

## **Requests for Exception to Indirect Cost Recovery Policy (Overhead Waiver)**

The Regents' policy on full cost recovery imposes a duty on all University administrators and Principal Investigators to perform sponsored projects on a full cost recovery basis. Full cost recovery is necessary to support the University's physical and administrative capacity to perform extramural projects. Each approved exception reduces revenue to the University and to each campus.

When the University assumes stewardship of a sponsored project, it incurs costs in both direct and F&A categories. Administrators and Principal Investigators are obligated to ask for and recover indirect costs from all sponsors.

From the earliest stages of submittal and negotiation, all proposals to sponsoring agencies for organized research, instruction and other sponsored activities, whether to a federal, state, local government or private agency, must provide for F&A cost recovery at the appropriate rate.

In view of this requirement, any informal or preliminary discussions conducted between a Principal Investigator and a prospective contractor or grantor must include, at the onset, a recognition of F&A costs, as well as direct costs.

Requests for exceptions to the F&A cost rate should be made several weeks before a proposal is to be submitted. Approval for an exception to the full F&A cost rate is obtained from the UC Office of the President. Exception requests are prepared and submitted by the Contract and Grant Officer who will be handling the proposal submission.

Approximately 3 to 4 weeks before a proposal is due, the Department should email the Contract and Grant Officer with the following information:

- The ePD record number
- Project title
- Name of Principal Investigator
- Project start and end date
- Name of the sponsor
- The RFP or proposal guidelines which state the sponsor's overhead policy – or a link to the sponsor's website if the sponsor's policy is posted online

### **Non-Profits and State Agencies:**

In the case of a sponsor who does not have a published policy on overhead, the full F&A rate should be used in the proposal. When a non-profit or agency has a policy applicable to all grant applicants, but doesn't publish it, the Contract and Grant Officer will contact the sponsor for documentation necessary for a waiver request.

Only those proposals for which the SIO Contract and Grant Office has requested and received a waiver based on sponsor policy are allowed reduced overhead. If a grant proposal is knowingly submitted directly to a sponsor without including overhead and without going through SIO Contract and Grant Office review, an overhead waiver is not an option, regardless of the sponsor's policy.

When invited by to submit – on a preliminary, informal basis – potential project ideas for evaluation by the foundation, the PI must be clear in communicating that what is provided is not a formal proposal. Such preliminary proposals should not include a budget. If a draft budget is requested, the PI should contact their Department for assistance. As noted above, even a preliminary budget needs to include the appropriate indirect cost rate.

In the past, Class Waivers applied to all awards under the particular sponsor's program identified in the exception approval. Previous Class waivers that were approved by UCOP for State agencies now have expiration dates. New Class waivers are no longer being approved by UCOP, pending anticipated policy changes. Due to this change in policy at UCOP, once existing Class Waivers expire, any State proposal that has an IDC rate lower than the current F&A IDC rate will require an individual waiver request, either under a Verified Sponsor Policy or Campus Vital Interest policy. Please always contact the C&G office ahead of time to check on the status of previous Class Waivers.

As a reminder, 23% is the minimum required overhead recovery rate for SIO individuals or activities that perform non-research sales or services for external, non-University customers. At this time, any overhead generated in excess of this basic 23% level can be retained by the division/activity. No waivers are available for non-research activities.

*This guidance was prepared for the convenience of Scripps Institution of Oceanography staff and Investigators. Please feel free to contact the SIO Contract and Grant Office at ext. 26930 with any questions about the topic. 3/2015*