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SUBJECT: Indirect Program Support Costs

TO: Valued Partners

FROM: Robert H. Magill
REE Chief Financial Officer
Financial Management and Agreements Division

Kim Parks
Fiscal Services Branch Chief
Financial Management and Agreements Division

Kim Radcliff
Grants and Agreements Management Branch Chief
Financial Management and Agreements Division

The following addresses the Agricultural Research Service (ARS), U.S. Department of Agriculture policy regarding payment of indirect costs on all incoming research agreements issued by non-Federal partners, known as a Sponsor, to the Agency. This policy took effect on October 1, 2012.

The ARS has had a long-standing policy of charging Sponsor's an indirect cost rate of 10% on the total award for incoming research agreements (and 20 percent for Cooperative Research and Development Agreements (CRADA). Internally, ARS refers to this indirect cost rate as an 'Indirect Program Support Cost' or 'IPSC'. IPSC is used by the Agency to cover the additional administrative costs associated with performing research beyond that supported by Federally appropriated dollars. The IPSC not only covers the costs of executing, implementing, and managing the agreement, but also the administrative costs of additional procurements, hiring and management of non-appropriated funded personnel, utilities, and other basic costs associated with the operation of a research program. While all incoming research agreements issued by Sponsor's to the Agency must be complementary to the Agency's appropriated research mission, they are also an expansion of those programs and the administration of incoming agreements results in additional costs to the Agency. Thus, recovery of ARS indirect costs is critical to ARS' ability to support non-appropriated funds research, especially given the constriction of Federal appropriations.

The ARS policy for the application of IPSC on incoming research agreements to the Agency fall under the following criteria: There are no exceptions - Sponsors will either be categorically exempt or not exempt from paying IPSC on incoming research agreements based upon the following criteria for non-Federal organizations:

- When the original source of funds (OSOF) for an incoming agreement is a non-profit organization as listed in the U.S. Internal Revenue Service's (IRS) " Exempt Organizations Business Master File Extract (EO BMF)" at <https://www.irs.gov/charities-non-profits/exempt-organizations-business-master-file-extract-ao-bmf>. Organizations not listed in this IRS publication will not be considered "nonprofit" for purposes of charging IPSC; and

- Organizations for which charging indirect costs is expressly prohibited or limited by statute or the written bylaws of the OSOF (including Federal agencies) with proper documentation to the Agency.

In addition, IPSC will not be charged on any agreement or grant less than or equal to \$10,000 over its total life.

In addition to the IRS EO BMF, the Agency maintains documentation on whether an OSOF has historically been exempt from ISPC for research. ARS Area Directors and the NAL Director will require that proposals submitted by their scientists/staff to Sponsors include IPSC in their budgets, unless the sponsored-funding organization is exempt. Prior to the submission of a research proposal and prior to acceptance of any incoming research agreement from a Sponsor, the Agency shall determine exemption from IPSC through internal procedures.

ARS greatly values the research funds provided by its many partners and stakeholders. However, ARS must also be good stewards of its appropriated funds and maintain prudent financial operations. We sincerely appreciate your understanding and acceptance of this policy .