

AUBURN UNIVERSITY FRINGE BENEFIT RATES

Auburn University Fringe Benefit Rates

- Auburn University has submitted 3 fringe benefit rates to HHS for approval
 - Full-time employees
 - Part-time employees
 - Graduate Assistant
- These rates will apply to salary and wage costs recorded in all budgetary divisions – AU, AUM, AAES, ACES

What is a Fringe Benefit Rate?

$$\text{Fringe Benefit Rate} = \frac{\text{Total Fringe Costs}}{\text{Total Salaries \& Wages}}$$

- The fringe benefit rate is applied to applicable salaries and wages (excludes bonus and other non contract earnings)
- The fringe benefit charge will show up as one charge per employee per funding source instead of separate charges for each individual benefit

Fringe Benefit Rates & Other Universities

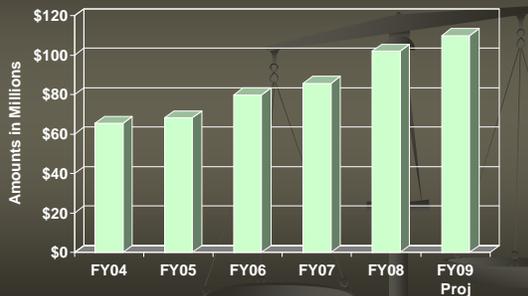
- Currently approximately 50% use a fringe benefit rate to recover their costs
- The trend is for universities to move to a fringe benefit rate charging system
- Universities that have changed include:
 - Clemson
 - University of Memphis
 - Wright State
 - Vanderbilt
 - Arizona State
- Many others are planning to make the switch

Why Fringe Benefit Rates at Auburn?

Fringe Benefits

- In FY2008 AU spent over \$100M
 - \$22.7M FICA
 - \$36.7M Teacher's Retirement
 - \$23.5M Health Insurance
 - \$ 8.0M PEEHIP (Retiree Health Care)
 - \$ 4.6M TDA Match
 - \$ 1.2M Termination pay
 - \$3.8M Employee tuition, OJI, Fed Retirement, etc.

Fringe Benefit Cost History



Current Costing of Fringe Benefits

- Many benefits specifically follow the cost of the salaries and wages as a % (FICA, OJI, TRS, etc.)
- Some benefits specifically follow the cost allocation associated with the salaries and wages of the employee electing (Health Insurance, TDA, termination, sabbatical)
- Some benefits are not costed out, but are charged to a central fund (PEEHIP, Employee tuition)
- Because of the variability in cost to budget, we must handle the budget for benefits differently than other budgeted costs
- Full-time and part-time employees are budgeted at the same rate

Advantages of a Fringe Benefit Rate

- **Increased Efficiency:**
- Easier recordkeeping and less maintenance of benefits and costs of programs for employees
- Simplifies the following processes:
 - The monitoring of fringe benefit charges to departments, grants, and contracts
 - Billing for grants and contracts
 - Salary transfers

Advantages of a Fringe Benefit Rate

- **Easier Budgeting:**
 - A comprehensive fringe benefit rate can be used to budget sponsored projects and departmental expenditures
 - Simplifies budget negotiations with sponsors
 - Variances between budget and actual costs for grants, contracts, and departmental budgets will be decreased – same rate used for budget and actual cost.

Advantages of a Fringe Benefit Rate

- **Increased Recovery:**
 - Current budget guidance of 28.5% does not cover all fringe benefit costs
 - All funding sources on campus will be asked to pay their fair share of all benefits provided to employees
 - Benefits previously charged centrally will now be included in the rate - \$11.6M
 - PEEHIP
 - Tuition benefit for full-time employees
 - Graduate student health insurance
 - F&A (Indirect cost recovery) from sponsored programs

Other Impacts of a Fringe Benefit Rate

- Part-time employees will need to be identified in budgets
- Allocate budget dollars on anticipated benefits (salary savings will become "salary and benefit savings")
- Rates may be higher for some individual projects

Project Status

- Fringe rates for FY10 and FY11 submitted to DHHS on June 30, 2009
 - Full-time – 33.19%, 34.96%
 - Part-time – 11.79%, 12.07%
 - Graduate - 2.95%, 3.10%
- Will negotiate prior to Oct. 1, 2009
- Implementation of costing – Oct. 1, 2009
- Budget plan – FY10 and FY11

Tuition Remission and Graduate Fellowships

- Most universities have some system for charging at least some tuition benefits to externally funded contracts and grants.
- Many funding agencies will support RA tuition.
- AU currently has no consistent mechanism for assessing tuition charges to external contracts and grants.
- AU's graduate tuition waivers in FY08 totaled \$22.8M
- Salaries/stipends paid totaled \$26.3M.
- We currently have only one endowed graduate fellowship and a small incentive fellowship program.
- If graduate programs are to grow (quality and quantity), new sources of funding must be identified.

Tuition Remission and Graduate Fellowships

- University Research Council "Graduate Student Issues Committee" has been charged with exploring recovery of tuition from grants and contracts.
- This committee is examining a possible tuition remission rate.
 - Applied to externally supported student stipends.
 - Would be a specified percentage of the student stipend charged to a grant or contract.
 - Does not require federal approval.
 - Would not be subject to F&A (indirect cost).
- The funds recovered from external contracts and grants will be used to enhance graduate programs.
 - Capping-up fellowships.
 - Thesis/Dissertation completion fellowships.