To:    Deans, Directors, Faculty, and Administrative Officers

I am writing to ask for your help in ensuring that everyone in the UCLA research community understands the importance of recovering F&A costs (also known as indirect costs) in support of all extramurally funded projects. Recovery of both direct and F&A costs is critical to the conduct of externally funded projects. Recovered F&A costs are an important source of revenue for the campus and represent reimbursement for real costs incurred in performing sponsored research.

Within the University of California, Office of the President, an analysis of F&A cost recovery and the process for approving waiver requests is now underway. Given the constrained economic climate, recovery of F&A costs is a topic of particular interest to universities. Even while the UC study is ongoing, I want to remind everyone of the importance of requesting and recovering F&A costs at the maximum allowable rate.

F&A costs are real. They include the costs of supporting the campus infrastructure: such things as the physical plant, facilities, administration, and legally mandated regulatory reviews, etc. that make research and other sponsored activities possible, and also make UCLA eligible to receive extramural funding. These infrastructure costs have become increasingly expensive, and recovered F&A revenue is one of the primary sources of their support.

Many non-profit, charitable, and government organizations have published guidelines indicating that payment of F&A costs is limited by policy, statute, or agency regulation. The University of California has established a process for accepting these awards with reduced F&A rates. This process, however, is not applicable to industry-sponsored research.

F&A waivers generally will not be granted in conjunction with industry-sponsored research. The federal cost principles applicable to institutions of higher education (OMB Circular A-21) prohibit using federal funds to subsidize projects funded by industry and/or foreign governments. Additionally, the State of California Auditor General has ruled that reductions in F&A recovery for for-profit sponsors are essentially a gift of public funds to private industry. And, under UC policy, certain rights to intellectual property may be available only to sponsors who pay the full direct and indirect costs of the sponsored research. For all of these reasons, F&A rate reductions for industry-sponsored studies are considered only under exceptional circumstances.

With regard to industry-supported clinical trials (as defined by the University of California), please note that the University has adopted a special F&A rate. This rate is commensurate with the administrative component of UCLA’s federally negotiated F&A rate, and is consistent with rates used at other Academic Medical Centers performing
industry-supported clinical trials. Therefore, no adjustment to this rate will be permitted.

If in the course of preparing a proposal, questions about indirect cost rate waivers arise, investigators should contact the appropriate campus administrative office – the Office of Contract and Grant Administration, the Office of Intellectual Property and Industry Sponsored Research, or the School of Medicine, Clinical Trials Contract Unit, for guidance. Please also remember that Principal Investigators do not have the authority to negotiate variant F&A rates with prospective sponsors.

Questions about F&A exceptions should be directed to Ann Pollack, Assistant Vice Chancellor - Research at x 40387 or apollack@research.ucla.edu.

Sincerely,

Roberto Peccei
Vice Chancellor for Research