

Automated Charges Applied to Lehigh University Externally Funded Indexes

Indexes that are externally funded are responsible for not only their direct costs of operation but also their share of the employee benefit and overhead expenses that are centrally paid by the University. Although these activities contribute importantly to the University's academic and research mission, it is not appropriate to rely on tuition and other sources to subsidize them. An explanation of the types of charges which may be applied to these indexes follows below.

Employee Benefit Rates

Employee benefits are calculated based on benefit cost history and are applied as an average percent of salary expense. The benefit rate includes the University's share of all employee benefits, taxes and insurance. Because the rates are calculated annually as an average cost of the relevant employee population, rates will not be revised upward or downward to reflect the benefit elections of individuals charged to a particular index. Generally, the employee benefit rates for fiscal year 2004-05 are 30.9% for full time salaries charged to sponsored programs and maintenance indexes, 33.7% for full time salaries charged to other indexes, and 8.3% for part time and visitor. Complete information on employee benefit rates by account code can be found in the Payroll section of the Controller's Office web site.

Administrative Fee for Revenue Producing Activities

An Administrative Fee of 4.5% is applied against revenue recorded in indexes that are established for revenue producing activities such as short courses, seminars, conferences, athletic games, facilities rentals, etc. If the answer to at least four out of the following five questions is "yes", the fee is imposed. The questions are:

1. Is there use of LU administrative services?
2. Is there use of LU physical assets?
3. Is the revenue quid pro quo for a service? (It is not classified as a gift)
4. Is the account currently free from any other comprehensive annual overhead charge?
5. Is the source of income predominantly from external sources outside of LU?

The fee is recalculated periodically by the Budget Office (generally every two years) and may change up or down upon recalculation.

Liaison Administrative Fee

An administrative fee in the amount of 12.5% is applied to costs charged to liaison indexes. Determination of fee application is the responsibility of the Office of Research and Sponsored Programs and is based upon the nature and scope of the agreement.

Indirect Cost (Facilities & Administrative) Rate

Based upon negotiations with the Department of Navy, Office of Naval Research (ONR), the University's indirect cost rates for fiscal years 2006 through 2009 are as follows:

Location	Activity	Rate
On-campus	Organized Research	58.73%
Off-campus	Organized Research	26.00%
On-campus	Instruction	55.95%
Off-campus	Instruction	26.00%
On-campus	Other Sponsored Activity	41.28%
Off-campus	Other Sponsored Activity	26.00%

These rates are applicable to awards made July 1, 2006 and beyond. Awards received with approved funding prior to this date will continue to use the F&A rate in effect for the duration of the current funding cycle (usually 3 years for federal awards). The F&A rate approved by ONR is applied to all costs charged to an award with the following exceptions: equipment, tuition remission, scholarships, fellowships and all subcontract costs exceeding \$25,000. Questions concerning the indirect cost calculation should be addressed to Bob Siegfried, Director of Finance & Administration Systems or Bruce Brownell, Manager of Research Accounting.