



**HMS Primary Responsible Office:** Office of Sponsored Programs Administration (SPA)  
**Other Responsible Office(s):** Office of Finance, Office of Technology Development, Office of the Executive Dean  
**Approval Body:** Dean of the Faculty of Medicine  
**Version Number:** 1  
**Version Approval Date:** July 20, 2017  
**Original Approval Date:** July 20, 2017

**Effective Date:** September 1, 2017  
**Review Body:** Quad Faculty Policy Advisory Group  
**Revision Date:** N/A  
**Applicable To:** All PIs running grants through HMS (excludes HSDM proposals; includes hospital pass-through proposals)  
**Subject Area:** Sponsored Research  
**Key Contact:** Rachel Cahoon  
**Security Permissions:** HMS (eCommons)

## Sponsored Awards Budgeting Policy

---

### Policy Rationale

Harvard Medical School (HMS) relies on indirect cost (IDC) revenue to support its research mission. The revenue helps offset infrastructure expenses (i.e., facilities and administration) that are necessary for conducting research at HMS. Thus, HMS must recover IDC revenue from all sources of sponsored activity – federal, industry, non-federal, and not-for-profit awards. This policy represents a compromise between that necessity and an individual principal investigator’s (PIs) ability to obtain funding. Additionally, for large grants (i.e., greater than or equal to \$250K/yr. TDC), there must be a mechanism by which the PI, the department, and the School can evaluate and mitigate any potential investment of incremental resources on the part of the School or the PIs department. Finally, the policy and associated operating procedures must align with federal and University requirements regarding the tracking and accepting of IDC revenue.

### Policy Statement

HMS encourages faculty to seek grant opportunities that support full IDC recovery rates for the specified type of activity (e.g., organized research, other sponsored activities). The following are expectations of all new sponsored awards or competitive renewals managed by Harvard Medical School, submitted to the Office of Sponsored Programs Administration (SPA) on or after August 1, 2017, with exceptions noted therein:

1. Federal Awards:
  - a. HMS requires that all **federal awards** include the full, negotiated federal rate for the specified type of activity (e.g., organized research, other sponsored activities, off-campus) on a modified total direct cost (MTDC) basis. These rates, as well as a list of costs excluded from the research base, are found in our federal rate agreement, published on the Harvard Longwood Campus Research Administration web site (<http://hlcra.harvard.edu/hmshsdm-rates>).

Please note: federal agencies should not request that an application be submitted at a lower rate, per the “Uniform Administrative Requirements, Cost Principles, And Audit Requirements For Federal Awards” at 2 CFR 200.414(c)(1) (see Related Resources below). Similarly, HMS investigators should not request rates lower than those HMS negotiates with the federal government.



Please also note: Federal research training and education awards, K-awards, conference grants, and several other federal awards have established rates that should be followed. Please contact Office of Sponsored Programs Administration (<https://hlcra.harvard.edu/school/hms-spa-office>) for additional information.

2. Industry Sponsored Awards:

- a. HMS requires that **for-profit industry sponsors** pay, at a minimum, the prevailing full, calculated IDC rate, capped for administration (see Definitions below) on a MTDC basis. Currently, this IDC rate is 73.16%.
- b. Negotiation of such industry awards should be done with the knowledge and support of the Office of Technology Development (OTD).

