




University of Maryland
CENTER FOR ENVIRONMENTAL SCIENCE

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MEMORANDUM

TO: All UMCES Faculty and Staff

FROM: Peter Goodwin, President 

SUBJECT: New Facilities and Administration Cost Rate (F&A) Rate Including Fringe Rate for Accrued Leave of Faculty on Termination

DATE: November 25, 2019

The Facilities and Administrative Costs Rate Agreement (also known as overhead, indirect cost rate agreement, NICRA (negotiated indirect cost rate agreement) between UMCES and the Department of Health and Human Services (DHHS) expired July 1, 2018. At such time our rate became provisional while negotiations on the new rate agreement began. Those negotiations, which also include the treatment of our fringe benefits, have now been completed. **We have a new F&A Cost Rate Agreement, officially dated November 4, 2019** with the following tiered results:

1. Effective July 1, 2019-June 30, 2020 the On-Campus rate is 54% MTDC* and the Off-Campus rate is 26% MTDC*;
2. Effective July 1, 2020-June 30, 2022 the On-Campus rate is 54.50% MTDC* and the Off-Campus rate is 26% MTDC*;
3. Effective July 1, 2022-June 30, 2023 the On-Campus rate is 55% MTDC* and the Off-Campus rate is 26% MTDC*;
4. Effective July 1, 2023-Until Amended the On-Campus rate is 55% MTDC* and the Off-Campus rate is 26% MTDC*;
5. Effective July 1, 2019-Until Amended a fixed rate of 2.39% on all faculty salaries (including FRA) for payout of accrued leave on termination is applied as a fringe benefit.

*Modified total direct costs (MTDC) are the defined base of expenses to which the rate is applied. Those costs include all direct costs except:

- equipment (each item costing \$5k or more with useful life of one year or more);
- tuition remission;
- rental of off-site facilities;
- capital expenditures (includes alterations and renovations);
- scholarships and fellowships;
- the portion of each subgrant and subcontract in excess of \$25,000;
- UMCES research vessel operations.
- Note: Participant Support Costs - Per the Implementation of Uniform Guidance, Participant Support Costs are excluded from the Modified Total Direct Costs (MTDC) base for **federal projects**. Indirect costs may not be applied to Participant Support Costs for federal projects. [CFR §200.68](#)

This does not mean that all sponsored projects will automatically be charged with the new F&A rate as of July 1, 2019. Guidelines for the implementation and application of the new Federal rates and the treatment of fringe benefits follow this memorandum. This memorandum, the implementation information and a copy of the Rate Agreement will be posted to the UMCES website under both the ORAA and Comptroller's Office sections. Questions regarding the implementation may be directed to Lynn Rehn, Vice President for Administration of UMCES or 410-221-2002, lrehn@umces.edu or, Ginger Steelman, ORAA Assistant Director at 410-221-2014, gsteelman@umces.edu

APPALACHIAN LABORATORY CHESAPEAKE BIOLOGICAL LABORATORY HORN POINT LABORATORY
INSTITUTE FOR MARINE AND ENVIRONMENTAL TECHNOLOGY MARYLAND SEA GRANT COLLEGE

AN INSTITUTION OF THE UNIVERSITY SYSTEM OF MARYLAND



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IMPLEMENTATION AND APPLICATION
New UMCES Facilities & Administration (F&A) Rate Agreement

November 2019

New Proposals or Renewals

All proposals received by the Office of Administration and Advancement (ORAA) on or after **January 1, 2020** must budget for the new predetermined F&A rate of 54% MTDC for on-campus and 26% MTDC for off-campus, unless otherwise as noted below.

All proposals received by the Office of Administration and Advancement (ORAA) on or after **July 1, 2020** must budget for the predetermined F&A rate of 54.50% MTDC for on-campus and 26% MTDC for off-campus, unless otherwise as noted below.

