



United States Department of Agriculture

Research, Education, and Economics
Agricultural Research Service

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SUBJECT: Indirect Program Support Costs

TO: Valued Partner

FROM: Robert C. MacDonald
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Office of Technology Transfer

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We are writing to inform you of revisions to the Agricultural Research Service's (ARS), Department of Agriculture, policy regarding payment of indirect costs on all research agreements issued to the Agency starting October 1, 2012.

The ARS has had a long standing policy of charging 10 percent Indirect Program Support Costs (IPSC) on research agreements received by the Agency (20 percent for Cooperative Research and Development Agreements (CRADAs)). IPSC is used by the Agency to cover the additional administrative costs associated with performing research beyond that supported by taxpayer-funded appropriated dollars. Such costs not only cover the costs of executing, implementing, and managing the agreement, but the administrative costs of additional procurements, hiring and management of soft-funded personnel, utilities, and other basic costs associated with the operation of a research program. While all research agreements must be complementary to ARS' appropriated research, they are also an expansion of those programs, and the administration of soft-funded projects results in additional cost to the Agency. Thus, recovery of IPSC is critical to ARS' ability to support soft-funded research, especially given the constriction of Federal appropriations.

Until now, this IPSC policy has allowed ARS scientists to request waivers from IPSC charges on specific agreements. This waiver process has been burdensome, confusing, and at times frustrating to all parties involved, in part because of the lack of clear definition prior to applying for funds regarding requirements for paying IPSC. To resolve this issue, ARS has revised its policy for IPSC to eliminate the waiver process. Effective for all research agreements issued to the Agency starting October 1, 2012, organizations providing funds to ARS through research agreements will either be categorically exempt or not exempt from paying IPSC on these agreements based upon the following criteria for non-Federal organizations:



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- Non-profit organizations, as listed in the U.S. Internal Revenue Service's (IRS) "Exempt Organizations Business Master File Extract (EO BMF) at <http://www.irs.gov/taxstats/charitablestats/article/0,,id=97186,00.html>. 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 organization (including Federal agencies).

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

A list of organizations from which ARS has received agreements and found to be exempt from paying IPSC on research agreements, will be posted on the ARS Extramural Agreements webpage at <http://www.afm.ars.usda.gov/agreements/> prior to October 1, 2012. ARS Area Directors (ADs) will require that proposals submitted by their scientists include IPSC in their budgets unless the funding organization is on this list of exempt organizations. If a potential funding organization is not on the list of exempt organizations but meets one of the criteria above, the ARS ADs are responsible for obtaining and submitting such information to Headquarters, which must review and concur with the determination of exempt prior to the submission of a research proposal and acceptance of any research agreement from the organization.

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 of this policy revision.