3. Non-Federal and Not-for-Profit Sponsored Awards:

- a. Office of Sponsored Programs Administration, Department Administrators, and PIs, are expected to maximize the highest IDC rate possible, initially aiming for the federally-negotiated rate.
- b. All **non-federal and not-for-profit** awards must have a minimum *effective* IDC rate of 15% (see Definitions below; see section 3(d) regarding additional expectations for grants greater than \$250K TDC/yr; see section 4 regarding exemptions for junior faculty and certain award types). The 15% effective rate may be obtained through one or more of the following mechanisms:
  - i. Obtaining a negotiated IDC rate of 15% or higher;
  - ii. If the funding agency refuses to negotiate an appropriate IDC rate, costs typically covered by IDC (i.e., space, School-authorized or School-funded grants managers, other administration, IT beyond policy-driven fee-for-service items) should be included in the direct cost budget, so that the effective rate is at least 15% of MTDC.
  - iii. As a last resort, PI discretionary or departmental funds may be used to make up the difference between the award's effective IDC rate and 15% of MTDC.
- c. HMS will honor the published rates of all non-federal and not-for-profit funders and agencies provided that they are higher than 15% (i.e., there is no expectation that a PI would try to negotiate a higher rate than what is published). PIs may not request an IDC rate lower than what is published. Should the published IDC rate be less than 15%, the PI will need to achieve an effective IDC rate of at least 15% using mechanisms stated in section 3(b)(ii) and 3(b)(iii) above.
- d. Non-federal and not-for-profit grants that are **greater than or equal to \$250K TDC/yr** (i.e., "large grants") and that do not carry full IDC must obtain approval from the Executive Dean for Administration prior to submission to SPA, as outlined in the attached Standard Operating Procedures (SOP).
  - i. The purpose of this managerial review, which should take no longer than 7 business days, is to identify and mitigate the School's exposure to supplemental investments associated with the grant. Because large grants

often require additional investments of indirect costs by the School, these grants are expected to recover an effective IDC rate of at least 38%.<sup>1</sup>

- ii. If a large grant has an effective rate of at least 38% (and does not trigger the Provost Review Criteria; see Related Resources below), the PI may submit it directly to SPA without additional managerial review.
- iii. The School retains the right not to approve certain large grants should they present undue financial burden.

#### 4. Exemptions

- a. Non-federal and not-for-profit grants submitted by **Quad-based PIs who are tenure-track assistant and associate professors and whose primary appointment is within a preclinical department** are not required to meet the minimum 15% threshold as outlined in 3(b) or make up the difference between published rates and 15% as discussed in 3(c). However, these PIs are:
  - i. highly encouraged to seek an effective rate of at least 15%, where possible;
  - ii. required to request the maximum published rate of funders that publish rates as outlined in 3(c); and
  - iii. required to follow procedures related to large grants as outlined in 3(d).
- b. Non-federal and not-for-profit grants qualifying as **fellowships or career development awards** (see Definitions below) are not required to meet the minimum 15% threshold.

---

### Roles and Responsibilities

- Sponsored Programs Administration (SPA) shall be responsible for maintaining Standard Operating Procedures for the implementation of this policy (see Related Resources below).

---

### Definitions

- **Total Direct Costs (TDC)** - The sum of all charges that are clearly associated with a sponsored project: all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel etc. as well as full sub-award(s), and equipment.
- **Modified Total Direct Costs (MTDC)** - The sum of all charges that are clearly associated with a sponsored project: all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel etc. Unlike, TDC, an MTDC project only recovers indirect costs on the first \$25,000 of each subaward, if any (regardless of the period of performance of the subawards and subcontracts under the award). MTDC also excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, and participant support costs.
- **Indirect Costs (IDC)** - Costs that are incurred for common or joint objectives and, therefore, cannot be assigned readily and specifically to a particular sponsored project, instructional activity, or any other institutional activity. Examples include support for necessary services such

---

<sup>1</sup> HMS targets 38% effective IDC for large grants, because such grants are often associated with a step-function increase in associated indirect costs, and require additional revenue.

as grants management and accounts payable, safety, building maintenance, lab space, etc. Indirect costs are also called "F&A" (Facilities & Administrative) costs or "overhead."

