



To: Faculty and Administrators Managing Sponsored Programs

From: Vice Chancellor of Administration and Finance, Vice Chancellor for Research, and the Office of Sponsored Projects Administration

Date: May 6, 2024

Subject: Proposed Fringe Benefit Rates – FY 2025

The University annually prepares and submits a Fringe Benefit Rate Proposal to our cognizant federal agency, the Department of Health and Human Services (DHHS). When charging sponsored programs with the salary costs of university employees, pooled benefit rates are established for the costs of FICA, retirement, life insurance, health/dental/vision insurance, etc.

DHHS 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. Therefore, a current FY’s benefit rate is the result of the actual costs from 2 years prior. As with any estimation practice, and combined with any over-recovery or under-recovery, rates may fluctuate significantly from year to year.

The University recently submitted its Fringe Benefit Rate proposal to the Department of Health and Human Services (DHHS) for the fiscal year 2025¹. These rates should be utilized as the best estimates available in submitting FY25 grant proposals. The proposed fringe rates for FY2025 are as follows:

Faculty and Staff	53%
Emeritus	1.5%
Extra-help	7.7%

Please bear in mind that the FY2025 rates are proposed rates that have not yet been formally approved by DHHS. Once formal approval is received, you will be notified of the final rates. We do believe the rates will be approved as we submitted compelling supporting documentation to DHHS. The University will continue to charge our current approved rate of 48.4% until the new rate is established. Once the final rate is approved it will be effective starting July 1, 2024, all active sponsored projects will be charged the new rate. If approval is after July 1, 2024, all active sponsored projects will be retroactively adjusted to reflect the new rate in FY25.

University Administration recognizes the impacts that these rates have on sponsored projects. To ease the impact of the increase in fringe benefits, we have requested of DHHS a voluntary rate reduction by excluding 4.4% of the under-recovery percentage.

FY23 Actual Benefit Cost	\$10,003,548
FY23 Benefits Charged to Grants	\$9,162,318
FY23 Under-Recovery	(\$841,230)
Under-Recovery %	4.40%

FY 23 actual cost of benefits as a percentage of salary is 52.29%. The University elected to request a rate of 53%, which excludes 4.4% of the under-recovery. In looking at FY24 actual fringe costs to date, we are currently tracking at 53%. For comparison to previous years, we have included historical negotiated rate information dating back to FY2019.

Historical Rate Information

FY19	58.3%
FY20	58.3%
FY21	48.8%
FY22	50.8%
FY23	48.4%

Rates Proposed to HHS

FY24 ¹	48.4%
FY25 ¹	53%

The University has put together the following guidance designed to assist Principal Investigators and local unit business officers with the options available to plan and address this challenge proactively.

- **Rebudgeting within your award (federal awards):** For most federal awards, expanded authorities allow us to adjust budget lines between expense categories within reason without prior approval. For ongoing, multi-year projects, this option may allow you to manage the impact of this increase year over year. Rebudgeting within the confines of the existing award budget is the preferred action to address this challenge for sponsored programs, even for awards approaching closeout.
- **Rebudgeting non-federal awards:** Please consult your OSPA [grant accountant](#) assigned to your BP for information on rebudgeting restrictions. We are encouraging all PIs with active sponsored projects in FY25 to proactively review accounts and plan for an increase in fringe should the rate be approved.
- **Expired Projects:** Upon approval and implementation of the new fringe rates, OSPA will work closely with Accounting Services to ensure that these costs aren't applied to projects that have expired or have been closed with the sponsor. This will eliminate unnecessary fringe benefit adjustments on projects that are closed and avoid the need to resubmit final reports that were provided to our sponsors before the implementation of the new rates.

¹SIU is currently operating under our most recently approved fringe benefit rate applicable to FY23. The FY24 and FY25 rates are under consideration by DHHS. SIU requested that DHHS approve the use of the FY23 rate through the end of FY24. The FY25 rate is requested at the rate of 53% for faculty and staff.

OSPA is taking the following steps to minimize future impacts:

- Effectively immediately, all proposals with project dates in FY2025 will be budgeted at the proposed rates.
- Effective FY2025 OSPA will budget for a 1% escalation in future years, e.g. FY25 53%, FY26 54%, etc. Escalation is for proposal budgeting purposes only, actual fringe charged will reflect the current approved rate.
- Updated Budget Templates are located on the [OSPA website](#).

It is strongly recommended that faculty and administrative staff managing sponsored projects conduct a review to determine which awards will be impacted by the proposed rate increase. After identifying the awards, please work with your assigned OSPA grant accountant to discuss possible rebudgeting as well as sponsor requirements. Deficits as a result of the increase in fringe are the responsibility of the unit, and the unrecoverable expense must be transferred to a non-sponsored account.

For questions or concerns please contact ospa@siu.edu.

Sincerely,

Ashley
Matzenbacher

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Ashley Matzenbacher, Director, Office of
Sponsored Projects Administration



Costas Tsatsoulis
Vice Chancellor for Research & Graduate
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Susan L. Simmers

Susan L. Simmers (May 13, 2024 11:47 CDT)

Susan L. Simmers, Vice Chancellor for
Administration and Finance










FY25 Proposed Fringe Benefit Rate-Campus Memo

Final Audit Report

2024-05-13

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