

January 30, 2004

Mr. Scott M. Bukovec
Office of Naval Research
800 N. Quincy St., BCT #3, Room 424
Arlington, VA 22217

Dear Scott:

Please regard this letter as our proposal for approval of the fringe benefit rates to be used for the upcoming fiscal year beginning July 1, 2004 and ending on June 30, 2005. These rates are to be used in conjunction with our proposed Facilities' Administrative Rates, which will have approval beginning July 1, 2003 through June 30, 2006.

The rate structure that Michigan Tech is proposing at this time **is a base rate of 42.0%** for all employees. This is a higher rate than you approved for the current fiscal year (39.0%). Upon review of the estimated costs and associated estimated wage base for fiscal year 2005, we felt that we needed to increase the current fringe rate, largely due to health care and other cost increases at Michigan Tech. The attached sheet shows the estimated costs and wage bases for FY05.

We have **revised our summer rate to 20.2%**, from last year's rate of 25.0%. The old rate was rounded-up from a lower actual rate, and this year's rate reflects an unrounded rate that is closer to actual costs.

At this time, **we are also requesting a reduced graduate student rate of 3.4%**. This was a new fringe benefit rate for Michigan Tech, beginning last year. Our Board of Control authorized an increased health care benefit for our graduate students, and thus the need (last year) to institute a new fringe benefit rate to cover these students. Last year's rate was 4.35%.

We've thoroughly reviewed these fringe benefit rates, before submitting this proposal to you, with the finding that the current rate structure and rate were appropriate. We plan on reviewing these rates on an annual basis and presenting those details to you with each year's proposal.

If you have any questions, please give me a call at (906) 487-22642, or email me at ddgreen@mtu.edu. Thank you for your assistance.

Sincerely,



Daniel D. Greenlee, CPA
Chief Financial Officer and
Treasurer of the Board of Control

cc: M. Hendricks
D. Lassila
A. Quinn
D. Reed
J. Seppala

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attachments(2)

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**Fringe Benefit Costs and Payroll
Projections for FY05**

	<u>Projection FY05</u>	<u>Percent Breakdown</u>
Fringe Benefit Costs		
FICA	4,544,036	7.97%
TIAA-CREF	5,675,547	9.96%
MPSERS (Variable)	1,022,572	1.79%
HEALTH CARE COSTS	11,282,108	19.79%
Life, Disability, Unemp, W/C, Other	649,210	1.14%
Total fringe benefits costs	23,173,473	40.65%
Estimated VHS per year:		
Based on 19% of Grant Funded Emp	777,769	1.36%
Total fringes with vacation & sick leave	23,951,241	42.02%

ESTIMATED PAYROLL BY GROUP

SUMMER FACULTY	3,435,445
GRANT FUNDED EMPLOYEES	4,093,520
REGULAR EMPLOYEES	51,255,457
TOTAL	58,784,422

Rates Calculated:

Summer Faculty Rate	20.2%
Regular and Grant Funded Employees	42.0%

Details on Rate Calculation:

Total fringes with vacation, sick & holiday	23,951,241
Less:	
Estimated Summer Faculty Payroll	3,435,445
times Summer Faculty Rate	20.2%
	<u>(693,960)</u>
Remaining fringe costs to cover	23,257,281
Spread over Est. Grant/Regular Payroll	(divided by) <u>55,348,977</u>
Rate for Grant and Regular Employees	<u>42.0%</u>

GRADUATE STUDENT FRINGE BENEFIT RATE
FISCAL YEAR 2005 ESTIMATE

GRADUATE PAYROLL BY FUND	Actual 2003
GENERAL FUND	\$ 2,605,245
DESIGNATED FUND	358,222
AUXILIARIES FUND	48,587
EXPENDABLE RESTRICTED FUND	3,197,924
Less: Hourly payroll - fringe rate not charged	<u>(305,531)</u>
TOTAL GRAD PAYROLL	<u>\$ 5,904,447</u>

Year

2003 FALL GRADUATE STUDENTS INSURED	415
2003 FELLOWS PAID BY ACCOUNTS PAYABLE	<u>(11)</u>
GRADS ON PAYROLL	404
 PROJECTED GROWTH OF PROGRAM FY05 (keep level with payroll est growth)	 <u>0.0%</u>
PROJECTED NUMBER OF GRADS - FY05	404
 MTU'S INSURANCE SUPPLEMENT	 <u>\$ 500</u>
 TOTAL INSURANCE SUPPLEMENT	 <u>\$ 202,000</u>
 ESTIMATED PAYROLL BASE	 <u>\$ 5,904,447</u>
 GRADUATE STUDENT FRINGE RATE	 <u>3.42%</u>
 GRADUATE STUDENT FRINGE RATE ROUNDED	 <u>3.40%</u>