Salary Market Adjustments on Sponsored Projects

Background:
The purpose of this guidance is to establish basic principles for enabling compensation of Principal Investigators and others working on, participating in, or contributing to Sponsored Projects to be treated as allowable direct costs, as defined by current federal law, regulations, and policies. Compensation of individuals from sponsored funding, without regard to the origin of the funding, must be consistent with the conditions prescribed by federal law, regulations, and policies, the terms of the Award, relevant Sponsor guidelines, and the approved Award budget. It is important to ensure consistency across all funding sources.

Definitions:
Award
A Grant, subgrant, Contract, subcontract or Cooperative Agreement that provides for funding.

Compensation
Compensation includes Salary and fringe benefits.

Cost Sharing
Is the portion of the costs of a sponsored project not borne by the Sponsor. Cost Sharing may be in the form of direct costs (personnel or non-personnel) or F&A costs subject to a Sponsor's restrictions. Cost Sharing may be In-Kind, Matching, Mandatory Cost Sharing, Voluntary Committed Cost Sharing, Committed Cost Sharing, or Voluntary Uncommitted Cost Sharing. These costs are borne by the University or other third parties (including non-federal third parties in the case of a federal Award), rather than by the Sponsor.

Effort
Time spent on sponsored projects and all other activities for which an individual is compensated by the University. Expressed as a percentage of the individual’s total University effort.

Effort Certification
Effort certification is the certified affirmation by the individual completing each Effort Certification Statement (ECS) that the percentages of effort reported on the form are accurate and reasonably reflect their professional activity during the reporting period.

Funding
Financial support for a sponsored project, including money, property, services, or anything of value in lieu of money.

Institutional Base Salary (IBS)
IBS is the annual compensation paid by the University for an employee’s appointment, whether that individual’s time is spent on research, teaching, administration, or other activities. The IBS does not include bonuses, one-time payments or incentive pay.
All employees should receive an official letter or other similar notification that includes their IBS. Employees receiving an adjustment in salary due to an annual increase, market salary adjustment or promotion should receive a letter or other similar notification documenting their new IBS and the effective date of the change in IBS. All promotions that provide an increase in IBS should also be done in writing.

In some cases, sponsors (ex. NIH, DOJ) impose limitations on the amount of Institutional Base Salary (IBS) that may be used as the basis for charging salary to their projects.

Proposal
The document submitted to a Sponsor requesting funding for a sponsored project which includes, without limitation, (i) Financial Obligations, Regulatory Obligations, Reporting Obligations or Accounting Obligations, as described under “Sponsored Projects”, (ii) a Statement of Work and (iii) a budget.

Soft Funding/Money Appointment
A faculty/staff position for which the compensation is derived from and dependent upon funding from sponsored projects.

Sponsor
Any external entity that provides funding to the University. Sponsors may be (i) governmental agencies (for example, federal, state or local governments or their administrative organizations); (ii) nonprofit organizations (for example, universities, nonprofit corporations, foundations or associations); (iii) for profit organizations (for example, corporations, partnerships, sole proprietorships and other business entities); or (iv) individuals.

Sponsored Projects
All projects, programs, research, training, public service, and other activities that receive external Funding through Grants to the University or through Contracts or Cooperative Agreements between the University and a Sponsor, where one or more of the following obligations applies:

a. Financial Obligation. The University is required to comply with conditions imposed when a Sponsor awards Funding for the performance of services or delivery of products described in a Statement of Work;
b. Regulatory Obligation. The University is required to comply with Sponsor regulations.
c. Reporting Obligation. The University is required to provide to the Sponsor technical performance reports or regulatory or administrative reports; or
d. Accounting Obligation. The University is required to establish a separate accounting record of Sponsored Project expenditures to demonstrate allowability of costs, to maintain financial accountability, to make financial reports to the Sponsor, and to preserve appropriate records for audit.

Process:
New proposals
All new proposals will be calculated at the new salary rate established by the University. The increase for year 1 should be the same for years 2 and three. In addition, Principal Investigators proposing
market increases must provide the official documentation reflecting the market increase. Each campus Vice Chancellor for Administrative Services will be providing a list of affected employees.

**Current Awards:**

- Does the award have the capacity to rebudget with the sponsor for the salary adjustment?
  - Impact: Salary, fringe benefits, and F&A

- Does the award have the ability to request supplemental funding from sponsors?
  - Impact: Not all sponsors have additional for supplements, this is unlikely based on today’s funding environment.

If the answer is “No” to the *Current Awards* options, we recommend the following:

- The new rate is charged to the award and the labor be allowed to overrun. This overrun will ensure that effort is accurately accounted for on the project. At the close of the project, the associated research administrator and the principal investigator will prepare a request delineating the amount of overrun associated with the market adjustment and request authorization to charge the central pool of funding. When approved by spending authority for the central pool of funding, the department will include this approval on a JV to move these overrun costs.

- **Designated Account for Salary Market Adjustment:**
  - A recommendation would be to establish a designated account with a defined period of time. Each campus will set up match account. The redistribution of the salary market adjustments will be put into this account and a separate/new account code will be used for covering the overruns on restricted salaries. An important note, only overruns related to salary, fringe benefits, and F&A will be allowed on the designated account. It is the responsibility of the departments/units to fund the designated account. Department/unit administrators will need to ensure a compatible org code with the overrun.
    - The separate/new account code will ensure salary overruns can be tracked and documented appropriately.

**Impact/Other Consideration:**

- **Effort Certification Statement (ECS) Process (Trimester):**
  - The ECS is derived from Banner in which salary and effort are documented. The effort is expressed as a percentage of an employee’s wages and must agree with the ECS.