

ISSUED: February 18, 2009
Office of the Chancellor
Pennsylvania State System of Higher Education

COMPENSATION POLICY FOR SPONSORED ACTIVITIES
FOR PASSHE UNIVERSITIES

I. PURPOSE:

Pursuant to Act 188, by which the Chancellor has the responsibility to issue system-wide business procedures, the purpose of this document is to create a PASSHE policy that establishes consistent, fair and equitable treatment of reasonable compensation (and related time and effort) that may be paid to faculty members or other PASSHE employees who perform research, educational services or other sponsored activities, which are covered by a federal grant, a state grant, a contract, or similar agreement (collectively referred to as "sponsored agreements"). The policy will facilitate consistent treatment of salary charges among collaborative sponsored projects involving several PASSHE Universities. The policy will assure that salary charges to sponsored agreements are consistent with federal cost principles and Universities are protected from liability for unreasonable and unallowable charges to sponsored agreements

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

II. SCOPE

This policy covers all PASSHE University faculty members and other PASSHE employees who perform research, educational services or other activities covered by a sponsored agreement.

III. OBJECTIVE:

The Federal Cost Principles for Educational Institutions as set forth in OMB Circular A-21 require an institution that receives federal funding to promulgate a policy defining the compensation allowable for personal services performed by a university under a grant, contract or other agreement with the Federal Government. This policy must be institution-wide and be consistently applied to all sponsored activities. The amount of compensation that a faculty member or other University employee may receive under a sponsored agreement is further limited by federal and state laws and regulations, contractual obligations, and

collective bargaining agreements. With the number of external grants increasing each year, PASSHE needs to insure full compliance with the regulatory and contractual mandates that govern the compensation a faculty member or other PASSHE employee may receive for personal services covered by a sponsored agreement. The policy sets standards for “reasonable compensation”.

PASSHE Universities will allow compensation on sponsored projects to the extent that it is reasonable and corresponds to the percentage of time and effort actually devoted to the project. Charges to sponsored agreements may not exceed the annual base salary paid to a faculty member or PASSHE employee. This policy is not intended to prevent a faculty member or other PASSHE employee from receiving compensation greater than their annual base salary so long as all regulations, policies, and applicable collective bargaining agreements are satisfied. This policy is intended to provide guidelines for assisting the University administrations, faculty members, and other employees in reaching appropriate agreement with the entity that is sponsoring the research, educational service or other activity. PASSHE universities shall develop administrative procedures to implement this policy.

IV. POLICY

Each proposal that is prepared for a PASSHE University in support of a sponsored agreement will contain the amount of compensation that is to be paid to each faculty member or employee (or a job position) participating in the sponsored activity. The amount of compensation paid shall be proportional to the time and effort that the faculty member or employee will commit. The proposal may include a provision to provide for release time from normal work activities for each faculty member or employee who will be performing the research, educational service, or other activity outlined in the sponsored agreement.

As is the common practice in many PASSHE Universities release time or pro-rata division of salary, wages and benefits, should be the common method of compensation during the academic year.

A. Situations and Conditions prerequisite for additional compensation

When a faculty member receives any compensation under a sponsored agreement and the work needed by the University requires a faculty member to exceed the time and effort attributable to the faculty member's normal workload responsibilities, the following three conditions must be met before additional compensation will be paid:

- The sponsoring entity must allow a faculty member to receive compensation above 100 percent of the faculty member's base salary.

- The President of the University (or official designee) must approve the faculty member's duties and state that the duties will require the faculty member to receive overload or additional compensation above 100 percent of the faculty member's base salary.
- Compensation costs charged to the sponsoring entity shall be consistent with the compensation rules set forth in this policy.

Only faculty members, employees, and job positions specifically listed in the sponsored agreement (as submitted or amended) will receive compensation from the provided funds.

University employees (non-faculty) must receive written University approval from the appropriate vice-president to qualify for additional compensation and will be limited to 25 percent of their annual base salary in any given calendar year. Compensation to non-exempt employees must be paid in accordance with the overtime provisions of the Fair Labor Standards Act, if allowed by the sponsor.

A faculty member or other University employee is permitted to receive compensation as an intra-university (or intra-PASSHE) consultant or associate so long as the consultant services are referenced in the sponsored agreement and are approved by the sponsoring entity. Payment for consultant services will be based on the faculty member or employee's base salary.

B. Reasonable Compensation - During the Academic Year

The amount of funds charged to a sponsored agreement (or agreements) for a faculty member's time and effort may not exceed the faculty member's annual base salary for the academic year. Consistent with the conditions set forth below, the University may provide additional compensation to a faculty member whose base salary is entirely covered by a sponsored agreement during the academic year if that faculty member is required to do additional work needed by the University. The total amount of additional compensation shall not exceed 25 percent of the faculty member's annual base salary and shall be for services provided to the University.

