**UCGSA Brief on Indirect Costs of Research**

Prepared for: University of Calgary Students’ Union (UCSU)

On the question of indirect costs for mandatory non-instructional fees (MNIFs):

* The University of Calgary states that the overhead on services funded by MNIFs is equivalent to the calculated overhead for indirect costs of research.[[1]](#footnote-1),[[2]](#footnote-2)
* According to the Research Overhead Procedure, this is calculated to be 40% of the direct costs of a research project.[[3]](#footnote-3) According to their formula, this is equivalent to the indirect costs of research grants funded by for-profit private industry.[[4]](#footnote-4)
* Indirect costs of research of research are a real and significant financial concern, but we are skeptical that the overhead costs of running research projects is useful for calculating the overhead for running student service programs.
* We are doubly skeptical that the overhead for private sector-funded research grants is the appropriate standard for MNIF overhead.
* **Example 1:** the legal costs of conducting research:
  + Legal services would include providing insurance to researchers conducting research in potentially dangerous locations.
  + Would also include legal services to negotiate and protect intellectual property (IP) rights for researchers and the institution.
  + For-profit research grants would involve further negotiations over how to split IP rights between the funding firm and institution, as well as other legal mechanisms like liability shields.
  + Research involves a significant amount of marketing—especially if it’s involving technology transfers[[5]](#footnote-5)—to internationalize and commercialize the end product.
  + While some student services are likely to have high legal costs to successfully run the program (International Student Services and UCI Study Abroad, for example), other services are unlikely to require legal counsel to the same extent.
  + We also do not think they involve the same laborious negotiations and financial risk you would find when a university collaborates with a for-profit firm.
* **Example 2:** procurement and logistics
  + Research laboratories require resources that are significantly more scarce and specialized than most student service programs.
  + For certain laboratories, permits and security clearance are required to access these resources, which increases both the required expertise for logistics specialists and the amount of time required to successfully receive research supplies. Both will increase costs substantially.
  + While not all laboratories are as expensive as the supercomputer and quantum computer laboratories, no student service is comparable in terms of required rare materials. Conversely, no research laboratory is going to be less expensive from a logistics standpoint than the least expensive student service.
  + We would therefore expect the average procurement and logistics cost associated with research (funded by industry or otherwise) to be significantly higher than the average procurement and logistics costs of student services.
* **Example 3:** Infrastructure costs
  + Research laboratories will have significantly higher capital costs than the facilities which house student services (even including the Wellness Centre).
  + An additional infrastructure cost is the digital libraries and databases which contain internal and external resources. Only student services that deal with complex student data (the Wellness Centre, International Student Services, etc) will require comparable digital infrastructure.
* These examples hopefully show that research includes unique costs that are either not found in student services, or are not present as frequently as they are for research. Using the indirect costs of research as a blanket formula for calculating indirect costs may be an effective shortcut, but it fails to capture these differences.
* These examples also hopefully show that the unique indirect costs of research also tend to be significantly more complex and expensive compared to what we think you can expect from student services.
* Finally, research grants from the private sector add another layer of complexity and cost considerations that is not present in student services.

While UCGSA recognizes that indirect costs are a real and substantial financial concern, and that cost-recovery should include indirect costs, we are skeptical of this 40% number. For the sake of transparency, it would be best for the University of Calgary to show—on a case-by-case basis—what the indirect costs of student services are, rather than relying on a formula intended for an entirely different activity performed by the institution. We also suspect that 40% is likely an overestimation of the average indirect costs of student services, given the uniquely challenging nature of receiving research funding grants from for-profit firms.

1. <https://www.ucalgary.ca/provost/sites/default/files/teams/1/1.%20MNIF%20Student%20Enrolment%20Services%20(SES)%20FY23-24%20Final%20(Approved).pdf>, pg. 21, n. 12. [↑](#footnote-ref-1)
2. <https://www.ucalgary.ca/provost/sites/default/files/teams/1/Executive%20Summary%20MNIF%20FY24_September%202024%20v.6_0.pdf>, pg. 2. [↑](#footnote-ref-2)
3. <https://www.ucalgary.ca/legal-services/sites/default/files/teams/1/Policies-Research-Overhead%20Procedure.pdf>, pg. 3. [↑](#footnote-ref-3)
4. *Ibid*. [↑](#footnote-ref-4)
5. Term refers to any knowledge transfers from universities to the private sector. [↑](#footnote-ref-5)