TO: University of Idaho faculty and staff
FROM: Jack McIver, Vice President for Office of Research & Economic Development
       Ron Smith, Vice President for Finance and Administration
DATE: May 18, 2015
SUBJECT: New Fringe Rate

Over the past 12 months, the university has been working to evaluate the cost/benefit of implementing a consolidated fringe rate (CFR) methodology for charging employee benefits across all campus budgets, including grants and contracts.

Historically, the university has attempted to allocate costs on an actuals basis; however, that methodology is difficult to monitor and control from a compliance perspective, given the cost variability in our self-funded medical program. Adopting a CFR cost allocation methodology, approved by the federal Department of Health and Human Services (DHHS), provides a simple way to budget and charge personnel benefit costs across all funding sources on campus. A CFR cost allocation methodology also offers a more comprehensive way to remain in compliance with applicable costing standards established by federal, state and private granting agencies.

After completing the cost/benefit analysis, the university determined a CFR methodology was in its best interest and submitted a CFR proposal to DHHS. The university’s proposal contained the following three employee classifications and fringe benefit rates for Fiscal Year 2016:

- Faculty: 31.6 percent
- Staff: 39.2 percent
- Student: 2.5 percent
This fringe benefit charging methodology replaces the current practice of charging multiple rates for employees based on their individual compensation levels. Included in these rates is a small percentage charged to cover employee terminal leave. This change will allow for proper cost allocation of terminal leave costs proportionally across all budgets by providing a shared terminal leave pool, which will serve as the authorized centrally-funded budget to charge actual terminal leave when paid. The historical practice of funding terminal leave has been a source of complex and frustrating budget concerns for several years. Implementing a CFR will help mitigate this problem.

University of Idaho submitted its CFR proposal to DHHS in January 2015 and completed a series of follow-up questions in early April. We are awaiting further communications from DHHS; however, we do not have a firm date for final approval of our proposal. An implementation team has been formed with representatives from ITS, Controller’s Office, Office of Sponsored Programs (OSP), Budget Office and external support from Huron Consulting. Senior leadership from DFA and Research Administration are championing this project with additional support and collaboration with the President’s Cabinet.

The CFR implementation team will periodically provide status updates to all campus constituents as key project facts and success points are identified. Team members from OSP and the Budget Office will also begin to analyze the potential financial implications to existing grants as a result of moving to a new cost allocation methodology. Senior leadership is committed to providing the funding necessary to mitigate any material negative effects to existing grants.

If you have questions or comments about this process, please send them to CFRquestions@uidaho.edu. Members of the CFR implementation team will address them as quickly as possible. A website is also under development that will include more detailed information about the CFR project, answer questions and provide updates as the project progresses.

Thank you for your support and patience as we implement this important initiative.

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Ron Smith  
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