**BOARD OF DIRECTORS**

**MARYLAND ENVIRONMENTAL SERVICE**

**RESOLUTION**

**(96-04-1R)**

**A RESOLUTION AMENDING** Resolution 95-05-1R.

**R E C I T A L S**

The Service was created by, exists under, and exercises the powers contained in Sections 3-101 to 3-130, inclusive, of the Natural Resources Article of the Annotated Code of Maryland (the "Act") including (among others) the power to fix, alter, charge, and collect rates, fees, and charges for the use of or for the services furnished by the Service or its projects, including administrative and overhead expenses. On May 24, 1995, the Board of Directors of the Service adopted Resolution 95-05-1R (the "Resolution"). The Resolution provided *inter alia*, for the adoption and use of an Indirect Cost Recovery Methodology for the Service. The Resolution also included an attachment which detailed the Indirect Cost Recovery Methodology. The Service has determined to amend the Indirect Cost Recovery Methodology to reflect a modified recovery rate where the labor index of a project equals or exceeds $1,500,000.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MARYLAND ENVIRONMENTAL SERVICE, THAT:**

**1.** In the Attachment to Resolution 95-05-1R, in the section entitled "Overhead and General and Administrative (G & A) Costs", the fourth subsection shall read as follows:

> The base recovery rate will be adjusted to meet the following customer criteria:
>
> 1. For that portion of the labor index that exceeds $350,000 and is less than $700,000, the recovery rate will be 75% of the base rate.

2. For that portion of the labor index that equals or exceeds $700,000, and is less than $1,500,000, the recovery rate will be 50% of the base rate.

3. For that portion of the labor index that equals or exceeds $1,500,000, the recovery rate will be 25% of the base rate.

**2.** This Resolution shall take effect immediately.

**ADOPTED, this 25th day of April, 1996.**

**SEAL**

**MARYLAND ENVIRONMENTAL SERVICE**

**BY:** James W. Peck
**JAMES W. PECK, DIRECTOR**

**BY:** Annette Anselmi
**ANNETTE ANSELMI, TREASURER**

**BY:** Carolyn D. Davis
**CAROLYN D. DAVIS, SECRETARY**

# INDIRECT COST RECOVERY METHODOLOGY

Conformed as of April 25, 1996

## Overhead and General and Administrative (G & A) Costs

- Overhead and G & A costs will be accumulated into a single cost pool for all program level and agency level costs. Multiple cost centers will be used to record, manage and control costs and then accumulated for recovery.

- The base index for recovering overhead and G & A costs is the sum of straight time billable direct labor and contract labor (not to include sub contract labor).

- The actual base recovery rate for a fiscal year will be confirmed by the agency's independent auditors as part of the regular fiscal year end audit.

- The base recovery rate will be adjusted to meet the following customer criteria:

  1. For that portion of the labor index that exceeds $350,000 and is less than $700,000, the recovery rate will be 75% of the base rate.

  2. For that portion of the labor index that equals or exceeds $700,000, and is less than $1,500,000, the recovery rate will be 50% of the base rate.

  3. For that portion of the labor index that equals or exceeds $1,500,000, the recovery rate will be 25% of the base rate.

- The most recent audited base recovery rate will be adjusted for any known or required changes to the rate components. This adjusted base recovery rate will then be used for the next full budget cycle (second fiscal year after the audited year).

- Based upon the annual audit, if recovery of costs varies from actual overhead and G & A costs by more than plus or minus 3% of actual costs, that difference will be a required adjustment to the next established budgeted base recovery rate.

Business Research And Development (BR & D) And Operating Capital

- A rate of 5% of the labor index will be charged to each customer for BR & D and operating capital.

- For customers that have provided operating capital advances, a rate of 2% will be charged to each customer for BR & D.

- These BR & D rates are not subject to audit adjustment.

- These BR & D rates are subject to annual review and approval of the Board.

Fringe Benefits

- Fringe benefit costs will be accumulated in a single cost center cost pool.

- The base index for recovering fringe benefits is the sum of straight time total direct labor.

- The actual recovery rate for a fiscal year will be confirmed by the agency's independent auditors as part of the regular fiscal year end audit.

- The most recent audited rate will be adjusted for any known or required changes to the rate components. This adjusted rate will then be used for the next full budget cycle (second fiscal year after the audited year).

- Based upon the annual audit, if recovery of costs varies from actual fringe costs by more than plus or minus 3% of actual costs, that difference will be a Brequired adjustment to the next established budgeted recovery rate.

For the purpose of this methodology, normal accounting accruals which are consistent with generally accepted accounting principles will be actual costs.