



DEPARTMENT OF THE NAVY
OFFICE OF NAVAL RESEARCH
800 NORTH QUINCY STREET
ARLINGTON, VA 22217-5960

IN REPLY REFER TO

NEGOTIATION AGREEMENT

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

The 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 Year 2005. This rate agreement supersedes all previous rate agreements/determinations for Fiscal Year 2005.

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

FRINGE BENEFIT RATES

<u>TYPE</u>	<u>FROM</u>	<u>TO</u>	<u>RATE</u>	<u>BASE</u>	<u>APPLICABLE TO/LOCATION</u>
Fixed	7/1/04	6/30/05	26.4%	(a)	Salaries/ All
Fixed	7/1/04	6/30/05	8.0%	(b)	Wages/ All
Fixed	7/1/04	6/30/05	5.2%	(c)	Graduate Assistants / All
Fixed	7/1/04	6/30/05	0.3%	(d)	Students/ All

DISTRIBUTION BASES

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

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

(c) Graduate assistant salaries.

(d) Student wages.

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 2005. 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 2005 estimated costs used to establish the fixed rates and the negotiated actual FY 2005 costs.

D. PRIOR YEAR CARRY-FORWARD AMOUNTS: The fixed rates contained in this agreement are inclusive of the following estimated carry-forward amounts:

<u>Rate Category</u>	<u>Under / (Over) Recovery</u>
Salaries	(\$ 798,046) Estimated FY02 (note 1) (\$2,604,000) Estimated FY03 (note 2)
Wages	(\$ 128,000) Estimated FY03 (note 2)

Rate Category
Graduate Assistants

Under / (Over) Recovery
(\$2,160,000) Estimated FY03 (note 2)

Student Wages

(\$ 34,000) Estimated FY03 (note 2)

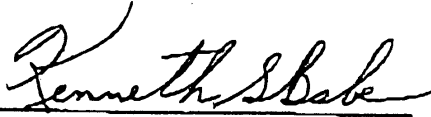
(1) The difference between the estimated FY 2002 carry-forward amount and the actual negotiated carry-forward amounts will be included as an adjustment in a subsequent year rate negotiation.

(2) The difference between the estimated FY 2003 carry-forward amounts and the actual negotiated carry-forward amounts will be included as an adjustment in a subsequent year rate negotiation.

E. 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:

FOR THE U.S. GOVERNMENT:


KENNETH S. BABE
Corporate Controller


DEBORAH K. RAFI
Contracting Officer

6/7/04
Date

6/7/04
Date

For information concerning this agreement contact:

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