

The Costs of University Research: An Overview

What are the costs of doing research?

There are two types of costs related to the conduct of sponsored research. *Direct* costs are those which can be specifically identified and allocated to a specific project. Examples of direct costs include salaries and wages of investigators, travel costs, and equipment.

Indirect (overhead) costs are expenses that are incurred in supporting the total research enterprise of the university. These include the real costs of facilities (buildings, equipment, plant operation and maintenance, and libraries) and administration that the university has to pay to conduct research. These costs are calculated using the Office of Management and Budget Circular A-21 (OMB A-21) guidelines and allocated to each research contract on a pro-rated basis. Similar costs are associated with the teaching enterprise of the university and these costs are absorbed into the tuition costs allocated to students.

What are the components of indirect cost?

There are two specific components of indirect cost. *Facilities* indirect costs include expense related to university buildings and capital equipment, the operation and maintenance of the physical plant, and libraries. Building, equipment, and operation/maintenance of plant are allocated to research on the basis of how the space in campus buildings is utilized. Library costs are allocated to various activities on the basis of the population of library users.

Administrative costs relate to the administration of research programs both centrally and within academic and research departments. Administrative costs are allocated based upon the level of research relative to other activities of the university.

The indirect costs on a grant or contract will be used to support such things as renovations to and maintenance of the laboratory in which the work is performed; utilities to run the lab or office; environmental health and safety compliance; processing payroll; the preparation of grant administrative reporting; and the acquisition of reference materials. These supporting items are no less important than the activities funded by direct costs.