

## **ORDA Administrative Policy**

### **Fringe Benefits**

Under 2 CFR 200 – Subpart E, fringe benefits are an allowable direct cost charge to grants if:

- Such costs are distributed to all institutional activities in proportion to the relative amount of time or effort actually devoted by the employee, and
- These benefits are provided to employees in accordance with established institutional policies and, to repeat, are distributed on a proportional basis

EMU uses an "allocation method" as defined in 2 CFR 200.431 for budgeting and charging fringe benefits to grants and contracts for sponsored research or other scholarly activity. This "allocation method" is one of two allowable ways in which fringe benefits can be charged to sponsored projects. The alternative allowable method is to base the charge on the real cost of each individual's fringe benefit package. Using this method, the cost for a PI who has family health insurance coverage would be more expensive than for someone who only has single coverage. The University has chosen to use an allocation method as it provides more certainty in budgeting for proposals, as well as in managing expenditures on an award.

#### **Federal Awards**

In the case of federal grants, EMU negotiates a fixed fringe benefit rate with the federal government each year. Fringe benefits are then charged by applying this federal fixed fringe benefit rate to the portion of salary allocated to the grant. The fixed federal fringe benefit rate is listed on the ORDA rate sheet and updated annually.

#### **Non-Federal Awards**

In cases of grants from local and state governments, business and industry, foundations, and nonprofit organizations, the University uses its Composite Fringe Benefit Rate applied to the portion of assigned salary allocated to the sponsor. The composite rates can also be found on the ORDA Rate Sheet.

In cases where cost sharing is required, the same rate included in the grant budget, either the Federal Fixed Fringe Benefit Rate or the Composite Rate, is applied to the portion of contributed salary.