Office for Sponsored Programs  
Extra Compensation Policy

Summary:

Federal rules and regulations, including OMB Circular A-21 and the NIH Grants Policy Statement, do not allow for an individual's institutional base salary to be increased as a result of obtaining grant funding. These federal rules and regulations also restrict the payment of overload, bonus or other payments outside the individual's institutional base salary. In addition to the University's general policy regarding the allowability of supplemental compensation, the following principles must be applied when salary is to be paid from a sponsored project.

Summary of OMB A-21 Principles:*

Charges for work performed on sponsored agreements by faculty members must be based on the individual faculty member's regular compensation during the period of performance. Charges must be made at the allowable base rate; the faculty member cannot receive additional compensation for his or her participation in a sponsored project over and above the appropriate portion of the base salary allocated to the project.

The only exception to allow for compensation above the base salary during the academic year is a very specific exception for consultation across departmental lines. The general rules for faculty compensation during the academic year and the specific requirement for the exception to those rules are found in OMB Circular A-21, section J.10.d. and are as follows (emphasis added):

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.

* These rules are not applicable to summer salary for nine (9) month faculty. See OMB Circular A-21 §J10d(2)(a). Research compensation during the summer months or other periods not included in the base salary period is to be calculated for each faculty member at a rate not in excess of the base salary divided by the period to which the base salary relates.

REQUIREMENT:

Each faculty or staff member must have prior written approval from their supervisor and divisional Vice President for all supplemental compensation activities. The required form “Request for Approval to Pay Supplemental Compensation” can be found by clicking on Supplemental Pay Request Form at [http://hr.ua.edu/benefits/HRforms.html](http://hr.ua.edu/benefits/HRforms.html).

Reference:

Revised 8/21/12
OMB Circular A-21, Cost Principles for Educational Institutions:
http://www.whitehouse.gov/omb/circulars_index-education/

NIH Grants Policy Statement:
http://grants1.nih.gov/grants/policy/policy.htm

UA Supplemental Compensation Policy (see Internal Supplemental Compensation):
http://facultyhandbook.ua.edu/