Allowability of Supplemental Salary from Sponsored Projects

Applicability: Employees who receive any part of their salary support from federal funds including direct or flow-through funds (federal funds conveyed through a non-federal entity) for whom supplemental salary is proposed from any source (federal or nonfederal).

The Federal Government’s Office of Management and Budget Circular A-21 regulations concerning supplemental pay apply to extra compensation paid in whole or in part from federal funds and also constrain payments from non-federal sources for employees who receive any federal salary support. These restrictions similarly constrain cost share since cost share funds must meet the allowability requirements of A-21: if the expenditure is not allowable from federal funds, it is not allowable as cost share.

Federal policy recognizes as a normal workload the hours and effort historically associated with an appointment. Thus, a normal work week of a research faculty member may often be considered as more than 40 hours long. As such, taking on additional duties (research, teaching, service, etc.) for pay outside of normal workday hours may not be sufficient justification if the normal workday hours are already extended. The guidance from OMB Circular A-21, Section J10c(1)(b) is as follows:

... Practices vary among institutions and within institutions as to the activity constituting a full workload. Hence, the system will reflect categories of activities expressed as a percentage distribution of total activities.

Federally supported faculty earning additional remuneration must be able to document that their workload and hours committed to their federally funded project remain the same.

Although supplemental pay is not an allowable expenditure for project directors and/or principal investigators (unless specifically provided in the program announcement or regulations), it may be allowable for faculty consulting on projects conducted by another faculty member. OMB Circular A-21 Section J.10.d recognizes “unusual cases” that cross departmental lines or involve a separate or remote operation, provided that the consulting arrangements are specifically provided for in the agreement or approved in writing by the sponsoring agency. The specific guidance is as follows:

In no event will charges to sponsored agreements, irrespective of the basis for computation, exceed the proportionate share of the base salary for that period. The principle applies to all members of the faculty at an institution. Since intra-university consulting is assumed to be undertaken as a university obligation requiring no compensation in addition to full-time base salary, the principle also applies to faculty members who function as consultants or otherwise contribute to a sponsored agreement conducted by another faculty member at the same institution. However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the consultant is in addition to his regular departmental load, charges for such work representing extra compensation above the base salary are allowable provided that such consulting arrangements are specifically provided for in the agreement or approved in writing by the sponsoring agency.

Since the proposal is typically incorporated into the award, supplemental pay can be approved if it was specifically discussed in the proposal budget and budget explanation. If not, the sponsor will be contacted for approval if the consulting arrangements are otherwise in accord with the above criteria.

These principles also restrict supplemental pay from non-federal sources for federally funded faculty.