

Guidelines for MAES and MSUE Research Sponsored by Michigan Commodity Groups

Indirect Costs/Overhead Rates/Facility Charges and Administrative Cost Rates and Intellectual Property Guidelines

Preface:

Michigan State University, being a land grant university, has a unique relationship with the agricultural industries of Michigan. The agricultural commodity groups of Michigan have been a strong partner and supporter throughout the history of Michigan State University. They have been a positive voice to the Michigan Legislature, Michigan State University Board of Trustees, and Michigan's congressional delegation on behalf of Michigan State University and its research/extension programs. Many of the agricultural commodity groups are organized under Michigan Public Act 232 and administered through the Michigan Department of Agriculture; while other groups are more loosely organized. The common thread among these organizations is their active engagement with MSU on research and educational programs that benefit the well being of their industry and members. These linkages are inherent in the founding principles of Michigan State University and are at the core of the land grant philosophy. In recognition of special partnerships that exist between Michigan State University and Michigan agricultural commodity groups; the University has traditionally and will in the future develop administrative policies and guidelines that foster the continuation of this mutually beneficial partnership.

Committee Recommendations

- 1. Standard Michigan State University indirect costs/overhead rates/facility charges and administrative cost rate policies will be waived for research contracts and grants from recognized agricultural commodity groups.**

Actions:

- A list of Michigan commodity groups will be developed. Indirect costs will be waived on any grants and contracts from organizations on this list.
- The list of Michigan agricultural commodity groups will be updated by the Michigan Agricultural Experiment Station and delivered to the MSU Provost and President annually for their approval.
- Transmittal sheets will be completed for all contracts and grants received from Michigan agricultural commodity groups.

Rationale: Michigan producers and processors of agricultural commodities have banded together to leverage their limited funds coming from self-imposed assessments for the good of Michigan agriculture. The active partnership represented by the communications, contracts, gifts, and grants from these organizations and Michigan Agricultural Experiment Station (MAES)

researchers and Michigan State University Extension (MSUE) educators are a cornerstone of the Land Grant University.

2. Direct costs of research and extension projects must be recognized by MAES researchers/MSUE educators and Michigan agricultural commodity groups.

Actions:

- No MSUE or MAES-funded department will levy an off-the-top surcharge or tax from research/extension contracts, grants, and gifts sponsored by Michigan agricultural commodity groups granted an indirect cost waiver by the MSU Contracts and Grants Administration.
- Researchers/educators shall include the direct costs of activities in their proposals submitted to commodity groups for funding. Direct costs should be addressed through requested financial support from the commodity group and approved internal match funding.

Rationale: We recognize that there are costs associated with maintaining facilities and managing accounts associated with commodity-sponsored research above and beyond normal operations. The long-term availability of these facilities and services for continued research activities requires that all direct project costs be addressed in the funding proposal. However, it is not appropriate for departments to collect indirect costs from contracts and grants from Michigan agricultural commodity groups when the MSU has waived these costs. Departmental surcharges jeopardize the University waiver of indirect costs of commodity group grants and contracts.

3. All “Testing” activities not sponsored by Michigan agricultural commodity groups are subject to an indirect cost rate of not less than 15% total direct costs (TDC).

Actions:

- MAES researchers and MSUE educators are expected to use an indirect cost rate not less than 15% TDC on all proposals and accompanying transmittal forms associated with industry testing of all products, materials, and processes.
- Department Chairpersons will ensure that industry contracts and grants that involve testing activities comply with an indirect cost rate of not less than 15% of total direct costs.
- No MSUE or MAES-funded department will levy an off-the-top surcharge or tax from testing contracts granted a reduced indirect cost rate by the MSU Contracts and Grants Administration.
- The approval for using the “testing” indirect cost rate will be determined by the Department Chairperson, MAES &/or MSUE, and MSU Contracts and Grants Administration with appropriate input from the principal investigator and the Office of Intellectual Property.

Rationale:

Testing activities benefit Michigan agriculture but do not commonly result in the development of intellectual property. New knowledge gained from testing activities is commonly related to the effectiveness of the tested products under Michigan conditions. Verification of a product's effectiveness or utility by MSU will financially benefit the sponsoring organization/company either through product registration or increased sales. Thus, it is appropriate that non-commodity organizations sponsoring testing activities contribute to the current indirect costs/overhead rates/facility charges and administrative cost rate indirect/overhead/facility and administrative charges associated with the sponsored activity. However, the benefit to Michigan producers and businesses is recognized through the reduced indirect cost recovery rate.

4. All sponsored research and extension activities not funded by Michigan agricultural commodity groups will comply with approved MSU indirect costs/overhead rates/facility charges and administrative cost policies.

Actions:

- MAES researchers and MSUE educators will use the current indirect cost recovery rate on research/extension proposals to sponsoring organizations and on accompanying transmittal forms.
- Department Chairpersons will ensure that contracts and grants that involve research activities comply with current MSU indirect cost rates.

Rationale:

Research-extension contracts and grants initiated by MAES researchers and MSUE educators, are subject to current MSU Contract and Grant Administration policies. It is unethical and totally unacceptable for faculty members to conspire with funding organizations to avoid paying indirect costs.

5. A standard master agreement on intellectual property rights and policies will be developed between by MSU and all Michigan agricultural commodity groups seeking a waiver of MSU Indirect Costs/Overhead Rates/Facility Charges and Administrative Cost Rates.

Actions:

- The Office of Intellectual Property and MAES will develop a boiler plate agreement that will be easily adapted for any Michigan agricultural commodity group funding research/extension activities that addresses intellectual property rights and policies to ensure uniform treatment of all commodity groups.
- A Commercialization Advisory Committee (CAC) composed of a representative of the MSU Office of Intellectual Property, Michigan Agricultural Experiment Station (MAES), the MAES researcher or MSUE educator involved in the invention, a Michigan Department of Agriculture official and a representative from the Michigan commodity group involved in

sponsoring the relevant research/extension activity will be established. The CAC will make licensing recommendations to the Vice President for Research and Graduate Studies.

- Royalties and licensing fees generated from intellectual property derived from commodity group-funded research activities must comply with MSU policies. However, MSU recognizes the unique partnership that exists between agricultural commodity groups and MAES through the establishment of a fund dedicated to furthering research of mutual interest to the commodity group and the University from fifty percent of the royalties returned to the Department(s) and/or College(s). The rights of third parties sponsoring research with commodity groups will be respected through current MSU intellectual property policies but will not exclude the rights of sponsoring commodity groups.
- All Michigan agricultural commodity groups will be invited to an open discussion of intellectual property rights and policies with MSU officials to finalize the development of a standard agreement with all commodity groups who have not currently reached an intellectual property agreement with MSU.

Rationale:

Commodity groups and MSU jointly sponsor research for the benefit of Michigan agriculture. Indirect costs are being waived for commodity groups. Normally the waiving of indirect costs result in the loss of rights to intellectual property developed from sponsored research. However, the unique relationship between MSU and commodity groups justifies a unique approach of utilizing royalties and licensing fees to further research of mutual interest. An agreement on the dedication of fees from the MSU Foundation and originating Department/College to establish an endowed research fund is desirable.

Intellectual Property Process

