



DEPARTMENT OF THE NAVY
OFFICE OF NAVAL RESEARCH
800 NORTH QUINCY STREET
ARLINGTON, VA 22217-5660

IN REPLY REFER TO

NEGOTIATION AGREEMENT

INSTITUTION: **THE PENNSYLVANIA STATE UNIVERSITY**
UNIVERSITY PARK, PA 16801-3857

The Facilities and Administrative (F&A) cost rates and Fringe Benefit rates contained herein are for use on grants, contracts and/or other agreements issued or awarded to The Pennsylvania State University (PSU) by all Federal Agencies of the United States of America, in accordance with the cost principles mandated by the Office of Management and Budget (OMB) Circular A-21. These rates shall be used for forward pricing and billing purposes for the PSU's Fiscal Years 2003 and 2004. This rate agreement supersedes all previous rate agreements/determinations for Fiscal Years 2003 and 2004.

Section I: RATES - TYPE: PREDETERMINED (PRED)
FIXED WITH CARRY-FORWARD PROVISIONS (FIXED)

UNIVERSITY PARK

<u>TYPE</u>	<u>FROM</u>	<u>TO</u>	<u>RATE</u>	<u>BASE</u>	<u>APPLICABLE TO/LOCATION</u>
Pred	7/1/02	6/30/04	44.0%	(a)	On Campus Organized Research, All Locations Except ARL ¹ & HCM ² (1/2)
Pred	7/1/02	6/30/04	25.6%	(a)	Off Campus Organized Research, All Locations Except ARL & HCM (1/2)
Pred	7/1/02	6/30/03	6.5%	(a)	Organized Research, ARL (1/2)
Pred	7/1/03	6/30/04	6.9%	(a)	Organized Research, ARL (1/2)
Pred	7/1/02	6/30/04	37.5%	(a)	On Campus Instruction, All Locations Except ARL & HCM
Pred	7/1/02	6/30/04	16.6%	(a)	Off Campus Instruction, All Locations Except ARL & HCM

¹ Applied Research Laboratory

² Hershey College of Medicine

HERSHEY MEDICAL CENTER

<u>TYPE</u>	<u>FROM</u>	<u>TO</u>	<u>RATE</u>	<u>BASE</u>	<u>APPLICABLE TO/LOCATION</u>
Pred	7/1/02	6/30/04	49.7%	(a)	On Campus Research, HCM
Pred	7/1/02	6/30/04	26.0%	(a)	Off Campus Research, HCM

APPLIED RESEARCH LABORATORY – INTERNAL RATES

<u>TYPE</u>	<u>FROM</u>	<u>TO</u>	<u>RATE</u>	<u>BASE</u>	<u>APPLICABLE TO/LOCATION</u>
Fixed	7/1/02	6/30/03	19.0%	(b)	Authorized Absences/ ARL
Fixed	7/1/02	6/30/03	42.5%	(c)	Internal Overhead/ ARL
Pred.	7/1/02	6/30/03	2.0%	(c)	Use Charge - Government Property/ ARL

FRINGE BENEFIT RATES

<u>TYPE</u>	<u>FROM</u>	<u>TO</u>	<u>RATE</u>	<u>BASE</u>	<u>APPLICABLE TO/LOCATION</u>
Fixed	7/1/02	6/30/03	25.4%	(d)	Salaries/ All
Fixed	7/1/02	6/30/03	8.4%	(e)	Wages/ All
Fixed	7/1/02	6/30/03	11.9%	(f)	Graduate Assistants/ All
Fixed	7/1/02	6/30/03	0.7%	(g)	Students/ All

DISTRIBUTION BASES

(a) Modified total direct cost (which includes fringe benefits), excludes graduate tuition remission, capital equipment (defined as having a expected life of two years or more and acquisition cost of \$5,000 or more), plant construction, building amortization, the portion of each subgrant and subcontract in excess of \$25,000, and patient care costs.

(b) ARL salaries, excluding graduate assistants, fixed term II and visiting faculty appointments not receiving full benefits and authorized absences.

(c) ARL MTDC as defined in (a) above.

(d) Salaries, excluding graduate assistants, fixed term II and visiting faculty appointments not receiving full benefits.

(e) Wages and those salaries not receiving full benefits, exclusive of graduate assistants and student wages.

(f) Graduate assistants salaries.

(g) Student wages.

APPLICABLE TO

(1) Applies to all Non-DOD Instruments, all DOD Grants and to DOD Contracts awarded before November 30, 1993.

(2) Applies to only DOD contracts awarded on or after November 30, 1993 in accordance with and under the authority of DFARS 231.303(1). See Section 2, Part F hereof.

