

1. Title

Institutional Base Salary Policy

2. Policy

Sec. 1 Purpose. The purpose of this Policy is to provide requirements and guidelines for Institutional Base Salary (IBS) for all sponsored programs, federal, State, and private, at The University of Texas System Administration.

Sec. 2 Policy Statement. IBS is the annual compensation U. T. System Administration pays for an individual's services, whether that individual's time is spent on research, teaching, patient care, or other activities. IBS excludes any income that an individual may be permitted to earn outside of the duties for U. T. System Administration. To be in compliance with the federal guidelines, salaries need to be managed consistently across the institution, and IBS shall be used for purposes of salary requests on all sponsored projects.

Sec. 3 Federal Requirements. The federal government requires recipients of federal funding to establish an institutional policy that documents the budgeting and expensing of salaries on sponsored projects, and that sponsored project costs such as salaries be treated consistently. These federal requirements shall be consistently applied to all sponsored programs at U. T. System Administration.

Sec. 4 Limitations. Sponsors (federal or nonfederal) may have a salary rate cap that would limit the amount of IBS that could be used as a basis for charging salary to their projects. When such limitations apply, the requested salary support is determined by multiplying the proposed level of effort by the maximum IBS allowed. Terms and conditions of the award should be reviewed with caution. To comply with Office of Management and Budget (OMB) Circular A-21, this Policy defines the components of IBS and establishes procedures for budgeting and expensing of salaries.

Sec. 5 Unallowable Cost. If a sponsored project has a salary rate cap, then an individual's salary in excess of the salary rate cap is considered an *unallowable cost*. The unallowable portion of salary over the cap may not be charged to a regular cost sharing account of the project/program. It must be charged to a non-sponsored, nonfederal fund account.

Sec. 6 IBS Overview.

- 6.1 IBS shall be used for purposes of salary requests on all sponsored projects. The terms and conditions of the awards should be reviewed for salary rate caps prior to submitting any proposal. Awards with salary rate caps must be monitored regularly.
- 6.2 IBS in excess of a salary rate cap must be funded from non-sponsored accounts. IBS will not be increased or decreased during a fiscal year as a result of receipt or loss of salary support from grants, contracts, and other revenues.
- 6.3 Salaries and wages should be budgeted commensurate with the proposed level of effort and can be paid only for time they are working on the project(s).

Sec. 7 Accounting for IBS. Limitations imposed by salary rate caps are not absolute. The amount must be prorated as described below.

- 7.1 Calculate the percentage of the employee's salary that can be charged to the award.

When an employee's rate of pay in a given period exceeds the salary rate cap, the amount of salary that can be charged to the award is calculated as follows:

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| $\frac{(\text{Salary rate cap} \times \% \text{ of Effort})}{\text{Total Monthly Compensation}}$ |
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- 7.2 Salary in excess of a sponsor imposed salary rate cap will be considered as an unallowable cost to the sponsored program. It must be charged to an unrestricted, non-sponsored program account. This differential is considered a voluntary committed cost sharing. Refer to INT158, *Cost Sharing Policy*.
- 7.3 Identify the source(s) that will be used to fund any remaining percentages of salary.
- 7.4 Administrative stipends, honoraria, or supplemental compensation are not included in the rate-of-pay determination of salary rate cap and should not be charged to sponsored programs.

3. Definitions

Compensation - amount of salary that an employee earned for services rendered and paid by U. T. System Administration during the project period.

Effort - time spent on any activity by an individual, expressed as a percentage of the individuals' total effort. Total effort must always equal 100%.

Effort Reporting - the method of certifying to the granting agencies that the effort required as a condition of the award has actually been completed.

Institutional Base Salary (IBS) - annual compensation that the applicant organization pays for an individual's appointment, whether that individual's time is spent on research, teaching, patient care, or other activities. Base salary excludes any income that an individual earns outside of the duties to the application organization.

Salary Rate Cap - limitation on the amount of salary that may be charged to sponsored program awards.

Sponsored Program - an externally-funded activity that is separately budgeted, accounted for, and governed by specific terms and conditions of the sponsoring organization. A sponsored program may be in the forms of grants, contracts, or cooperative agreements for research, instruction, and public service activities.

Total Monthly Compensation - the amount for which an individual is compensated monthly by the institution through payroll.

4. Relevant Federal and State Statutes, Policies, and Standards

[OMB A-21, Cost Principles for Educational Institutions](#)

[OMB A-110, Uniform Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations](#)

5. Relevant System Policies, Procedures, and Forms

[UTS163, Guidance on Effort Reporting and Certification Policies](#)

[INT152, Cost Transfer Policy](#)

[INT153, Time and Effort Management and Reporting Policy](#)

[INT158, Cost Sharing Policy](#)

6. System Administration Office(s) Responsible for Policy

Office of the Controller

7. Dates Approved or Amended

June 15, 2007

September 30, 2009

November 15, 2012