

**Policy on Budgeting Indirect Cost Recovery into Proposals:
Requests for Reduction or Waiver of Indirect Costs**

Effective Date: July 1, 2011

General purpose: to clarify conditions under which university investigators may request, and the university may consider permitting, the reduction or waiver of indirect cost recovery otherwise permitted by a sponsor or funding agency in a proposal or project budget.

Principles:

- Because indirect cost recovery permits the institution to recover some of the expenses incurred in sustaining a research program, and because it may be a source of funding for further encouragement of scholarly activity, **it is in the interest of the institution, its academic units, and its faculty scholars (and students) to recover indirect costs wherever such recovery is permitted and possible.**
- Because facility costs and administrative burdens are significant for most sponsored projects (e.g., space, equipment maintenance, financial oversight, management and oversight of subcontracts and subrecipients, regulatory and reporting requirements), it should be general practice for investigators to include in the budget the maximum indirect cost recovery permitted by a sponsor.
- It is acknowledged that sponsors and funding agencies differ in their formal policies regarding indirect cost recovery, and the university will comply with formal written policies (not informal communications or preferences of individual program directors). If an organization has a formal written policy specifying zero or some other fixed indirect cost rate less than the university's negotiated rate, no formal request for waiver or reduction is required (simply a copy of that formal written policy).
- Exceptions to the practice of requesting maximum permissible indirect cost recovery should be pursued only where it can be clearly demonstrated that the benefits to the university (e.g., in accomplishing key parts of the university mission) outweigh the administrative and regulatory costs.

Policy elements:

- **Investigators shall not negotiate directly with sponsors on issues of indirect cost rates;** the Office of Grant and Contract Services is responsible for communicating and negotiating with funding agencies and sponsors.
- Investigators shall work closely with OGCS staff to understand the formal policies of sponsors and funding agencies regarding the maximum indirect cost recovery permitted by a sponsor.
- **Investigators shall include the sponsor's maximum permitted indirect cost recovery in all proposal and project budgets, unless concrete justification is presented in a formal request for reduction or waiver of indirect cost recovery prior to proposal submission and the request is approved.** Such requests are made by means of the "F&A Reduction or Waiver Request Form" available on the OGCS Forms web page; the form should be completed and submitted to the OGCS grant administrator for analysis and eventual decision from the VP for Research.
- Simple projects (e.g., no subcontracts or subrecipients, no complex reporting, minimal regulatory compliance issues) focused on student support and student research may request reduction or waiver of otherwise-permitted indirect cost recovery, where such reduction or waiver will increase the benefits experienced by students. [Note: The University may choose not to reduce or waive indirect costs for a student support project

from a corporate or industry sponsor, in accord with the prohibition on the use of state resources – foregone indirect cost – for the benefit of private enterprise.]

- Reduction or waiver of indirect cost recovery may be requested for use as cost-share or matching on a proposal, where permitted by a sponsor and where the university will otherwise have difficulty in obtaining the required cost-share.
- In unusual cases, an investigator may request reduction or waiver of indirect cost recovery in order to keep the total (direct plus indirect) costs of a project within a limit set by the funding agency, but this should be an unusual case where the investigator clearly justifies the benefit to the university; the ordinary case should be that the scope of the project is adjusted so that the total (direct plus indirect) costs of the project fit within the funding agency's limit.