

March 1, 1995

ADMINISTRATIVE MEMORANDUM NO. 10

To: Vice Presidents, Deans, Directors, Department Chairs, and Other
Administrative Officials

From: Gordon H. Lamb, President

Subject: Use of Grant Funds for Faculty and Other Employee Compensation

The Federal Cost Principles, as articulated in the revised Office of Management and Budget Circular A-21, Section J.8 restricts compensation to regular institutional salary and reads in part:

"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... In no event will charges to sponsored agreements... exceed the proportionate share of the base salary for that period..."

In general, an individual's monthly salary should be unaffected by the source of funds; grants and contracts, whether governmental or private, should not be used to increase normal compensation.

However, grants and contracts can be used to supplement annual income in cases where appropriated support provides less than 12 months of employment. Thus, for grants funded on a yearly basis, a faculty member under a 10-month contract can receive up to 1/10 of the amount of the 10-month contract for each additional month worked. To the extent that effort is provided, grant funds can also be used to offset appropriated funds salary support. In general, University employees who are compensated for a full 12 months from appropriated funds cannot receive additional compensation. However, where effort is provided, grant funds can be used to offset appropriated support.

In rare cases, where there is clear documentation that the employee's (faculty or A & P) workload has increased significantly as the result of involvement with the grant or contract, some salary supplementation can occur. However, such increments shall be proportional to the added workload and will require the approval of the contracting/granting agency and the Provost.