

# Seattle University University Policies

**Title:** *Fringe Benefit and IDC Rates Charged to Sponsored Programs*

**Effective Date:** *November 1, 2013*

**Issuing Authority:** *Finance Department*

**Responsible Officer:** *Associate Vice President for Finance*

## **POLICY**

It is the policy of Seattle University (“SU”) that fringe benefit and indirect cost (IDC) rates are established in accordance with the Office of Management and Budget (OMB) *Circular A-21, Cost Principles for Educational Institutions*. Rates are negotiated between SU and the Department of Health and Human Services (DHHS) on a 3 year cycle. The current cycle expires on June 30, 2015. The rates are charged to any externally sponsored programs when developing budgets or for charges of actual salary costs.

## **PURPOSE OF THIS POLICY**

The purpose of this policy is to provide an explanation of SU’s fringe benefit and IDC rates and their application to sponsored projects.

## **SCOPE OF THIS POLICY**

This policy is applicable to all schools, departments, units and personnel of SU involved in administering sponsored awards.

## **FRINGE BENEFIT RATE**

### Calculation of the fringe benefit rate

The fringe benefit rate is calculated by the development of a pool of fringe benefit costs (the numerator) and of a salary and wage base (the denominator). The pool consists of costs incurred by the university as a result of providing benefits to employees. A fringe benefit rate is developed by dividing the cost pool by the base; the rate represents the percentage that must be multiplied by certain salaries and wages expended for sponsored projects.

## **INDIRECT COST RATE**

Indirect costs, sometimes known as facilities and administrative costs (F&A), are the mechanism the federal government uses for the University to recover costs that cannot be easily assigned to specific projects, so they are charged on an average basis to all projects. It is important to note that the final approved rates are less than the University's actual costs calculated due to a regulatory cap on administrative expenses and negotiations between the University and the DHHS regarding facility costs. Some sponsors limit the amount of indirect cost recovery to the University. It is the policy of SU to apply the federally negotiated indirect cost rate or, if capped by the funding agency, the maximum rate allowed by the funding agency. When a sponsor does not publish an indirect rate, ORSSP negotiates with the sponsor to apply the federal rate or an alternate negotiated rate at the time of proposal submission.

## **APPLICATION OF FRINGE RATE**

Seattle University will charge all sponsored projects (regardless of source) the federally-negotiated fringe benefit rate (30.6% for FY14).

The fringe benefit rate is intended to reflect the average cost of benefits to the university for each salary dollar and, as such, is applied to all wages (excluding religious and student wages), regardless of the benefited status of the underlying employee.

If a sponsored agreement spans multiple years and the fringe rate is renegotiated during the life of the agreement, the rate charged to the agreement will be adjusted to the new rate. Likewise, if a proposal is submitted with the current rate and a new rate is negotiated and is effective when the agreement is actually received, the renegotiated rate will be the rate charged to the project.

Any difference between the federally negotiated fringe benefit rate and the rate allowed in a sponsored agreement must be made up through a departmental restricted account.

## **APPLICATION OF IDC RATE**

The IDC rate (48.5% for FY14) is intended to reflect the cost of administering the grant program at the university and is applied to all salaries and wages charged to a grant, not including religious salaries.

If a sponsored agreement spans multiple years and the IDC rate is renegotiated during the life of the agreement, the rate charged will not change. If a proposal is submitted with the current rate and a new rate is negotiated and is effective when the agreement is actually received, the renegotiated rate will be the rate charged to the project.