Memorandum

To: Vice Presidents, Deans, Directors, Department Chairs, Principal Investigators and Project Directors

From: Martin J. Howard, Senior Vice President, CFO and Treasurer

Date: June 21, 2017

Subject: New Fringe Rates on Grants and Contracts for FY 2018/2019
New Graduate Student Health Plan Rate for FY 2018/2019
New BU Administrative Rate for FY 2018/2019

Boston University has recently concluded fringe benefit rate negotiations with the Department of Health & Human Services for the two fiscal years 2018 and 2019 beginning July 1, 2017. The two year term was negotiated to achieve stability for the rates. The new lower rates on the right side of the chart below should be used in all future grant and contract proposals with activity on or after July 1, 2017.

### Sponsored Research Fringe Benefit Rates

<table>
<thead>
<tr>
<th></th>
<th>07/01/2015 – 06/30/2017</th>
<th>July 1, 2017 – Until Amended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Federal and Non-Federal</td>
<td>Federal and Non-Federal</td>
</tr>
<tr>
<td></td>
<td>Federal Pass-Through Awards*</td>
<td>Federal Pass-Through Awards*</td>
</tr>
<tr>
<td>Professional</td>
<td>27.0%</td>
<td>24.7%</td>
</tr>
<tr>
<td>Support Staff</td>
<td>24.0%</td>
<td>22.2%</td>
</tr>
<tr>
<td>Graduate Students</td>
<td>8.8%</td>
<td>8.8%</td>
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</tbody>
</table>

* Awards from non-federal sponsors, where the prime award is from a federal agency, are subject to the rate applicable to federal awards.

In accordance with federal regulations governing the calculation of fringe benefit rates, Boston University has removed the costs associated with tuition remission/exchange for family members of employees from the federal fringe benefit costs pool.
In order to account for this benefit in the fringe rate, it is necessary to establish separate fringe benefit rates for federal awards (including awards with federal pass-through funding) and non-federal awards. The non-federal fringe benefit rates include the costs of tuition remission/exchange for family members of employees.

The Graduate Student Health Plan rate will be applied to the amounts paid to graduate students (GL accounts 500410, 500420) supported by continuing awards and new sponsored program awards, as well as those supported by endowment, gifts, or discretionary accounts.

BU has a new “Administrative” fringe benefit rate that is for internal use only within the University. This rate on the right hand side of the chart below is not allowed to be used on Sponsored Research Proposals.

<table>
<thead>
<tr>
<th>Professional</th>
<th>Non-Professional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative</td>
<td>28.8%</td>
</tr>
<tr>
<td>Professional</td>
<td>26.0%</td>
</tr>
</tbody>
</table>

Questions regarding the use of rates on proposal budgets should be referred to the Office of Sponsored Programs at (617) 353-4365.

**Cause of Rate Reductions**

Sponsored and non-sponsored rates applied in fiscal 2016 and 2017 were developed based on actual expenses from fiscal 2014 and projected fringe benefit expenses for fiscal 2015; however, medical and prescription drug expenses increased more slowly than expected in fiscal 2015 and fiscal 2016, resulting in an over-recovery of fringe benefit costs in both those years. This over-recovery must be returned to sponsors in fiscal 2018 and 2019, by setting a fringe benefit rate that is slightly lower than expected actual fringe benefit costs. Fringe rates are likely to increase in fiscal 2020 and future years, after this over-recovery has been returned.

**New Vacation and Separation Pay Central Pool for Staff charged to Research at Termination**

The rates for Federal and Non-Federal sponsored research now include a provision for covering vacation and separation payouts for staff charged to research agreements at the time of their separation from the University from a central pool, rather than from the grant funding their salary at the time of separation. These are payouts of vacation time earned but not used at the end of an individual’s employment at Boston University, and separation payments in connection with the University’s reduction in force policy. A more detailed memo will be issued later this month to research administrators, to explain how this new provision will be administered.
The new central pool for payouts will only be available for payouts to staff charged to research at the time of their separation from the University. Therefore the administrative rate does not include the amount required to fund the payout pool; this is 0.6% less for professional staff, and 0.5% less for non-professional staff. Disbursements for staff funded in part from research and in part from other funding sources will be prorated between the central pool, and the non-research funding source.

For further information or other questions, please contact Gretchen Hartigan at hartigan@bu.edu or 617-353-4555.