



# University of Toronto

OFFICE OF THE VICE-PRESIDENT (RESEARCH) AND ASSOCIATE PROVOST

December 21, 2004

## MEMORANDUM

**TO:** Committee on Academic Policy and Programs

**FROM:** John R.G. Challis  
Vice-President – Research & Associate Provost *John for*

**RE:** Overhead Rate Schedule

The University's Policy on Research Contracts and the Recovery of Indirect Costs of Research includes two Schedules, A and B, which outline the overhead rates applicable to, respectively, research contracts and grants. Under the Policy, the Vice-President is authorized to adjust these rates from time to time "in response to changing circumstances."

Attached is a draft revision of Schedules A and B. They include the following changes:

- **University Research Incentive Fund.** Since the program has ended, the overhead rates for it have been deleted from the Schedule.
- **Ontario Centres of Excellence.** Under the University Collaboration Agreement between all the Ontario universities and OCE Inc., signed earlier this year, the applicable overhead rate on OCE-funded projects was raised from 30% to 35%. (As the new footnote indicates, the University will be seeking a 5% supplement from the Research Performance Fund.)
- **Research Grants from Companies, Consortia, Government Departments and Agencies.** The overhead rate is being raised from 15% to 20%. Since the federal Indirect Cost Program provides an overhead rate of approximately 20% to most universities, we should not be charging a lower rate to industry or government agencies. This is consistent with a recent policy adopted by the Ontario Council on University Research.

This is the first of a series of planned amendments to the research overhead rates. Canadian universities have agreed that the indirect costs of research are – *at a minimum* – 40% of the direct costs. The aim of the University of Toronto is to move progressively toward recovering all of these indirect costs from all of our research sponsors. We are currently working to have the federal Indirect Cost program increased from approximately 20% to 40%. At the same time, we will be increasing the overhead rates charged on industrial and government department grants by 5% per annum, reaching 40% in 2009. In addition, where current rates fall short of 40%, we will be indicating to sponsors that the difference constitutes a University of Toronto subsidy to the research project in question; and that we cannot provide such a subsidy indefinitely.

cc: Research Advisory Board

att.

## **APPENDIX A**

### **OVERHEAD RATES ON RESEARCH CONTRACTS**

#### Standard Rate

40% of total direct costs

#### Government of Canada Rate

##### (a) Government Departments and Agencies

65% of on-campus salaries, wages and benefits  
30% of off-campus salaries, wages and benefits  
2% of travel and living expenses

##### (b) Canadian International Development Agency

54% of salaries, wages and benefits

##### (c) International Development Research Centre

13% of total direct costs

#### Government of Ontario Rates

##### (a) Government Departments and Agencies

30% of total direct costs\*

##### (b) Ontario Centres of Excellence

35% of total direct costs\*

#### U.S. Federal Government Rate

44.3% of total direct costs, excluding capital expenditures and subcontract amounts in excess of \$25,000 each.

\* supplemented by payments from the Ontario Research Performance Fund to reach a maximum of 40%.

## **APPENDIX B**

### **OVERHEAD RATES ON RESEARCH GRANTS**

Companies, Industrial Consortia and Government \* Departments and Agencies

20% of total direct costs

Foundations (where applicable)

10% of total direct costs

\* except U.S. federal government, for which contract rate (see Appendix A) normally applies