Faculty Salary Planning

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Feinberg School of Medicine
What is Faculty Salary Planning?

a.k.a. Direct charging

Begins at the proposal stage

Faculty must estimate how much time they will spend on the project (effort)

Administrator uses effort to calculate the salary request from the sponsor

PI provides the scientific leadership supporting the research
What is Salary Planning?

- Salary charging must adhere to the 4 basic cost principles per OMB Circular A-21:

  - Reasonableness
  - Allowability
  - Allocability
  - Consistency
The NIH Grants Policy Statement:

Salary and wage amounts charged to grant-supported projects for personal services must be based on an adequate payroll distribution system that documents such distribution in accordance with applicable Federal Cost Principles and consistently applied institutional policy and practices.
Principles & Policies

- The NSF Proposal and Award Policies and Procedures Guide:

  NSF limits salary compensation for senior project personnel to no more than two months of their regular salary in any one year. This limit includes salary compensation received from all NSF-funded grants. This effort must be documented in accordance with the applicable cost principles.
Key Principles

• Effort commitments should drive salary planning

• Cost sharing (including over the cap salary) must come from a non-sponsored source

• Identify cost sharing sources early

• Not all faculty activities come from extramural funding:
  – Instruction
  – Administration
  – Grant writing (usually…)

• PIs should generally not be 100% funded from sponsored projects, unless there is a sponsor exception
How is Salary Paid on the Evanston Campus?

- Tenure/tenure track faculty have 9 month academic year appointments.
- May also have another appointment with a different contract period (i.e. 12 month).
- May receive up to 2.5 months of summer salary from sponsored projects.
- Academic year: 9/16-6/15.
- Partial months of September & June will affect direct charge calculation.
- Salary cap consideration.
How is Salary Paid on the Evanston Campus?

- Salary is paid over 12 months regardless of appointment length

- On effort report, salary distribution must be restated to appropriately show earned amounts according to appointment

- Calculating the monthly earned rate is complicated
  - Northwestern has developed tools to help
Evanston: What is Academic Base Salary?

### 9-MONTH ACADEMIC & SUMMER SALARY CONSIDERATIONS FOR FACULTY WITH 9-MONTH APPOINTMENTS

<table>
<thead>
<tr>
<th>RCD</th>
<th>Annual Salary</th>
<th>Appt</th>
<th>Monthly Earned Rate</th>
<th>% Distribution</th>
<th>Summer Monthly Rate per Appointment</th>
<th>Note</th>
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<td>9</td>
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<td>0.00%</td>
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<td>Not eligible for requesting summer salary</td>
</tr>
<tr>
<td>TL</td>
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<td></td>
<td>12,037.04</td>
<td>100.00%</td>
<td>11,111.11</td>
<td></td>
</tr>
</tbody>
</table>

**Monthly Salary:** 12,037.04

**Monthly Earned Rate**

**Academic Base Salary**: 108,333.33

**Annual Salary in HRIS:** 111,111.11

**Annual NIH Salary Cap**: 179,700.00

**9-month NIH Salary Cap**: 134,775.00

**Over the NIH Salary Cap?** No

**Input Errors**

**Notes:**

* For NU administrative appointments such as dean, chair, or division chief, the salary typically cannot be charged to sponsored projects.

** This worksheet is for 9 and 12 months appointments only. 10 and 11 month appointments require additional considerations. Please contact Jennifer Wei if you need assistance for 10 or 11 months appointments.

*** Summer salary charges must be in compliance with NU's Summer/Research Quarter Salary and Effort Reporting policies. A pre-cert form is required if charging more than 2.5 summer months salary to sponsored projects.

