Institutional Base Salary and Salary Cap

OVERVIEW
Some sponsoring agencies identify a maximum amount of an individual's salary that may be charged to their grants. The maximum amount is referred to as a salary cap. This section (BPPM 40.40) provides policy for the treatment of institutional base salary (IBS) with regard to sponsored projects and applicable salary caps.

POLICY
It is the policy of Washington State University that salaries charged to sponsored projects are based on IBS and are not to exceed applicable salary caps or other limitations imposed by external sponsors.

NOTE: This policy alone does not limit the amount an employee may be paid, only what portion of their salary may be sourced from a sponsored project.

Applicability
This policy applies to all individuals employed by Washington State University who engage in or support sponsored activities, or who are compensated by sponsored project funding.

Exclusions
There are no exclusions to this policy.

External References
2 CFR 200.430: Grants and Agreements – Compensation, Personal Services

DEFINITIONS
The following definitions apply to this section (BPPM 40.40).

Extra Service Pay (ESP)
Also referred to as extra or overload compensation, ESP normally represents extra compensation for discrete service above and beyond the general scope of an employee's appointment.

Examples of ESP include faculty timecards and honoraria or compensation for teaching more courses than in the employee's contract. In limited and unusual circumstances, overload compensation may be allowable on a sponsored project if the conditions specified by 2 CFR 200.430(h)(4) are met.

ESP, while sometimes allowable to direct-charge to a sponsored project, is not included in IBS.

Fringe Benefits
Fringe benefits are defined as allowances and services provided by the University to an employee as compensation in addition to regular salaries and wages.

Fringe benefits, while sometimes allowable to direct-charge to a sponsored project, are not included in IBS.
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Incidental Work

Incidental work is defined as infrequent or irregular activity that is not part of the employee's regularly compensated activities and that would normally be considered too small to warrant tracking. Such activity is generally considered de minimis.

Examples of incidental work include:

- An employee's appointment to an acting or interim role for a brief period;
- Delivering a lecture in an area outside the employee's field of study; or
- Sporadic intra-University consulting (see Intra-University Consulting).

Incidental activities for which supplemental compensation is allowable under University policy may be direct-charged to sponsored projects, provided such activities are included in the award budget, or the University has received prior written approval from the awarding agency.

Incidental work, while sometimes allowable to direct-charge to a sponsored project as described above, is not included in IBS.

Institutional Base Salary (IBS)

IBS is defined as the annual compensation paid by Washington State University for an individual's appointment, whether that individual's time is spent on research, instruction, administration, or other activities.

NOTE: IBS is what the employee is paid on their appointment and is not necessarily equivalent to extrapolating a 9- or 10-month appointed salary to an amount that would be paid on a 12-month appointment.

IBS Excludes

IBS excludes any income earned outside of duties performed for the University, as well as:

- Benefits and fringe benefits;
- Reimbursed expenses;
- Extra service pay;
- External consulting; and
- Facilities and administrative (F&A) costs associated with salary (see also BPPM 40.25).
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**IBS Includes**

IBS includes:

- Regular salary;
- Summer salary; and
- Sabbatical leave.

**Effective January 1, 2021,** IBS also includes temporary supplemental compensation (TSC).

### Intra-University Consulting

Because intra-University consulting is assumed to be undertaken as a University obligation requiring no compensation in addition to full-time salary, such activity is generally already included in IBS. However, in limited and unusual cases, any charges for work representing compensation above IBS may be allowable provided that:

- Consultation is across departmental lines; or
- Involves a separate or remote operation; or
- The work performed by the employee is in addition to their regular appointment; and
- All of the conditions specified by 2 CFR 200.430(b) and 2 CFR 200.430(h)(4) are met.

Under no circumstances may an employee be paid as both an employee and a consultant under the same project.

### Salary Cap

A salary cap is defined as the statutory or agency-imposed ceiling on allowable compensation charged to sponsored projects. In other words, a salary cap is the maximum amount of IBS that may be used in calculating the amount of an employee's salary to be charged to sponsored activities.

