect cost amount = Total budget

d. External sponsor sets a maximum budget amount inclusive of indirect costs

Apply the external sponsor's published indirect cost rate. For example, if the external sponsor specifies a maximum budget of \$40,000, inclusive of indirect costs to a maximum of 15%, the maximum direct cost amount would be $\$40,000 / 1.15 = 34,783$. If the direct costs are \$34,783, then the indirect costs would be $40,000 - 34,783 = 5,217$.

- Maximum budget / (external sponsor's indirect rate (%) + 1) = Total direct costs
- Maximum budget – Total direct costs = Total indirect costs

e. What if my budget above includes a University exemption?

If the external sponsor does not specify a maximum budget amount and does not specify a maximum indirect cost rate, the indirect cost rate would be the University standard rate of 40%. However, any approved exemptions would not bear indirect costs. For example, where the total direct costs are \$20,000, inclusive of \$3,000 in University-approved exemptions such as Research Centre fees (previously referred to as RSSA fees), indirect costs would be calculated as follows:

- Total direct costs \$20,000
- Minus \$3,000 exempted Research Centre fees
- Modified direct costs = \$17,000
- Indirect costs are applicable on the modified direct costs total of \$17,000
- University's policy indirect cost rate of 40% applies; indirect costs = $\$17,000 \times 0.4$ (40% Indirect cost rate) = \$6,800
- Requested budget to external sponsor = \$20,000 (total direct costs) + \$6,800 indirect costs = \$26,800

f. External sponsor policy permits indirect costs on some budget categories and not others

Some external sponsors permit indirect costs as a percentage of all direct costs, whereas some will permit indirect costs only on certain direct costs (e.g., salary). Be sure to follow their guidelines. If the external sponsor's policy does not specify a maximum budget amount and permits 40% indirect costs to be included in all budget categories *except for equipment*; then, equipment costs would not bear indirect costs. For example, where the total project budget is \$100,000 including \$80,000 in equipment costs, the indirect costs would be calculated as follows:

- Total direct costs = \$100,000
- Minus equipment costs = \$80,000
- Eligible direct costs on which indirect costs can be applied = \$20,000
- Indirect costs = $\$20,000 \times 0.4$ (40% indirect cost rate) = \$8,000
- Requested budget to external sponsor = \$100,000 (total direct costs) + \$8,000 (indirect costs) = \$108,000

g. External sponsor permits 25% indirect costs, but the project budget is under \$5,000

In all cases where the total research project direct costs are \$5,000 (CAD) or less, the indirect cost rate is 0%. Thus, if the total direct costs are \$4,177, the total project budget is \$4,177 (direct costs) + \$0.00 (indirect costs) = \$4,177.

h. External sponsor policy permits an indirect cost rate higher than University policy rates

If the external sponsor permits more than 40% of indirect costs to be incorporated into the budget, and they do not set a maximum budget amount, apply the maximum indirect cost rate that the sponsor permits on top of the direct budget costs.

i. Other external sponsor policies

When an external sponsor limits indirect costs but allows some costs normally charged as indirect costs to be charged as direct costs (e.g., administrative, project management, financial management), then include allowable costs in the direct cost budget where possible.

j. Indirect costs rates for donations/gifts

Indirect costs are to be incorporated into requests for gifts and donations for research where possible. A procedure for research-related agreements resulting from donations or gifts is in development. Meanwhile, please consult with Alumni Affairs & Development and Research Services Office to determine the applicable indirect cost rate.

12. How are indirect costs recovered from my research funding?

The Research Services Office will communicate the approved/verified indirect cost rate for each research account to Research Financial Services (RFS). RFS will deduct indirect costs from research accounts as direct expenses are incurred.

13. Will indirect cost rates on current project agreements, awards and research accounts be honoured at the time of policy roll-out?

Yes, the indirect cost rate associated with applications, agreements, awards and accounts previously processed and those being processed at the time of policy roll-out will be honoured throughout the life of the original agreement/account term.

The new Full Cost of Research Policy indirect cost rates apply to new financial contributions added to existing agreements or awards (e.g., amendments) as of May 1, 2024. If additional financial contributions to an existing agreement or award are made, the applicable indirect cost rate will be applied. If the total value of the existing agreement or award with the addition of financial contributions does not exceed the total of \$5,000 (CAD), then the funding will be exempt from indirect costs.

14. Can applicants ask for exceptions to the Full Cost of Research Policy rates?

The University recognizes special circumstances may arise in research agreement negotiations requiring a variation in the indirect costs recovery rate. The College Dean, in consultation with the Vice-President (Research), or designate, has authority to approve variations to this policy. Depending on the circumstances; however, the University retains the discretion to decline funding if insufficient indirect costs funding is provided/available.

Research Services Office and Research Innovation Office staff and College Research Managers do not have the authority to approve a lower indirect cost rate.

15. Are there exemptions to the Full Cost of Research Policy rates?

There are several types of costs incurred for research projects that are already intended to be fully cost-recovered and are therefore exempt from the direct cost base upon which indirect costs are calculated. A table of policy exceptions and exemptions is maintained by the Research Services Office and is posted on the Office of Research website.

16. How do I approach conversations about indirect costs with my External Sponsor?

Please contact Research Services Office (research.services@uoguelph.ca) if you would like assistance with communicating and discussing indirect costs with an external sponsor.

17. Who do I contact with questions about the Full Cost of Research Policy?

If you have questions about the Full Cost of Research Policy, please email research.services@uoguelph.ca.