

## UC IRVINE RESEARCH POLICIES, GUIDELINES & PROCEDURES

### OFFICE OF RESEARCH

#### Section 483-4: Policy on Full Cost Recovery and Facilities & Administrative (F&A) Cost Rate Waivers or Reductions

**Responsible Office:** Vice Chancellor for Research – Office of Research

**Issued:** August 4, 2009

**Revised:** December 17, 2015

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#### References

[University of California Contract and Grant Manual, Chapter 8, Indirect Costs](#)

[University Regulation No. 4, Special Services to Individuals and Organizations \(Part II, Section 3\)](#)

[2 CFR 200.414 – Indirect \(F&A\) Costs \(Uniform Guidance\)](#)

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#### A. Purpose

This policy describes UC's and UCI's expectations for full cost recovery on sponsored projects, when it is appropriate for UCI to reduce or waive its F&A cost rate, and the process for requesting a waiver of, or reduction in, its rates.

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#### B. Policy

UC policy on full cost recovery obligates all principal investigators and administrators to perform sponsored projects on a full cost recovery basis, which includes requesting and recovering F&A costs. F&A cost recovery is vital to the long-term sustainability of UCI's research enterprise and its scholarly and creative programs as these funds help to fund UCI's physical and administrative infrastructure. Accordingly, UCI's PIs, departments, schools, research units and other units engaged in sponsored activities are:

- Required to prepare and submit proposals containing budgets that request full direct and full F&A costs using [UCI's applicable F&A cost rate](#);
- Not authorized to offer reduced F&A costs rates to sponsors or negotiate a reduced rate with them; and
- May not offer to waive or reduce F&A costs for the purpose of cost sharing on a specific project, unless a domestic governmental agency or a non-profit entity has a published policy restricting F&A cost reimbursement. In such a case, the difference

between the full F&A cost amount and the restricted amount may be applied to meet mandatory (but not voluntary) cost sharing, except when specifically prohibited by the sponsor.

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### C. Exceptions to the Federal F&A Rates

Accepting an award that restricts or prohibits full cost recovery means that the campus must use other funding sources to cover the physical and administrative infrastructure costs associated with the sponsored activity. Accordingly, requests to reduce or waive UCI's F&A cost rate are considered only under the following special circumstances:

- **For-Profit Entities and Foreign Governments**

Because UCI is a public, state-supported university, it is obligated to conduct and manage its operations and finances in a manner that fosters the responsible stewardship of public resources. Since waiving or reducing F&A cost recovery on a project sponsored by a for-profit entity or foreign government constitutes a gift of public funds for private benefit, F&A cost rate reductions and waivers are limited to circumstances where the sponsor is supporting a legitimate, general University community service, scholarship or fellowship program that is clearly distinguishable from research support.

- **For-Profit Small Business Concerns (SBCs) & SBIR/STTR Phase 1 Subawards**

Notwithstanding the above – and subject to the following requirements – Principal Investigators may use the F&A rate of 26% modified total direct costs (MTDC) for UCI subawards from SBCs who have received U.S. federal government grants under Phase 1 of either the Small Business Innovation Research (SBIR) or Small Business Technology Transfer (STTR) programs, subject to the following requirements:

- Only subaward proposals to, and subawards received from, SBCs that are applying for, or have received, either SBIR or STTR Phase I funding are eligible.
- Principal Investigators may not request a rate lower than 26%MTDC. Any requests to use a rate lower rate will not be approved.
- A completed [SBIR Phase 1](#) or [STTR Phase 1](#) request memo must be included with the proposal when it is routed to the Industry Sponsored Research unit in Applied Innovations for institutional review.
- The Principal Investigator, administering unit, the unit head (e.g., department chair, director) and coordinating unit head (e.g., dean, vice chancellor) are collectively responsible for ensuring compliance with UCI and UC policies as they relate to the proposing, administration and conduct of SBIR/STTR Phase 1 subaward projects, including – but not limited to:
  - [UC Standards of Ethical Conduct](#)
  - [Conflict of Interest](#)
  - [APM-025: Conflict of Commitment and Outside Activities of Faculty Members](#)
  - [Principal Investigator Eligibility](#)
  - [Intellectual Property and Patents](#)
  - [Guidelines for University-Industry Relations \(Regulation No. 4\)](#)

- [Submitting Proposals and Receiving Awards through the University](#)

- **Non-Profit Entities and Domestic Governmental Agencies – Sponsor Policy**

UCI will reduce or waive F&A cost recovery if a non-profit sponsor (for example, non-profit foundations, charitable trusts, domestic governmental agencies, and international non-profit organizations) has a policy that limits or prohibits the recovery of F&A costs. However, the sponsor's policy must be:

- Published and consistently applied to all grantees, or
- Conveyed in writing (for example, letter or e-mail) by an official empowered to legally act on the sponsor's behalf, and include the official's confirmation that the policy is not applied in an ad hoc or grant-by-grant manner.

- **Non-Profit Entities and Domestic Governmental Agencies – Vital Interest**

Occasionally, the Vice Chancellor for Research (or his/her designee) may determine that the develop of UCI's research, training, or public service programs or infrastructure may best be served by accepting award that restricts F&A cost recovery in the absence of a sponsor policy. In such cases, interests served by doing so must be significant and vital such that performing the awarded activity at a loss is more important than recovering the full costs of the project.

The Vice Chancellor for Research has determined that the following situations may qualify for a Vital Interest reduction or waiver request, although none is guaranteed:

- Short-term seed awards that may attract larger awards in the future;
- An award supporting a conference or meeting hosted by UCI;
- Documented cases of hardship for a new investigator;
- Awards supporting the acquisition of equipment or funding 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 (for example, drug and mental health counseling);
- Supplemental funding for library holdings, performances, or exhibits; or
- Contribution of equipment equal or greater in value to the lost F&A recovery, and with title to the equipment vesting with UCI. However, in this case, the equipment must not be required to perform specific projects as it would be required as part of the direct cost funding.

Principal Investigator's may submit Vital Interest waiver and reduction requests to SPA to obtain campus approval.