

UCI ADMINISTRATIVE POLICIES & PROCEDURES

RESEARCH AND SPONSORED ACTIVITIES

Section 483-4: Consideration of Waivers or Reductions in an Applicable Facilities & Administrative Cost Rate

Responsible Office: Office of Research Administration, Sponsored Projects

Issued: August 4, 2009

Revised:

References

- University of California Contract and Grant Manual, Chapter 8, Indirect Costs
- University Regulation No. 4, Special Services to Individuals and Organizations, Contract and Grant Manual Chapter 1-320

Background and Purpose

This policy describes the University's expectations for full cost recovery on extramurally-funded projects and the process for requesting a waiver or reduction in the federally-negotiated Facilities and Administrative rates.

Applicability and Effective Date

This policy is effective on August 4, 2009.

Definitions

Facilities & Administrative (F&A) rates, otherwise known as indirect costs or overhead, are defined by the federal [Office of Management and Budget \(OMB\) Circular A-21, Cost Principles for Education Institutions](#) as "those (costs) incurred for common or joint objectives and therefore not identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity."

Policy

University of California Regulation No. 4 imposes a duty on University administrators and Principal Investigators (PIs) to perform work on sponsored projects on a full cost recovery basis. Thus, when allowed by sponsor policy, proposal budgets must include full direct and indirect costs.

Applying the appropriate F&A rate reimburses the University for costs incurred to construct and maintain buildings, and provide equipment, utilities, general and administrative support for sponsored activities. These rates are negotiated with our cognizant federal audit agency (Department of Health and Human Services, Division of Cost Allocation) in accordance with Circular A-21. Current rates can be found at <http://www.research.uci.edu/ora/sp/faciladmindcosts.htm>.

Exceptions to the Federal F&A Rates

Because reductions in the recovery of F&A require the campus to use other funding sources for research infrastructure expenses, a limited number of requests to reduce or waive overhead recovery are approved. This section describes exception categories in the following areas:

- non-profit sponsor policy;
- for-profit sponsor or foreign government sponsor supporting UCI community service, scholarship or fellowship program apart from research activities; and
- other sponsorship deemed to be of vital interest to UCI.

The UC Office of the President retains authority to approve exceptions to the negotiated F&A rates and all requests require campus endorsement. At UCI, the Vice Chancellor for Research or the Assistant Vice Chancellor for Research provides that endorsement.

A request for an exception to a negotiated F&A rate may apply to an individual award or a class of awards from a particular sponsor. Exceptions based upon the sponsor's policy are typically approved for a class of awards. Individual exceptions are approved in very limited circumstances as Campus Vital Interests.

The following information regarding F&A exceptions is provided to guide investigators and their business officers.

1. Non-Profit Sponsor Policy Restrictions

Non-profit sponsors, including foundations, charitable trusts, domestic governmental agencies, and international non-profit organizations, may have policies that reduce or do not allow F&A recovery. In such cases, the campus may request a Class Waiver from UCOP based upon sponsor policy, provided the non-profit sponsor has a written, published policy that is consistently applied to all grantees or when the sponsor's policy is stated in a letter and the stated limit operates as the sponsor's policy and is not an ad hoc or grant-by-grant decision. Your Contract and Grant Officer can advise if a standing class waiver exists based upon a prior request. Reductions below the sponsor's published policy usually will not be granted.

2. For-Profit or Foreign Government Sponsor Policy

The State Auditor has ruled that a reduction of indirect costs to for-profit organizations or foreign government organizations basically constitutes a gift of public funds for private benefit, since the sponsor is not reimbursing the University for the full cost of the project. Thus, approval is rarely given to waive or reduce overhead on an award from a for-profit sponsor.

Limited exceptions -- Under certain circumstances, an exception based on a for-profit sponsor's policy may be considered if the grant or contract supports a legitimate, general University community service, scholarship or fellowship program that is clearly distinguishable from research support. The criteria for an exception include: 1) the corporation published an announcement for proposals under which grants would be awarded; 2) exceptions to University policies under the program, such as intellectual property language, are justified in light of the indirect cost rate exception and approved by the appropriate University authority;

and 3) the announcement does not require a specific deliverable to the corporation other than technical/final and financial reports.

3. Campus Vital Interest Waivers

Occasionally, the development of campus research, training or public service programs or infrastructure may best be served by accepting a sponsored award at less than the indirect cost rate normally applied. Such interests must be viewed as so significant and important to the campus that funding the proposed project at a loss is more important to the campus than recovering the full indirect costs.

Campus Vital Interest waivers are applicable to an individual project and are appropriate only if the sponsor will not support F&A. The Vice Chancellor for Research has determined that the following situations may be considered for a Campus Vital Interest, although none is guaranteed:

- Short-term seed grants that may attract future larger awards (< \$25,000);
- Grants supporting conferences or meetings hosted by UCI (< \$25,000);
- Cases of hardship for a new investigator;
- Support for equipment purchases or capital improvements;
- Awards for community relations or health care services vital to the campus;
- Fellowships or student support not associated with specific research projects;
- Supplemental funding for student support services that the campus wishes to provide, e.g., drug and mental health counseling;
- Supplemental funding for library holdings, performances, or exhibits; or
- Contribution of equipment equal or greater in value to the F&A lost. However, in this case, the equipment must not be required for performance of the project as it would be required as part of the direct cost funding. Title to the equipment must be retained by the University.

Investigators should submit justification for a Vital Interest waiver or reduction of F&A to Sponsored Projects in advance of completion of the budget in order to obtain approval of the Vice Chancellor or Assistant Vice Chancellor.

Indirect Cost Reductions and Cost Sharing

Volunteering indirect costs for cost sharing is not appropriate. When the sponsor does not restrict reimbursement of indirect costs, indirect costs may not be offered to meet cost sharing requirements. When a governmental or nonprofit sponsor publishes a policy restricting reimbursement of indirect costs, the difference between the full indirect cost amount and the restricted amount may be applied to meet mandatory cost sharing, unless specifically prohibited by the sponsor.