SECTION II - GENERAL TERMS AND CONDITIONS

A. LIMITATIONS: Use of the rates set forth under Section I is subject to any statutory or administrative limitations and is applicable to a given grant, contract or other agreement only to the extent that funds are available and consistent with any and all limitations of cost clauses or provisions, if any, contained therein. Acceptance of any or all of the rates agreed to herein is predicated upon all the following conditions: (1) that no costs other than those incurred by the grantee/contractor were included in its indirect cost pool as finally accepted and that all such costs are legal obligations of the grantee/contractor and allowable under governing cost principles; (2) that the same costs that have been treated as indirect costs are not claimed as direct costs; (3) that similar types of costs, in like circumstances, have been accorded consistent accounting treatment; (4) that the information provided by the contractor/grantee, which was used as the basis for the acceptance of the rates agreed to herein and expressly relied upon by the Government in negotiating the said rates, is not subsequently found to be materially incomplete or inaccurate and (5) the information provided by the contractor/grantee, which was used as the basis for the acceptance of building depreciation cost in the rates agreed to herein and expressly relied upon by the Government in negotiating the said rates, is not subsequently found to be materially incomplete or inaccurate.

B. ACCOUNTING CHANGES: The rates contained in Section I of this agreement are based on the accounting system in effect at the time this agreement was negotiated. Changes to the method(s) of accounting for costs, which affects the amount of reimbursement resulting from the use of these rates, require the written approval of the authorized representative of the cognizant negotiating agency for the Government prior to implementation of any such changes. Such changes include but are not limited to changes in the charging of a particular type of cost from indirect to direct. Failure to obtain such approval may result in subsequent cost disallowances.

C. FIXED RATES WITH CARRY-FORWARD PROVISIONS: The fixed rates contained in this agreement are based on estimates of the costs for FY 2003. When actual costs for this fiscal year are determined, adjustments will be applied to the next subsequent rate negotiation to recognize the difference between the FY 2003 estimated costs used to establish the fixed rates and the negotiated actual FY 2003 costs.

D. PREDETERMINED RATES: The predetermined rates contained in this agreement are not subject to adjustment in accordance with the provisions of OMB Circular A-21, subject to the limitations contained in Part A of this section.

E. Carry Forward Amounts: The following carryforward amounts were considered in the establishment of the FY 2003 and 2004 rates:

Rate Category	Estimated Total	Estimated FY 2001 Under / (Over) Recovery	
		Liquidated in:	
		FY 2003	FY 2004
Organized Research			
On Campus	\$ 2,700,000	\$ 2,200,000	\$ 500,000
Off Campus	\$ 187,000	\$ 117,000	\$ 70,000
Instruction			
On Campus	\$ (940,367)	\$ (940,367)	\$ -
Off Campus	\$ -	\$ -	\$ -
ARL	\$ (350,000)	\$ (350,000)	N/A
Hershy College of Medecine			
On Campus	\$ 1,000,000	\$ 400,000	\$ 600,000
Off Campus	\$ -	\$ -	\$ -
ARL - Internal Overhead	\$ 187,437	\$ 187,437	N/A
ARL - Authorized Absences	\$ (314,105)	\$ (314,105)	N/A
Fringe Benefits:			
Salaries	\$ 1,011,000	\$ 1,011,000	N/A
Wages	\$ 116,000	\$ 116,000	N/A
Graduate Assistants	\$ 69,000	\$ 69,000	N/A
Students	\$ 37,000	\$ 37,000	N/A

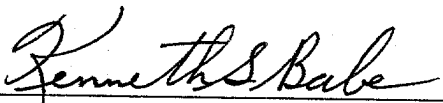
After the FY 2001 rates are finalized, any difference between the estimated FY 2001 carry-forward amount and the actual carry-forward amount will be included as an adjustment in a subsequent year rate negotiation.

F. APPLICATION OF INDIRECT COST RATES TO DoD CONTRACTS/SUBCONTRACTS:

In accordance with DFARS 231.303, no limitation (unless waived by the institution) may be placed on the reimbursement of otherwise allowable indirect costs incurred by an institution of higher education under a DOD contract awarded on or after November 30, 1993, unless the same limitation is applied uniformly to all other organizations performing similar work. It has been determined by the Department of Defense that such limitation is not being uniformly applied. Accordingly, the rates cited (2) of Section I, as explained under the title "APPLICABLE TO" (2), do not reflect the application of the 26% limitation on administrative indirect costs imposed by OMB Circular A-21 where as (1) does so.

G. USE BY OTHER FEDERAL AGENCIES: The rates set forth in Section I hereof were negotiated in accordance with and under the authority set forth in OMB Circular A-21. Accordingly, such rates shall be applied to the extent provided in such circular to grants and contracts to which OMB Circular A-21 is applicable, subject to any limitations in part A of this section. Copies of this document may be provided by either party to other Federal agencies which have or intend to issue or award grants and contracts using these rates or to otherwise provide such agencies with documentary notice of this agreement and its terms and conditions.

PENNSYLVANIA STATE UNIVERSITY:



KENNETH S. BABE
Corporate Controller

September 25, 2002

Date

FOR THE U.S. GOVERNMENT:



DEBORAH K. RAFI
Contracting Officer

September 25, 2002

Date

For information concerning this agreement contact:

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