

Grant and Contract Policies and Procedures
Policy on Application of Indirect Cost Rates

Effective Date: March 1, 2018

Scope: Sponsored Programs (Grants and Contracts)

Issuing Office: Office of Sponsored Programs

Policy on Application of Indirect Cost Rates

Purpose: This policy defines applicable Indirect Cost rates (also defined as Facilities & Administrative or F&A rates) applicable to externally sponsored projects. **It is the position of Lurie Children's Hospital of Chicago and Stanley Manne Children's Research Institute to recover full indirect costs as allowable when entering into grants and contracts for organized research and other sponsored activities.** These rates are to be used when preparing proposal budgets for prospective federal and non-federal grant awards, clinical trials or research contracts with industry partners.

Guidance and resources available: Rates are posted on the Office of Sponsored Programs (OSP) website. Prior to engaging in budget discussions with a potential Federal or non-Federal sponsor, investigators and research staff must consult with the OSP grant or contract officer to determine a project's appropriate F&A rate. Considerations include the sponsor's regulations, restrictions within the published funding opportunity/solicitation, and the nature of the proposed activity.

Policy Statement: When no sponsor F&A restriction exists for a specific funding opportunity, the following rates are to be used in budgeting sponsored projects:

Federal Projects, including direct awards and subawards/consortia involving Lurie Children's Hospital

Negotiated rates represent a negotiation based on the true cost of conducting research, operating and maintaining research facilities and providing uniform administrative services for research. The negotiated rates represent a reduction from the true costs, and Lurie Children's subsidizes the difference between the negotiated rate and the true cost.

Federal F&A Rate Categories:	Rate and Base
Organized Research (OR; effective for awards issued 9/1/17 – 8/31/20)	53% MTDC
Other Sponsored Activity (OSA; effective for awards issued (9/1/17 – 8/31/20)	39% MTDC

Grant mechanism-specific Federal rates: When a sponsor solicitation or regulations specifically restricts indirect cost recovery for a specific grant or contract mechanism or opportunity, the reduced rate will be included in the grant application budget. Examples include training grants which are awarded with a reduced F&A rate.

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Contracts from industry sponsors:

Industry sponsored research supports the work involved pre-clinical discovery, basic and translational research. Industry sponsored – Other Sponsored Activity involves laboratory testing services agreements. Federally negotiated rates are not applicable. In these cases, the actual organizational indirect cost rate is utilized in industry research budgets.

Industry Sponsored Research F&A Rate Categories:	Rate and Base
Organized Research (OR; effective March 1, 2018 until modified)	69% MTDC
Laboratory Testing/Services Agreement (OSA; effective March 1, 2018 until modified)	52% MTDC

Clinical Trials

Indirect cost rates applied to industry-sponsored clinical trials are applied to all new clinical trial agreements presented to OSP for budget review and contract negotiation.

Clinical Trials – Industry	30% TDC
Clinical Trials – Non-Industry	Varies by opportunity

Lurie Children's does not maintain a clinical trials indirect cost rate within its Federally negotiated indirect cost rates. The Federal Organized Research rate is applicable to Federally funded clinical trials, whether included in a direct Federal grant application, or a consortium agreement.

Indirect cost rates for non-Federal, non-Industry sponsors: Lurie Children's recognizes that sponsor solicitations occasionally include limitations on allowable F&A rates. In those cases, proposal submissions in response to these solicitations must be budgeted at these capped rates.

Application of F&A Rates: Investigators and research staff should work with their OSP grant and contract or industry studies contact when developing proposal budgets and prior to engaging in negotiations with sponsors, to ensure that the appropriate indirect cost rate applicable is included in the project budget. Final determination will be made by the Director, Office of Sponsored Programs.

Authorization: All budget agreements with any external funding agency, including applicable indirect cost rate, must be authorized by the Director, Office of Sponsored Programs, prior to acceptance of a grant award. Reduced indirect cost rates agreed to by faculty or staff other than through the institutional authorized approval process are not considered accepted by Lurie Children's Hospital of Chicago and are subject to re-negotiation prior to accepting the award or contract.

Exceptions: Exceptions to this policy require written approval of the Chief Research Officer and Chief Operating Officer, or as delegated, following provision of documentation to the Director, Office of Sponsored Programs.

Date Written: March 1, 2018

Date Reviewed/Revised: March 1, 2018

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Definitions:

Activity Type:

Organized Research: Organized research project rates apply to research activities intended to increase knowledge or understanding of the subject studied. Organized Research projects have two or more of the following general characteristics: 1) Defined work statement; 2) Competitive proposal and award process; 3) A line item budget identifying expenditures by activity, function and project period; 4) Specific commitment regarding deliverables and level of personnel effort devoted to the project; and/or 5) A formal report that summarizes results or conclusions.

Other Sponsored Activity: Included in OSA (Other Sponsored Activity) are projects to provide health care or other services, grants whose primary purpose is to train clinical staff, or studies in which the primary purpose is to test the effectiveness of drugs, treatments and devices (such as lab studies) not connected to an organized research project. General characteristics include: data accumulation projects; database construction; projects which benefit the community at large; projects to attract employers, create jobs, enhance employer competitiveness; funded information centers; projects which educate the public on health issues or on modifications to behaviors which put the public at risk; and other funded projects which do not fit the definition of organized research.

Indirect Cost Base Definitions:

Modified Total Direct Costs (MTDC) represents total direct costs excluding the following budget categories: Patient Care Charges; Capital Equipment (acquisition cost of \$5,000 or more and useful of at least one year); Tuition and Stipends; Space Rental; Telecommunications/Network Expenses; Subcontracts in Excess of the First \$25,000.

Total Direct Costs (TDC) represents total direct costs with no exclusions.

Industry Sponsored Clinical Trials TDC (Total Direct Costs) represents total direct costs, with the exception of charges on IRB review fees and research unit administrative start-up fees (CRU, Research Pharmacy, Medical Imaging).

Please consult with OSP staff for interpretation of activity as Organized Research, Other Sponsored Activity, or Clinical Trials.