

FRINGE BENEFIT RATES FOR SPONSORED PROGRAMS

Colleagues,

On behalf of the University, the Research Foundation annually prepares and submits a Fringe Benefit Rate Proposal to the Office of Naval Research (ONR). When charging sponsored programs with the salary costs of University employees, pooled benefit rates are established for the costs of FICA, Retirement, Disability Insurance, Life Insurance, Worker's Compensation, Unemployment Insurance and Health Insurance. Separate rates are established for Full-time employees and Part-time employees.

ONR utilizes a Fixed Rate with Carryforward method to establish fringe benefit rates. Provisional rates are initially established as an estimate of actual fringe benefit costs. After a fiscal year closes-out the actual fringe benefit costs are determined and an actual rate is calculated. Any over-recovery or under-recovery by the University is allowed to be carried forward to adjust a future period rate. As with any estimation practice, and combined with any over-recovery or under-recovery, rates may fluctuate significantly from year-to-year. This situation is further impacted during a period of rapidly rising fringe benefit costs as we are currently experiencing.

University Administration realizes the impact that these rates have on sponsored projects. In order to alleviate the impact of the increase in the fringe benefit rates, we have requested of ONR a voluntary rate reduction of 2% for fiscal year 2016 and 2.3% for fiscal year 2017. In addition, re-budgeting of the provisional rate of 29% to the approved final rate of 34.5% for fiscal year 2016 will not be required. However, for fiscal year 2017 the approved higher fringe benefit rate of 37.5% will need to be charged to all active sponsored projects that contain salaries of University employees that are reimbursed to the University.

As in past years, the Research Foundation will continue to use a higher escalation factor for health and dental insurance than the current 3% used for salary costs in proposal submissions. The higher escalation factor of 10% used for health and dental insurance is in an effort to mitigate the impact of these future rate increases that are unknown at the time of proposal submission.

Your individual Grant and Contract Administrator at the Research Foundation will be contacting you to coordinate the re-budgeting necessary for fiscal years 2017 and beyond. If additional information is needed please do not hesitate to contact either of the undersigned.

With regards,

Morris Foster, Vice President for Research – Old Dominion University

Julian Facenda, Executive Director – Old Dominion University Research Foundation