

TO: All Research Faculty and Administrative Staff

FROM: Beryl Gwan, Assistant Director, Costing and Compliance
Sponsored Projects Accounting and Compliance

DATE: February 24, 2026

RE: **Faculty and Staff Mid-Year Fringe Benefit Rate Reduction**

The fringe benefit rate for all Faculty and Staff employees will be changed effective 02/22/2026 through the end of fiscal Year 2026. This change is necessary to offset the surplus we are anticipating in FY26.

The main reasons for the FY26 surplus are:

1. Ongoing unanticipated budget cuts by Maryland Department of Budget Management (DBM) resulted in many employees being terminated. This created a surplus in FICA and Pension expenses.
2. At this time last year, the State of Maryland (DBM) annual budget assumptions projected an 8% increase in Health Insurance. However, as the fiscal year progresses and the actual expenses have been posted, we have more accurate data to conclude with certainty that the projected increase will not materialize. This has generated a surplus in the health benefits expense category.

Our rate agreement has not changed, although our cognizant agency has been notified of our decision to reduce our FY26 negotiated Faculty and staff rate for the remainder of this fiscal year, effective 02/22/2026.

These rates will only be reflected in the actual expense and will not be used for any proposals that are currently under negotiation. You will continue to use the negotiated FY26 rate. The FY27 planning rates which you will use for proposal purposes will be released on the Cost website.

The applicable changes are detailed below:

	Apply to Accounts	FY26 26-01 to 26-17 07/01/2025 to 02/21/2026	FY26 26-18 to 26-27 02/22/2026 to 06/30/2026	Costs Recorded in Account
Faculty	1011 - Faculty 9/10 Month 1012 - Faculty 12 Month	29.30%	27.60%	2790 - Fringe Rate Faculty
Staff	1013 – Exempt Staff 1014 – Non-Exempt Staff	38.40%	36.70%	2791 - Fringe Rate Staff

The fringe benefit rate chart will be updated on the Cost website and can be viewed via the link below:

<https://www.umaryland.edu/spac/cost/cost-rate-agreements--facilities-and-administrative/>

The Budget and Financial Analysis (BFA) office will coordinate with all impacted schools and units to implement the necessary one-time adjustment for FY26. For questions about this adjustment, please contact BudgetOffice@umaryland.edu.

If you have any questions, please contact Beryl Gwan, Assistant Director, Costing and Compliance at bgwan@umaryland.edu or Rama, Camara Spasic, Director at rcamaraspasic@umaryland.edu