### Temporary Supplemental Compensation (TSC)

TSC is defined as compensation approved for a temporary, short-term period for assuming additional responsibilities.

An example of TSC is a stipend (also referred to as an added responsibility/administrative stipend or "ADR"), authorized in accordance with the Faculty Manual or BPPM 60.12. **Effective January 1, 2021,** temporary supplemental compensation is included in IBS.
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ROLEs AND RESPONSIBILITIES

Office of Research / Office of Research Support and Operations
The Office of Research and/or the Office of Research Support and Operations (ORSO) are responsible for all the following:

• Verifying IBS limitations from statute and agency policies at the time of proposal preparation.

• Reviewing the department-approved budget and cost share budget. NOTE: Salary estimates are projections based on University guidelines, but actual IBS is charged to sponsored projects.

• Ensuring that if IBS exceeds an applicable salary cap, all appropriate disclosures, authorizations, and tracking mechanisms are activated and/or administrative units notified.

Office of the Controller / Sponsored Programs Services
Upon notification from ORSO that an award is subject to IBS Sponsored Programs Services limitations, the Office of the Controller and/or Sponsored Programs Services (SPS) works with the department to ensure that the project is managed in accordance with the applicable agency's policies, as well as other University policies.

Human Resource Services or Office of the Provost
As appropriate, Human Resource Services (HRS) or the Office of the Provost ensure that employee salary notifications are provided to employees and their appointing authority at the time of appointment.

The applicable office (HRS or Provost) also retains copies of appointment and salary letters or other notifications for audit purposes, in accordance with University records retention requirements. (See the All-University Records Retention Schedule—Payroll and Personnel Records table in BPPM 90.01.)

Department Administrators
Department administrators provide salary notifications to employees on an annual basis and as changes occur, indicating the approved IBS.

Principal Investigator (PI)
The PI confirms that all requests and charges for direct salary support and/or cost sharing effort commitments for sponsored projects are based on the affected individuals' correct IBS. The PI also develops the approved budget with a unit administrator who has been budget certified by ORSO.
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GENERAL REQUIREMENTS

Base Salary

IBS must be used as the base salary on all sponsored project proposals. Annual increases consistent with ORSO's approved budget template may be included to account for inflation, mass salary increases, etc.

Percent of Effort

Unless there is prior approval by the awarding agency, charges of an employee's salary to a sponsored project must not exceed the proportionate share of IBS (percent of effort) for the period during which the employee contributed effort to the project.

In all proposal submissions for funding, and in charging salaries to sponsored projects, the IBS is prorated based on the expected percentage of effort charged to the project. The percent of effort charged to the project is the maximum percent of an applicable cap which may be charged to the same project. EXAMPLE: If an employee proposes to charge 20 percent effort to an award, no more than 20 percent IBS can be applied against the salary cap.

Allowable Changes to IBS

IBS may not be increased as a result of receiving a sponsored award. Generally, changes in an employee's IBS may not take place during an academic year, except under the following circumstances:

- The employee's formal appointment and required professional effort changes (e.g., a promotion in rank or position);
- The employee receives a permanent increase or decrease in salary as a result of assuming or relinquishing specific academic or administrative duties (e.g., serving as a department chair or program director); or
- The employee receives a cost of living, merit, equity, or retention adjustment in salary.

Salary Exceeds Cap

If salary posted to a sponsored project is found to exceed any applicable cap, SPS notifies the department, who has ten working days to remedy the issue. If resolution is not reached in that time, SPS may transfer the expense to the department's F&A cost recovery account.
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Increasing Salary Cap

Unless prohibited by law, sponsor policy, or the terms of the award, funds may be rebudgeted on an active award to accommodate an increase in applicable salary cap if:

- Adequate funds are available on the award; and
- The salary cap increase is still consistent with IBS.

Periods Not Included in Base Appointment

Charges for work performed on awards during periods not included in the base appointment may be budgeted in proposals and charged to sponsored projects at a rate that is consistent with IBS.

