

NATIONAL LOUIS UNIVERSITY

GRANTS & CONTRACTS POLICY AND PROCEDURE

POLICY TITLE: Supplemental Compensation on Sponsored Programs

EFFECTIVE DATE: March, 2015

SCOPE: Full-time Faculty

PURPOSE

The purpose of this policy is to recognize and reward recipients of external funds who enhance research, scholarship, and service; promote best practices in teaching and learning; and/or implement other program improvements that advance the mission of the institution. This policy serves as the mechanism by which the University can provide incentive payments to faculty who demonstrate increased effectiveness in securing external funding that contributes to the research, teaching and service mission of the University. This policy does not constitute a contract or grant any right beyond which an individual is already entitled and there will not be an entitlement to the continuation of the incentive pay beyond the period of the faculty member's service to the grant. This policy replaces the previous policy on supplemental compensation for sponsored projects, approved in March, 2013.

The policy will assure that salary charges to sponsored agreements are consistent with federal cost principles and the University is protected from liability for unreasonable and unallowable charges to sponsored agreements.

Grants and contracts that support sponsored research are awarded to the University and therefore the University is responsible for compliance with all terms, conditions, regulations and laws. Furthermore, the University shall ensure that faculty participation in sponsored research does not interfere with or negatively impact on teaching or other University commitments.

SCOPE

This policy covers all NLU full-time faculty members who perform or support research, educational services or other activities covered by a sponsored agreement.

Eligibility

The following minimum criteria must be met in order for a faculty member to be eligible to receive an incentive payment:

- The participant must be an NLU faculty member with a full-time letter of appointment for the academic year(s) during which the supplemental pay is awarded.
- Documentation of external funding awards must be provided to ensure funding commitments that will generate institutional cost recovery to justify the incentive pay.
- The Provost and the Chief Financial Officer must be provided with an approved written work load assignment agreement from the faculty member's dean that clearly reflects the faculty member's teaching and other academic assignments and demonstrates the expected impact of the grant buy out on assigned duties.

Incentive Pay Calculations

The maximum amount of incentive pay that a faculty member might receive from the University shall not exceed 50% of the net salary savings to the University for grant buy-out (salary recovery from having time bought out by a grant after deducting the cost of replacement teaching). The amount of savings to the University and the incentive pay that the faculty member will be eligible for will be calculated at the end of a fiscal year.

Faculty load is determined in terms of units, with the annual base load for full-time faculty being nine units and the maximum load being 15 units. This represents a range from *base load* to *100% of effort*. Therefore, if approved by the individual's supervisor and dean, the faculty member may also choose to teach one or more of the bought out courses as overload at the standard adjunct overload rate. Total incentive pay and overloads shall not represent more than a 40% increase to base salary.

For Grant Work Performed Outside the Normal Letter of Appointment Period

For work performed outside of the normal contract term (i.e. July and August), faculty members may be eligible for a similar incentive structure such that they may earn incentive pay and overload of up to 40% of their summer base pay. Total summer pay is then limited to a maximum of one-fifth of the faculty member's base level of pay for the most prior year multiplied by 140%. It should be noted that individual sponsors may impose more restrictive salary conditions during the out of contract term. For example, grants funded by the National Science Foundation ("NSF") must comply with the "2/9ths rule" as set forth in Section 611.1.b.2 of the NSF's Grant Policy Manual.

BACKGROUND

Active participation in research projects and other sponsored programs may require additional efforts beyond those dedicated to the normal faculty workload of teaching and scholarship activities. It is presumed that regular full-time faculty and staff appointments include teaching, scholarship/research and other departmental activities, and for such the employee is compensated according to the University-approved base salary.

In general, Federal grants do not allow for payment of supplemental salary. Based on how the grant was approved, all or a portion of the employee's regular salary may be paid by a grant (buy-out). Supplemental compensation is generally prohibited during the employee's regular appointment period, per federal cost principles:

Cost Principles for Educational Institutions (OMB Circular A-21)

- A. *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 department 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.

B. Periods outside the academic year

- a. *Except as otherwise specified for teaching activity in subsection J.10.d.(2)(b) of this Appendix, charges for work performed by faculty members on sponsored agreements during the summer months or other periods 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.*

Federal sponsored awards (includes pass-through awards and State and local government awards subject to Federal Cost Principles)

Grants from State and local government sponsors that are passed through from Federal sources are subject to the same cost principles listed above. For grants from state and local government sponsors, the principle investigator, grant writer and grants and contracts accounting personnel must determine if the provisions of these cost principles apply.

Unless specifically identified by the sponsor in grant or contract documents, non-governmental sponsors generally do not follow the same cost principles listed above.

Terms and Conditions

Participants must comply with the following terms and conditions in order to receive incentive payments:

- The participant must fulfill all expectations for performance established through a written workload assignment that is agreed upon in advance by the faculty or staff member, the faculty or staff member's immediate supervisor, and the Dean in consultation with the Provost.
- The faculty member must exhibit satisfactory performance in all assigned duties as determined by his or her supervisor and Dean.
- Incentive payments shall not modify the faculty member's institutional base salary for the academic year and shall not be paid from sponsored project funds.
- Incentive payments will be made from University funds after a fiscal year is completed.

- Such incentive pay will represent a sharing with the faculty member of the savings to the University from utilizing a replacement teacher to teach classes as opposed to a full-time faculty member who has received a buy-out of some portion of their original teaching load through a grant.
- Participation in the incentive program shall not be an entitlement but may be made available to eligible faculty members when both the University and the faculty member determine that it is in their mutual best interests to do so. Furthermore, the University reserves the right to modify, suspend or terminate the incentive pay of any faculty member at any time. No verbal commitment to participation or pay under the incentive program is binding upon the University and participation is conditioned upon the approval of all required signatures.
- All incentive payments under this policy shall be subject to the availability of financial resources for the incentive program and to any applicable state or federal laws, regulations or policies.
- Incentive pay is not available in relation to any external funding obtained without NLU approval and sponsorship.
- Final approval for eligibility for incentive payments under this policy shall be granted by the Provost and the Chief Financial Officer.

RELATED GRANTS PROCEDURES

Faculty must complete the *Proposal Submission Form* and obtain the signatures of the respective chair(s) and dean(s) before submitting any proposal for external funding. Once the form is completed, it is to be routed to the IA Office for dissemination to the NLU Leadership Team. All elements of the proposals must be reviewed by IA before submission. The institution reserves the right to decline to submit the proposal at any time. All supplemental pay is contingent upon award.