University of Maryland
CENTER FOR ENVIRONMENTAL SCIENCE

MEMORANDUM

TO: All UMCES Faculty and Staff

FROM: Donald F. Boesch, President

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

DATE: December 13, 2012

The Facilities and Administrative Costs Rate Agreement (also known as overhead or the indirect cost rate agreement) between UMCES and the Department of Health and Human Services (DHHS) expired June 30, 2012. 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 and we have a new F&A Cost Rate Agreement, officially dated October 9, 2012, with the following results:

1. Effective July 1, 2012-June 30, 2016 the On-Campus rate is 53% MTDC* and the Off-Campus rate is 26% MTDC*;

2. Effective July 1, 2012-June 30, 2014 a fixed rate of 0.89% 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.

This does not mean that all sponsored projects will automatically be charged with the new F&A rate as of July 1, 2012. 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 MyUMCES website under both the ORAA and Comptroller's Office sections. Questions regarding the implementation may be directed to Ruth Tallman, Director of ORAA at 410-221-2015 rtallman@umces.edu or, Phyllis Rhoades, ORAA Assistant Director at 410-221-2014, rhoades@umces.edu.

IMPLEMENATION AND APPLICATION
New UMCES Facilities & Administration (F&A) Rate Agreement
December 2012

***New Proposals or Renewals***

All proposals received by the Office of Administration and Advancement (ORAA) on or after **January 1, 2013** must budget for the new F&A rate of 53% MTDC for on-campus and 26% MTDC for off-campus, unless otherwise as noted below.

***State of Maryland Rate***

Proposals to State of Maryland agencies are to budget F&A costs at the current rate of 39% MTDC for on-campus activities. The off-campus rate is 26% MTDC.

***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.

***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 50.5% 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 (OMB Circular A-110) 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 **and** 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/pdfs/oraa/VIII10.40.pdf

****New*Fringe Benefit Item***
Estimates used in proposal budgets for employee fringe benefits are now to include 0.89% 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 leave[1] 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.***

[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.