

## Overview of Supplemental Compensation from Grants and Contracts

Generally, supplemental compensation from grants and contracts are not allowed during the academic semesters. See relevant Federal regulations, guidelines, and University policies listed at the end of this document.

Below are some general rules to follow when requesting supplemental compensation from grants and contracts:

1. Academic appointments:
  - a. Supplemental compensation is allowed during summer and winter breaks.
  - b. Total hour limit per academic year, mid-August to mid-August, is 464 except NSF funded awards.
  - c. Total hour limit for all NSF sources, including both direct and passthrough NSF awards, is 310. (see bullet point 1.e.ii. below for additional restriction)
  - d. Calculation of hourly rate: Academic Annual Salary X 0.00072
  - e. Notes:
    - i. The true control of supplemental compensation is 1/3 of one's academic salary:  $464 \text{ hours} \times \text{Academic Annual Salary} \times 0.00072 = 1/3 \text{ of Academic Annual salary.}$
    - ii. The NSF limit is two months of annual salary. If a faculty member is not requesting pay from NSF sources during semesters, then the supplemental compensation hour limit is 310. If a portion of regular salary is paid from NSF sources, supplemental compensation needs to be reduced accordingly. The control is 2/9 of Academic Annual Salary.
    - iii. The NSF 2-month rule may be exempt if the proposal specifically discloses and justifies the need for more than 2 months of annual pay. Research faculty members may also justify the need to exceed 2-month limit in proposals.
2. Fiscal appointments:
  - a. Supplemental compensation from grants and contracts is generally NOT allowed.
  - b. The NSF 2-month rule applies to fiscal appointees too. Only 2 months of regular salary can be paid from NSF sources unless specific disclosure and justification are provided in the proposal.
3. Supplemental compensation during academic semesters may be allowed for either academic or fiscal faculty members only when ALL of the following criteria are met:
  - a. The faculty member is NOT a PI, a senior personnel, or a regular employee on the award; and
  - b. The award is not administered by the faculty member's home unit; and
  - c. The work on the award is consultation in nature; and
  - d. The supplemental compensation is specifically budgeted with disclosure that the payment is beyond the faculty member's institutional base salary; and

- e. Total hours allowed per year is 174 for fiscal appointments and 464 inclusive of summer and winter supplemental compensation for academic appointments.
  - f. Note: Faculty members on sabbatical while continue their work on grants and contracts may receive compensation up to 40% of annual salary if approved by the sponsor. This needs to be set up as a component of pay. Supplemental compensation should NOT be used for this purpose. (see bullet point 5.f. below for UA's Compensation Definitions for Faculty and Appointed Professionals)
4. Other categories of employees:
- a. Supplemental compensation is generally not allowed if an employee is budgeted on the award.
  - b. Supplemental compensation may be allowed when the work is beyond the normal duties assigned and the work will be short term in nature.
  - c. Generally, the work paid by supplemental compensation should be in a different job classification.
  - d. Supplemental compensation should NOT be used as a pay increase for increased workload or expanded responsibilities.
  - e. Consult GA Hiring Manual for rates and schedules when supplemental compensation is for Graduate Research Assistants.
5. Web links to Federal Regulations and University Policies:
- a. OMB Circular A21, Section J. 10. (d) – Salary Rates for Faculty Members : [http://www.whitehouse.gov/omb/circulars\\_a021\\_2004#j](http://www.whitehouse.gov/omb/circulars_a021_2004#j) (scroll down to Section J.10.d) – Also see excerpt below.
  - b. NSF 2-month Salary Limitation (Senior Project Personnel Salaries & Wages Policy): [http://www.nsf.gov/pubs/policydocs/pappguide/nsf14001/gpg\\_2.jsp#IIC2gia](http://www.nsf.gov/pubs/policydocs/pappguide/nsf14001/gpg_2.jsp#IIC2gia)
  - c. NIH Grants Policy Statement, Part II, Section 7.9.1, Consultant Services (An individual can't be both employee and consultant on the same award.): [http://grants.nih.gov/grants/policy/nihgps\\_2013/nihgps\\_ch7.htm#selected\\_cost\\_items](http://grants.nih.gov/grants/policy/nihgps_2013/nihgps_ch7.htm#selected_cost_items) (Scroll down to Consultant Services section)
  - d. University Handbook for Appointed Personnel (UHAP), Section 2.06.07: <http://www.hr.arizona.edu/policy/appointed-personnel/2.06.07>
  - e. University Classified Staff HR Policy Manual, Section 316.0: <http://www.hr.arizona.edu/policy/316>
  - f. University's Compensation Definitions for Faculty and Appointed Professionals: [http://www.hr.arizona.edu/files/Faculty-Appointed\\_CompensationDefinitions7-1-10.pdf](http://www.hr.arizona.edu/files/Faculty-Appointed_CompensationDefinitions7-1-10.pdf)
  - g. University Systems Control's Guidelines for Supplemental Compensation for Appointed Personnel/Faculty: <http://syscon.arizona.edu/other-compensation/sup-comp> (See Note towards the bottom of this page. Also see supplemental compensation schedules under for the same note stating exceptions for grants and contracts. )

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OMB Circular A-21, Section J. 10. d. Salary rates for faculty members.

(1) Salary rates for academic year. Charges for work performed on sponsored agreements by faculty members during the academic year will be based on the individual faculty member's regular compensation for the continuous period which, under the policy of the institution concerned, constitutes the basis of his salary. **Charges for work performed on sponsored agreements during all or any portion of such period are allowable at the base salary rate. In no event will charges to sponsored agreements, irrespective of the basis of computation, exceed the proportionate share of the base salary for that period.** This 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 of 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, any 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.

(2) Periods outside the academic year.

(a) Except as otherwise specified for teaching activity in subsection (b), charges for work performed by faculty members on sponsored agreements during the summer months or other period not included in the base salary period will be determined for each faculty member at a rate not in excess of the base salary divided by the period to which the base salary relates, and will be limited to charges made in accordance with other parts of this section. The base salary period used in computing charges for work performed during the summer months will be the number of months covered by the faculty member's official academic year appointment.

(b) Charges for teaching activities performed by faculty members on sponsored agreements during the summer months or other periods not included in the base salary period will be based on the normal policy of the institution governing compensation to faculty members for teaching assignments during such periods.

(3) Part time faculty. Charges for work performed on sponsored agreements by faculty members having only part time appointments will be determined at a rate not in excess of that regularly paid for the part time assignments. For example, an institution pays \$5000 to a faculty member for half time teaching during the academic year. He devoted one half of his remaining time to a sponsored agreement. Thus, his additional compensation, chargeable by the institution to the agreement, would be one half of \$5000, or \$2500.

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