

Seattle University University Policies

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

Effective Date: *July 1, 2016*

Issuing Authority: *Finance Department*

Responsible Officer: *Associate Vice President for Finance*

Collaborating Offices: *Office of Research Services and Sponsored Projects (ORSSP), University Advancement*

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) 2CFR 200-*Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The federal rates are currently negotiated between SU and the Department of Health and Human Services (DHHS) on a 3 year cycle, the current cycle expires on June 30, 2019 (see Attachment A: DHHS Indirect Costs/Fringe Benefit Rate Agreement). Fringe benefit and IDC costs must be included on all externally sponsored proposal budgets and will be applied to applicable award expenses.

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 project awards.

FRINGE BENEFIT RATE

The Fringe Benefit rate is a blended rate and 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, also known as facilities and administrative (F&A) costs are the mechanism the federal government uses for the University to recover costs that cannot be directly assigned to specific projects. Indirect cost rates include, but are not limited to: operation and maintenance of buildings, interest and depreciation and general and department administration expenses. It is important to note that the federally approved rates are less than the University's actual costs calculated due to negotiations between the University and DHHS. 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 policy, the steward of the sponsored relationship or the PI should consult with the Director of Research prior to further contact with the sponsor, and then the Director of Research shall inquire about any existing sponsor policy and/or negotiate with the sponsor on behalf of the University to set the rate at the time of proposal submission.

On-Campus Vs. Off-Campus IDC Rates

The University has negotiated both on and off campus IDC rates. Most sponsored projects will be considered on-campus. The classification of on- or off-campus is made solely for the purpose of applying the correct Facilities & Administrative (indirect cost) rate.

“On-campus” is defined as space owned by the University and for which the University is bearing the space costs, from University funds. For space used for on-campus projects, the University has already included the costs associated with that space in the “facilities” portion of the on-campus F&A rate.

“Off-campus” is defined as space not owned by the University and not otherwise paid for by the University from University funds. For space used for off-campus projects, an external source (typically, a research sponsor) provides funding, either paying directly for space, or reimbursing the University for its costs in renting or leasing the space, or otherwise directly providing space for research at no charge to the University. Accordingly, the Facilities portion of the on-campus F&A rate does not apply to the rental or lease costs of such space.

To qualify for the off-campus IDC rate, more than 50% of the effort related to the project salaries and wages must be conducted in the off-campus space. If more than 50% of a project is performed off-campus, the off-campus rate will apply to the entire project.

APPLICATION OF FRINGE RATE

Seattle University will charge all sponsored projects (regardless of funding source) the federally-negotiated fringe benefit rate. Effective July 1, 2016 the negotiated rate is 28.4%.

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 on a prospective basis from the effective date. 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.

An example of such calculation using an assumed rate of 28.4% (the actual rate may be different) is as follows:

Salary Expenditures per Year:	Total Costs
50005 - Inst-Religious	\$ 1,000
50010 - Tenure Stream Faculty Salaries	1,500
51015 - Adm-Lay Temporary	2,000
52025 - Student Non Wk-Study	500
Total Salary Expenditures per Year	\$ 5,000
Fringe Calculation:	
Direct Salaries	\$ 5,000
LESS: Religious Salaries	1,000
LESS: Student Wages	500
Fringe Base	3,500
Fringe Rate	28.4%
Fringe to Charge	\$ 994

APPLICATION OF INDIRECT COST RATE

Seattle University will charge all sponsored projects (regardless of funding source) the federally-negotiated indirect cost rate. Effective July 1, 2016, the negotiated rate is 42.0% and 17.0% of modified total direct costs (MTDC) for on-campus projects and off-campus projects, respectively.

The federal IDC rate is intended to reflect the cost of administering the grant program at the university and is applied to the MTDC. MTDC includes all salaries and wages charged to a grant, not including religious salaries, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000.

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 within the current rate agreement period and a new rate becomes effective when the award is actually received, the new rate will be the rate charged to the award.

An example of an IDC rate applied against the MTDC to be charged against a project is as follows:

IDC Calculation Example: Modified Total Direct Cost (MTDC) Base		
Cost Item	On-Campus Total Costs	Off-Campus Total Costs
Salaries - Faculty, Staff, Hourly	\$ 5,000	\$ 5,000
Salaries - Religious	1,000	1,000
Wages- Students	15,000	15,000
Salary & Wages (S&W Base)	21,000	21,000
Fringe Benefits (28.4% Salaries excl. Religious & Student)	1,530	1,530
Travel	5,000	5,000
Supplies & Materials	1,000	1,000
Consultants	2,500	2,500
Equipment	5,000	5,000
Scholarships	2,000	2,000
Participant Support	1,000	1,000
Rent		2,000
Other Costs	18,030	20,030
Total Direct Costs (TDC Base)	\$ 39,030	\$ 41,030
Indirect Calculation		
Total Direct Costs	\$ 39,030	\$ 41,030
LESS: Equipment, Scholarships*, Participant Support and Rent	(8,000)	(10,000)
Modified Total Direct Costs (MTDC Base)	\$ 31,030	\$ 31,030
Modified Total Direct Costs Base	\$ 31,030	\$ 31,030
IDC Rate	42.0%	17.0%
IDC Costs (MTDC Base)	\$ 13,033	\$ 5,275
TOTAL COSTS (Direct and Indirect)	\$ 52,063	\$ 46,305

Note *: Some private grants will charge IDC to a TDC base with no exclusions

Recovered IDC Cost Distribution

It is the policy of SU to distribute recovered indirect costs in the following manner:

1. 60% to Administrative Cost Recovery
2. 40% to the College/School Dean or Division Director in which the grant resides in
 - a. It is up to the College/School Dean to allocate the 40% as appropriate.