- **Indirect Cost Rates:**
  - **Negotiated IDC Rate** - The reimbursement rate(s) negotiated between the funder and a grantee organization which reflects the indirect costs and fringe benefit expenses incurred by the organization in the conduct of research supported by the funded award.
  - **Federally Negotiated IDC Rate** - The reimbursement rate(s) negotiated between the Federal government and a grantee organization which reflects the indirect costs and fringe benefit expenses incurred by the organization in the conduct of federal programs. The rate(s) is published in a Negotiated Indirect Cost Rate Agreement (NICRA). The NICRA for HMS can be found at <http://hlcra.harvard.edu/hmshsdm-rates>.
  - **Calculated IDC Rate, Capped for Administration** – The rate that represents the true indirect cost expenses incurred by an organization in the conduct of research programs (e.g., facilities and administration), with administrative expenses capped by the federal government. The “federally negotiated IDC” is determined after the organization first establishes this calculated IDC rate.
  - **Published IDC Rate** - The publicly stated reimbursement rate(s) that a funder provides to a grantee organization to offset the indirect costs and fringe benefit expenses incurred by the organization in the conduct of research supported by the funded award.
  - **Effective IDC Rate** - The rate achieved on a non-federal, non-profit award when non-School funds (including the award’s negotiated IDC, directs in lieu of indirects, and/or PI/department discretionary funds) are identified to offset the indirect costs associated with supporting the direct costs of the funded award.
- **Quad-based Tenure-Track Faculty** – HMS tenure-track faculty members whose primary appointment and primary job location, lab, or workspace is in one of the Basic or Social Science departments, referred to as the “preclinical” or “quad” departments:
  - Biological Chemistry and Molecular Pharmacology
  - Biomedical Informatics
  - Cell Biology
  - Genetics
  - Global Health and Social Medicine
  - Health Care Policy
  - Microbiology and Immunology
  - Neurobiology
  - Systems Biology
- **Fellowships and Career Development Awards** – The stated primary purpose of fellowships and other career development awards is to provide:
  - support for research training opportunities to trainees at the undergraduate and graduate level, as well as postdoctoral, and early-stage faculty levels (i.e., Assistant and Associate levels).
  - a path to recognize research that shows promise of contribution to the scientific field.
  - a path to independent research.



Damon Runyon Cancer Research Foundation, Burroughs Wellcome Fund, Juvenile Diabetes Research Fund, Robert Wood Johnson Foundation, Simons Foundation, Doris Duke Charitable Foundation, and Alfred P. Sloan Foundation are common funders of fellowships and career development awards at HMS.

---

### **Review Period**

This policy shall be reviewed annually beginning one year from the effective date.

---

### **Related Resources/ Referral Links**

- Summary Table (Appendix 1 below)
  - Standard Operating Procedure and Budget Tool (Attached)
  - [HMS/HSDM Proposal Review Process and Timeframe](#)
  - [Uniform Administrative Requirements](#)
  - [Indirect Cost Rates for Non-Federal Sponsors](#)
  - [University Principals for IDC to Non-Federal Awards](#)
  - [Provost Review Criteria](#)
  - [Proposal Submission Deadlines Policy](#)
- 

### **Revision History**

---

### **Key Words/Tags**

Indirect cost, IDC, F&A rate, non-federal, non-profit, industry, sponsored awards, grants



**Appendix 1: Summary Table**

Type of Grant	Sub-Types	Minimum IDC	Applicable To
Federal Awards <sup>2</sup>	Organized Research	69.5% (negotiated rate for HMS)	All PIs
	Other Sponsored Activity	38% (negotiated rate for HMS)	All PIs
	Off-Campus Activity (e.g., VA grants)	26% (negotiated rate for HMS)	All PIs
	Other types of grants (e.g., training grants, K awards, conference grants)	Stated rate varies by award (The federal government sets the rate for this each award in this sub-type; the rate is not negotiated by each institution. For example, for training grants, the stated rate is 8% and all institutions must request this rate.)	All PIs
Industry Awards		73.16% (calculated IDC rate, capped for admin costs)	All PIs
Non-Federal & Not-for Profit Awards	≥\$250K/yr	38% effective rate	All PIs
	<\$250K/yr (excluding career development awards, which are exempt)	15% effective rate	All PIs except Quad-based, tenure-track junior faculty

<sup>2</sup> See <https://hlcra.harvard.edu/hmshsdm-rates> for more details.