Consistency with University Employee Payment Policies

Any employee's IBS may be budgeted and charged to sponsored projects at rates consistent with University policies covering payment of the same individuals (i.e., policies specific to each employee group covering payment of overtime, holiday pay, etc.). In all proposal submissions for funding, and in charging of all compensation to sponsored projects, the IBS is prorated based on the employee's percent time appointment and expected percentage of time to be charged to the project.

ACCOUNTING FOR IBS AND SALARY CAP

The following examples apply to accounting for IBS and salary caps. NOTE: The department and/or PI must account for the proportionate share of effort over the effort period.

IBS Rate

Example: IBS is $100,000 for a 12-month appointment at 0.75 FTE. IBS rate makes up the difference if the appointment were 1.0 FTE.

\[
\text{IBS} / \text{FTE} = \text{IBS Rate} \\
$100,000 / 0.75 = $133,333.33
\]

Proportionate Share of Effort Over an Effort Period

Example: IBS is $100,000 for a 9-month appointment at 1.0 FTE, and the expected project-devoted effort is 20 percent over a six-month effort cycle:

\[
$100,000 \text{ IBS} / 9 \text{ months} = $11,111.11 \text{ monthly IBS.} \\
$11,111.11 \times 20\% \text{ effort} = $2,222.22 \text{ effective effort per month.} \\
$2,222.22 \times 6 \text{ months} = $13,333.33 \text{ maximum proportionate salary over the effort period.}
\]
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**Faculty and Administrative Professional (AP) Employees**

**Proportional Share of Effort**

**Within Salary Cap**

Example: IBS is $100,000 for a 12-month full-time appointment at 0.75 FTE, and the expected project-devoted effort is 25 percent. The applicable salary cap is $192,300.

$192,300 Cap x 25% effort = $48,075 annual salary cap for the project.

$100,000 = IBS.

$133,333.33 = IBS Rate.

$133,333.33 x 25% effort = $33,333.33 per year.

$33,333.33 < $48,075 = OK to post $33,333.33 to the sponsored project.

**Proportional Share of Effort**

**Exceeds Salary Cap**

Example: IBS is $500,000 for a 12-month full-time appointment at 0.75 FTE, and the expected project-devoted effort is 25 percent. The applicable salary cap is $192,300.

$192,300 Cap x 25% effort = $48,075 annual salary cap for the project.

$500,000 = IBS.

$666,666.67 = IBS Rate.

$666,666.67 X 25% effort = $166,666.67 annually.

$166,666.67 > $48,075 = Not OK to post the entire $166,666.67 to the sponsored project, even though it is less than the cap of $192,300. It exceeds the applicable effort's proportionate share of the cap, which is $48,075 annually. Salary over the proportionate share of $48,075 must be posted to a nonsponsored account.

**Periods Outside Academic Appointment (i.e., Summer Months)**

Example: An employee on a 9-month appointment with an IBS of $90,000 would like to budget 1.5 months of summer salary on a proposal.

$90,000 IBS / 9 months = $10,000 monthly rate of pay.

$10,000 X 1.5 months = $15,000 during the summer period.
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Civil Service and Temporary/ Hourly Employees

Full-Time Employee

Example: IBS is $100,000 for a 12-month full-time appointment at 1.0 FTE and the expected project-devoted effort is 25 percent.

\[ $100,000 = \text{IBS} \]
\[ $100,000 \times 25\% \text{ effort} = $25,000 \text{ annually} \]

Hourly Employee

Example: Hourly employee's wage is $15 per hour, is expected to work 20 hours per week, and is expected to devote 10 percent effort to a sponsored project.

\[ 20 \text{ hours} \times $15 \text{ per hour} = $300 \text{ per week} \]
\[ $300 \text{ per week} \times 10\% \text{ effort} = $30 \text{ per week}; \text{ or} \]
\[ $300 \text{ per week} \times 52 \text{ weeks} = $15,600 \text{ IBS} \]
\[ $15,600 \times 10\% \text{ effort} = $1,560 \text{ annual cap allowed to post to sponsored project} \]

Exceptions

The Vice President for Research or their designee may grant exceptions in advance, on a case-by-case basis, to what may be included in IBS.