

MEMORANDUM

DATE: Tuesday, January 24, 2017

TO: Principal Investigators, Center and Institute Directors, Core Facility Directors, and Department Grant Administrators

FROM: David Conover, Vice President for Research and Innovation



RE: Transitioning to the UO Blended Rate Structure: Guidance for Sponsored Projects

Effective July 1, 2017, the University of Oregon is implementing a new process for how it budgets and charges for employee benefits such as vacation and sick time, health insurance, retirement, unemployment and workers compensation -- collectively grouped as *Other Personnel Expenses* or OPE. Jamie Moffitt, Vice President for Finance and Administration, recently sent a [memo](#) outlining the changes. She and her team worked over two years to develop the blended rate model and it is expected to provide significant benefits to campus including simpler budgeting processes, more consistency between budgeted and charged rates, and improved leave accounting. Once implemented, this new model also provides for the consistent accumulation and allocation of OPE expenses as required by federal cost accounting standards 501 and 502, and the Office of Budget and Management's uniform guidance (2 CFR 200). These rates will be reviewed and updated annually to ensure an accurate allocation and any over or under recovery of actual OPE costs will be adjusted each year for each rate category.

Moving to a blended rate structure will, of course, impact not only departments, centers, and institutes, but also individual sponsored projects. The OPE rates for fiscal year 2018 are noticeably higher, due in large part to:

- Leave being included in the rates;
- A 19% increase in PERS (retirement) costs; and
- A 4% increase in PEBB (health insurance) costs

It is important to distinguish between OPE increases that are due to the new blended rate structure (which is expected to be minimal in most instances) vs. OPE increases that are due to influences outside of UO's control and which would have happened anyway—the large increase in PERS being a prime example.

Having leave included in the blended rates will positively affect grants that include salaries and wages. While OPE rates under the blended model are higher, the total cost to a project should be counterbalanced over time by the leave savings. Under the blended rate model, when an employee is out on sick, vacation, comp, or personal leave, the grant will not be charged for their salary and OPE. In addition, when an employee terminates their employment with the university, any vacation pay out will come from the central pool instead of from grants. Specific leave savings or costs to a project will be determined by the amount of actual leave taken by staff or any pay-outs.

Despite the expected benefits of blended OPE, there will be some projects that will be negatively impacted during the transition period. The Office of the Vice President for Research and Innovation has been working with the Provost's Office and the Office of the Vice President for Finance and Administration to reduce the negative impacts to your grant(s) of transitioning to the blended rates. There will be a limited centrally-funded research index that my office will use to provide some support for individual existing grants and grants that will be awarded during FY18 but were submitted with the old rates. For a project to be eligible for the additional support, at least one of the following two criteria must be met:

- The variance in actual OPE costs due to the transition to the new blended OPE model will be greater than 5% of budgeted OPE; or
- The variance in actual OPE costs due to the transition to the new blended OPE model will be greater than \$5,000 of budgeted OPE

Please note that the eligibility to apply for these additional OPE funds applies only to that portion of OPE that is directly affected by the blended rates. Much as we would have liked to be in a position to provide coverage for all cost increases, this pool will not be used to cover those costs that would have gone up regardless (salary, PERS, PEBB).

Everyone throughout campus, including those involved in sponsored projects, is expected to review their budgets, re-budget when necessary. The central fund is being established to cover the additional cost to sponsored projects generated by the transition to the blended rate structure and is an acknowledgement by executive leadership that sponsored projects may have limited re-budgeting authorities and little to no opportunity to apply to sponsors for increases to address any OPE shortfalls caused by the blended rate. Please work with your post-award sponsored project administrator (SPA) to determine your eligibility for OPE support.

How should I budget for my proposals going forward?

All proposals submitted from now on should be using the blended rates. Even though the Budget and Resource Planning (BRP) office will be asking departments to budget OPE at approximately 90%

of salary (since all leave will be charged to a central pool and average leave taken is 10%), Sponsored Projects Services is recommending that you budget OPE at 100% salary. If you under-budget for OPE in your proposal, and are later awarded funding, you will have little to no ability to go back to the sponsor for additional monies to cover any shortfall. For those sponsors who strictly limit total budget requests, please work with your pre-award SPA on the best approach for budgeting.

Change is difficult and these are difficult times. My office is here to help make the transition as painless as possible. The Office of Sponsored Project Services will be offering workshops and brown-bags and drop-in sessions over the next several months as we transition to the new blended rates. These offerings will be listed on the [SPS training calendar](#). Additionally, SPS pre- and post-award SPAs will be available to answer any questions and help you work through the transition. If you have questions regarding whether your projects would be eligible for OPE support, please contact your post-award SPA. For questions regarding the budgeting of your proposals, please contact your pre-award SPA. And for any general questions or concerns regarding the transition to the blended OPE, please contact Analinda Camacho, Director of Sponsored Projects Services. If you have any questions regarding how the blended rates were developed, the Office of Budget and Resource Planning (BRP) has created a [website](#) with examples, FAQs, and other helpful information. You can also contact your Budget and Resource Planning analyst.