

COMMENT AND PERSPECTIVE FROM THE OFFICE OF THE DEAN, UNIVERSITY OF CINCINNATI COLLEGE OF MEDICINE

July 11, 2014

*Investigators often say they can produce more and better science if indirect rates on their grants were reduced or waived. However, the reality is that reducing the indirect rate would have the opposite effect. Melanie Cushion, PhD, senior associate dean for research, and Chris Lindsell, PhD, associate dean for clinical research, explain why indirects are a critical funding mechanism for the college and university.*



**Thomas F. Boat, MD**  
Vice President  
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## What are Indirects All About?



**Melanie Cushion, PhD**  
Senior Associate  
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During World War II the government turned to universities and their research faculty to help with the war effort, leading to many new technologies and breakthroughs. In 1947 the Office of Naval Research realized that the expense of research was not borne solely by the investigator, but involved the use of university facilities and other expenses not directly written into the technical proposal. It agreed to support these institutional costs forming the basis for what we call “indirect costs” associated with U.S. government-sponsored research.



**Chris Lindsell, PhD**  
Associate Dean for  
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There is a cost to doing business as a research institution. Maintenance, repair, electricity, heating and air conditioning all must be paid for. We also have to fund research compliance, up-to-date vivaria, legal affairs, chemical safety, sponsored research services, accounting, government cost compliance and the general day-to-day management of the research infrastructure. All of these functions are vital to keeping our research architecture strong, and they are paid for by the indirects on grants. If our indirects drop, the ability to maintain efficient and effective services takes a hit.

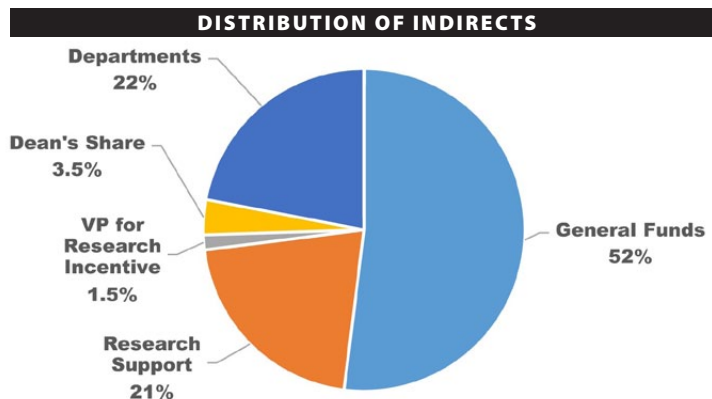
### Determining Indirect Rate

The current research indirect rate at UC is 58.5 percent. That is set during a negotiation between the university and a federal

agency. Every few years, the university determines all its costs and the indirect rates are set as the ratio of the costs of doing business to grant dollars that come in for organized research, instruction and other sponsored activities. The rates do not recoup all associated costs, just those allowable by the federal government. Compared with many for-profit research enterprises, our indirect rates end up being well below the industry standard.

Our indirect rates are essentially made up of two components: facilities and administration. The facilities component is the amount the federal agency is willing to reimburse us for keeping labs and clinics open. Administration covers all other costs. UC's policy is to split the indirects as shown in the accompanying chart (below).

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# The Issue

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A substantial amount of indirects (22 percent) is returned to the PI's department. There is variability among departments as to how that is used. The Dean captures 3.5 percent for research incentives and programs such as pilot awards. The Vice President for Research keeps 1.5 percent for matching funds and other awards that require institutional commitments. Compliance and other research-associated administration receives 21 percent of funds. The university receives 52 percent for building upkeep, maintenance, debt payments and physical grounds, among other expenses.

## Reductions or Waivers

When an investigator asks for a reduction in the indirects, he or she is asking several groups to give up the money used to help run the engine. This is why we ask the department, Dean and the VP for Research to approve. Every time these offices reduce or waive indirects, they are agreeing to donate university services to researchers. This can be done under certain circumstances, but it should be the exception, not the norm. A reduction or waiver of the indirect rate should be limited to the following circumstances:

- A federal or non-profit sponsor that has a published limit on the rate.
- Proposal is for community-based or education-related (e.g. stipends, traineeships, fellowships, etc.) activity.
- Proposal requests less than \$25,000 in total costs.
- Proposal is part of a multi-site project where there is documented evidence that all sub-sites have agreed to a fixed amount or rate.
- The department will undertake the proposed project and incur the direct costs regardless of the funding from any particular sponsor, and therefore the

availability of any external funds can be viewed as an offset to existing commitments. (This is specific to the College of Medicine.)

When an investigator plans to perform most or all of the activities of the research "off-site," such as at the VA, CCHMC or at UC Health facilities, then it may be appropriate to request a reduction of the indirect rate to the off-site rate. This rate also has been set by negotiation with the federal government and essentially removes the facilities' costs from the calculation. The university's current off-site rate is 26 percent.

Indirects keep our lights on. They provide the pool of funds from which the institution can provide the cost-share for grants that require it. Funding agencies will not award grants or contracts to the university without certification of appropriate administrative infrastructure that ensures fiscal as well as human subject, animal care, integrity, data security, standard lab practices, biosafety, compliance and other necessary activities. Without the indirect revenue stream, we would have no way to pay for the infrastructure that supports our research enterprise. Reducing the indirects on a single project might allow that project to be bigger and better, but it undermines our ability to do any research at all. We strongly encourage faculty to scale the scope of their work according to the available funding rather than requesting a reduction or waiver of indirects.

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