



[HMS Low IDC policy v 2.0](#)

Revision date: 9/6/23

Responsible offices: Office of Research Administration; Office of Finance

Key contacts: Rebekah Coble; Jenn Grandfield

Policy statement:

Harvard Medical School (HMS) relies on indirect cost (IDC) revenue to support its research mission. 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 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.

Definitions:

IDC = Indirect Cost Recovery. Refers to the rate that can be charged to sponsored awards to recover some or all of the costs HMS incurs to enable research, including but not limited to space costs, utilities, legal fees, human resources, and other administrative overhead. HMS expects researchers to do their best to collect the maximum IDC to help ensure HMS’s fiscal health because HMS does not cover its costs of doing research.

MTDC = Modified Total Direct Costs. MTDC, as defined by the Uniform Guidance, is the base to which indirect cost rates are applied. MTDC includes direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward. MTDC excludes equipment, capital expenditures, charges for rent, tuition remission, participants support costs and the portion of each subaward in excess of \$25,000.

Applications that are exempt from the HMS low IDC policy:

- Grants qualifying as fellowships or career development awards. Please consult ORA to determine if a project falls into this category.

Grant applications to Industry (for profit) sponsors:

1. Organized research applications (A02) must achieve the prevailing full, calculated IDC rate, capped for administration (currently 72.25%) or be reviewed.
2. Other sponsored activities (A03) applications must achieve the prevailing full, calculated IDC rate, capped for administration (currently 46.05%) or be reviewed.

The following are expectations of all new non-industry, non-federal grant and contract applications or competitive renewals managed by Harvard Medical School.

Policy summary:

1. Applies to all non-industry, non-federal grant and contract applications; see guidance above for Industry for-profit grant applications.
2. Applies to all HMS investigators.
3. For each application, the sponsor’s allowable IDC rate must be documented. If the sponsor does not have a published IDC rate, applicants should contact sponsor to determine the allowable IDC rate for the application. A stated IDC rate can be documented in the RFP, sponsor’s website, or email

communication. The applicant must include in the project budget the higher of the sponsor's rate and the minimum required rate.

4. Minimum effective IDC requirement is based on the ***annual*** MTDC amount per application (total annual MTDC to be spent at HMS):
 - **If MTDC is <\$250K per year**, the application is exempt from the minimum IDC requirement, but must include the sponsor's stated IDC rate in the application budget.
 - **If MTDC is between \$250K and <\$1M**, the minimum required effective IDC rate is **15%**; applications with annual MTDC *greater than or equal to \$250,000 and less than \$1M* require a minimum effective IDC rate of 15%.
 - **If MTDC is \$1M or greater per year**, the application requires a minimum effective IDC rate of 38%.
5. Grant applications with annual MTDC greater than or equal to \$250K to sponsors without a stated IDC rate must include the current federally negotiated rate in the application budget. If the sponsor counters with a rate lower than minimum required rate per above, please submit for review.
6. Applications with equipment or other infrastructure costs must provide additional information regarding space and IT needs, potential renovation costs, and service and maintenance costs. These applications may not meet the MTDC minimum for review; departments and ORA must flag these for review.

Process (*subject to revisions by Finance and ORA*):

1. When entering proposal into GMAS, Departments will make their best determination whether the HMS low IDC policy applies to a non-federal grant application.
2. If policy applies, departments will create a folder named "Low IDC agreement" under the submission's documents.
3. The department will save the following documents to this folder:
 - Low IDC budget tool
 - Application budget
 - RFP (or other document indicating the sponsor's IDC rate applicable to the application)
4. Department will include Jenn Grandfield as "Financial Dean/Designee" signatory in GMAS no later than five business days before the sponsor due date.
5. When the review by Finance is complete, Finance will 1) upload an approval document to GMAS or 2) contact the department for additional information.

How to access documents related to the HMS low IDC policy:

This guidance and the low IDC budget tools will be posted to the website below. There will be two low IDC budget tools available; one for Organized Research (A02) applications and one for Other Sponsored Activities (A03) applications.

<https://researchadmin.hms.harvard.edu/policies-guidance#>.

Harvard's F&A Rate Agreements:

<https://osp.finance.harvard.edu/fa-rate-agreements>