All proposals received by the Office of Administration and Advancement (ORAA) on or after **July 1, 2022** must budget for the predetermined F&A rate of 55% MTDC for on-campus and 26% MTDC for off-campus, unless otherwise as noted below. This rate will be effective until amended through a new F&A rate agreement.

Fringe Benefit Item

Effective July 1, 2019-Until Amended, a fixed rate of 2.39% on all faculty salaries (including FRA) for payout of accrued leave on termination is applied as a fringe benefit. Estimates used in proposal budgets for employee fringe benefits are to include 2.39% of salary for all budgeted faculty salaries. This applies to all faculty ranks, including faculty research assistants. **Fringe benefits specifically identified with an employee** will continue to be charged as direct costs as they are incurred with the exception of the pay out of terminal leave¹ for faculty. When this specific benefit is paid out it will be covered from a central fund created by this narrow application of a fringe benefit rate to all faculty salaries. ***The application of this rate for payout of accrued leave upon termination to faculty salaries will be applied to all current accounts/awards once the special program begins running within the university financial reporting system.***

State of Maryland Rate

Proposals to State of Maryland Agencies (*see SHA exception below*) are to budget F&A costs at the current established rate of 39% MTDC for on-campus activities. The off-campus rate is 26% MTDC.

State of Maryland – Maryland Department of Transportation, State Highway Administration

Effective May 2, 2019, proposals to the MDOT SHA are to budget a rate of 26% MTDC as determined by the UMCES/SHA Master Agreement SHA/UMCES/8.

Existing Awards

Grants, contracts and other agreements currently in effect will continue with the existing F&A rate and base as set up in our accounts for the duration of the award.

¹ *Terminal leave* is a term included in the Rate Agreement and used by DHHS to define the payment of accrued/unused leave due the employee upon leaving university employment.



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New Awards

Awards based on pending proposals normally incorporate the proposed budgets. New awards that are made months from now that are based on proposals signed off at the former rate of 53% will be set up at that rate and will be charged the F&A rate and base stipulated in the award agreement from the initial budget period through the project period awarded. For example, NSF awards often project a three-year grant based on a three-year proposal, but only fund one year at a time. As the funding level for all three years is based on the initial proposal, all three years would carry the rate in the approved proposal.

Subawards

The first \$25,000 of each subgrant or subcontract is assessed the on-campus F&A rate. Per Federal regulations (Uniform Guidance) the terms “subgrant” and “subcontract” refer to awards for a substantive portion of the work of a sponsored project. This covers research efforts involving collaborative or substantive contribution to the research. This does not include procurement of goods and services, such as analytical services and logistical support, which would be handled as procurements and carry full F&A.

Off-Campus Definition

Off-campus activity is defined in the rate agreement as those activities that take place in facilities not owned by UMCES or to which rent is directly allocated to the project(s). Projects will not be apportioned between on- and off-campus rates. If more than 50% of a project is performed off-campus, then the off-campus rate should be budgeted for the entire project. Conversely, if less than 50% is performed off-campus, the on-campus rate is to be applied. Justification for use of other than the on-campus rate is to be included in the proposal’s budget justification.

Waivers

Consistent with existing UMCES policies and procedures, the waiver of any part of the F&A recovery must route from/through the Laboratory Director through ORAA to be considered by the President of UMCES. Requests for waivers are to include a written justification as to the extraordinary circumstance and a budget.

Some sponsors, particularly foundations, and certain federal programs have specific written policies that preclude the use of the full F&A rate and/or base. The rate or administrative fee allowed by the sponsor may be used in these cases in proposal budgets without requesting a waiver. Documentation from the sponsor must be provided to ORAA. See also UMCES F&A Policy, which can be found at: http://www.umces.edu/sites/default/files/VIII1040UMCES_0.pdf

The new agreement and implementation policy can be found here: <https://www.umces.edu/facilities-administrative-costs>

Cognizant Agency: Department of Health and Human Services
DHHS Representative: Lucy Siow, 301-492-4855

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