In those situations where a faculty member's annual base salary is partially covered by a sponsored agreement (or agreements) during an academic year, the University may provide additional compensation to a faculty member proportional to the time and effort commitment of the faculty member. The combined amount of compensation a faculty member may receive during the academic year shall not exceed 125 percent of a faculty member's annual base salary. For example, if 25 percent of a faculty member's salary is covered by a sponsored agreement (or agreements) and 75 percent is covered by the University,

the faculty member is eligible to receive overload compensation of up to 25 percent of the faculty member's annual base salary for services provided to the University.

The academic year is nine (9) months for purposes of this policy.

C. Reasonable Compensation - During the Summer Term

The amount of funds charged to a sponsored agreement (or agreements) for a faculty member's time effort during the summer term may not exceed 33 percent of a faculty member's annual base salary. Consistent with the conditions set forth below, the University may provide additional compensation to a faculty member whose salary for the summer term is entirely covered by a sponsored agreement and in such case, the amount of additional compensation shall not exceed 8.3 percent of the faculty member's annual base salary. Therefore, 41.3% of a faculty member's annual base salary is the maximum compensation a faculty member may receive in the summer term. Individual sponsors may impose more restrictive salary conditions during the summer months. For example, grants funded by the National Science Foundation ("NSF") must comply with the "2/9^{ths} rule" as set forth in Section 611.1.b.2 of the NSF's Grant Policy Manual.

The summer term is three (3) months for purposes of this policy.

D. Reasonable Compensation – Miscellaneous

Consistent with the conditions set forth herein, the University may allow a faculty member to earn additional compensation during intersession periods, i.e., semester breaks. The amount of compensation earned during intersession periods must be reasonable in relation to the faculty member's annual base salary.

Inter-sessions are part of the nine-month academic year for the purpose of this policy.

V. DEFINITIONS:

The following definition pertains to this policy:

Annual Base Salary - - The annual salary the University pays a faculty member or other University employee as defined by the applicable collective bargaining agreement. For faculty members and other University employees not employed on a twelve-month basis, the base salary is what an individual is contracted to receive during the academic year.

If a University employee is not a member of a collective bargaining unit, the salary set forth in the University employee's employment contract will be the base salary.

VI. RECORDS REQUIREMENTS:

Consistent with this policy, OMB Circular A-21, and applicable laws and regulations, the Universities shall maintain a payroll distribution system that is part of the University's official records, including paper files. Charges for salaries, wages and fringe benefits shall reasonably reflect the activity for which the faculty member or other University employee is compensated and encompass both sponsored and other activities on an integrated basis. Faculty members or other University employees shall be required to certify time and effort reports in support of salaries, wages and benefits charged to the sponsored agreement(s).

VII. IMPLEMENTATION REQUIREMENTS:

Time committed to an external sponsor, particularly a federal sponsor, shall be considered part of the faculty or other employee's base annual salary. That is, it is part of the first 100% of an individual's salary. Any additional salary or stipends (and duties) that take one's compensation over 100% of the base pay must be University duties, such as, but not limited to teaching overload, department chairmanship, alternate work assignments, and similar duties. In essence, the sponsor's funds "displace" the University funds from the base salary.

In those instances when additional compensation is approved by the University pursuant to this policy, and to secure approval of sponsors per section IV. A., proposals to sponsors must specifically state that personnel will receive "additional compensation above base annual salary."

The Office of the Chancellor's directive of October 3 1996 regarding course overload, remains in effect and governs when no sponsored agreement exists. (Attachment A).

Universities shall establish procedures necessary to implement this policy.

February 18, 2009



ATTACHMENT A

State System of Higher Education

The System Works for Pennsylvania

James H. McCormick
Chancellor

October 3, 1996

Dr. David E. McFarland
President
Kutztown University of Pennsylvania
Kutztown, PA 19530

Dear ~~President~~ ^{David} McFarland:

Due to concern over recent public and private assertions suggesting excesses in assignment of overload to faculty, I must urge that you impose stringent oversight on such assignments. Also, I am persuaded that more frequent and detailed reporting of overload assignment is required.

Effective with the Spring Semester 1997, I expect that no assignment of course overload to faculty in excess of three (3) credits in the two academic semesters will be permitted without the written approval of the president, accompanied by appropriate written rationale. In addition, I expect that any assignment of overload to faculty with release time will require the written approval of the president, again, accompanied by appropriate written rationale.

Finally, presidents will be required to provide the Office of the Chancellor with a report on overload assignments within 30 days of the end of each semester. When reporting, please use the enclosed format in order to insure consistency.

Your cooperation in providing timely reports will be appreciated.

Sincerely,

James H. McCormick

Enclosure

c: F. Eugene Dixon, Jr.

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717-720-4000

<i>In Universities:</i>	Chevney	Edinboro	Lock Haven	Shippensburg
Bloomsburg	Clarion	Indiana	Mansfield	Slippery Rock
California	East Stroudsburg	Kutztown	Millersville	West Chester