

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.

The employee benefit rates by account code for the current & prior fiscal years can be found in the [Payroll section](#) (under Payroll Issues for Managers) 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 2025 through 2027 are as follows:

Location	Activity	Rate
On-campus	Organized Research	65.00%
Off-campus	Organized Research	26.00%
On-campus	Instruction	59.73%
Off-campus	Instruction	26.00%
On-campus	Other Sponsored Activity	38.39%
Off-campus	Other Sponsored Activity	26.00%

These rates are applicable to awards made July 1, 2025 through June 30, 2026. 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 Dominic Wallitsch, Vice Provost for Research.