**Base Salary displayed on NU Effort Reports:**

<table>
<thead>
<tr>
<th>Base Salary</th>
<th>Q1 (09/16 - 11/30)</th>
<th>Q2 (12/01- 02/28)</th>
<th>Q3 (03/01 - 05/15)</th>
<th>Q4 (06/16 - 09/15)</th>
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<td>3</td>
<td>3.5</td>
<td>PRM 42,129.63</td>
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<td>Base Salary</td>
<td>30,092.59</td>
<td>36,111.11</td>
<td>42,129.63</td>
<td>Monthly Rate: 12037.04</td>
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</table>

<table>
<thead>
<tr>
<th>Base Salary</th>
<th>Q1 (09/01 - 11/30)</th>
<th>Q2 (12/01 - 02/28)</th>
<th>Q3 (03/01 - 05/31)</th>
<th>Q4 (06/01 - 08/31) / Research Qtr</th>
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<tbody>
<tr>
<td># of Months</td>
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<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Base Salary</td>
<td>36,111.11</td>
<td>36,111.11</td>
<td>36,111.11</td>
<td>Monthly Rate: 12037.04</td>
</tr>
</tbody>
</table>
How is Salary Paid on the Chicago Campus?

• Clinical faculty (MDs) have 12 month appointments

• Most Ph.D./investigator track/tenure eligible faculty have 12 month appointments except for a few that elected to remain with 9 month appointments or have joint appointments with an Evanston school

• Institutional base salary (& effort) includes both NU & NMG
• 12 month academic year: 9/1-8/31
• 9 month Academic year: 9/1-5/31
  – Summer Quarter: 6/1-8/31
• Salary cap
Cost Sharing

- Cost sharing occurs when a cost specifically benefits a sponsored project but is not charged to that project.

- Can be mandatory (salary or non-salary), over the cap cost sharing or voluntary committed cost sharing (salary and non-salary). Most common type of cost sharing on the Chicago campus is the NIH statutory cap and the salary limitation on NIH career (K) awards.
Cost Sharing Model Changes

As of 9/1/13, cost sharing changed to a model that illustrates mandatory vs. voluntary committed cost sharing with addition of 193 fund. Allows departments to more effectively manage the cash commitments associated with voluntary committed cost. These funds function as follows:

- **191**: Used exclusively for mandatory cost sharing (salary and non-salary). A budget is established on an annual basis.
- **192**: Used exclusively for over-the-cap cost sharing. No budget established.
- **193**: Used exclusively for voluntary committed cost sharing (salary and non-salary). A budget is established on an annual basis.
## Cost Sharing Model Changes-Cont.

<table>
<thead>
<tr>
<th></th>
<th>Previous Model</th>
<th>New Model as of 9/1/13</th>
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<tr>
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<td>Mandatory (Salary &amp; Non-Salary)</td>
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<tr>
<td></td>
<td>Voluntary Committed (Non-Salary)</td>
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<tr>
<td>192</td>
<td>Voluntary Committed (Salary)</td>
<td>Over-the-Cap</td>
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<tr>
<td></td>
<td>Over-the-Cap</td>
<td></td>
</tr>
<tr>
<td>193</td>
<td>N/A</td>
<td>Voluntary Committed (Salary &amp; Non-Salary)</td>
</tr>
</tbody>
</table>
NIH Salary Cap

• Some sponsors put a limit on the amount of salary that can be charged to federal awards
  – e.g. NIH salary cap as of 1/10/2016 is $185,100 or $15,425 per month for 12 month appointments
  – For 9 month appointments, the cap is $138,825
Research/Summer Quarter
(Summer Salary)

- Research/Summer quarter payments are made using the Summer/Research Quarter Salary Request Form (not through deployment in FASIS)

www.northwestern.edu/hr/payroll/administratorpayments.html
Why is Direct Charging Important?

- Aligns salary expenses to effort commitments on sponsored projects
- Helps achieve compliance
- Utilizes available outside funding sources to cover salary expenses
- Supports all funds budgeting
- Reduces paperwork
- Increases accounting transparency
- Voluntary cost sharing occurs when committed salaries are not charged to awards; the effect is reducing the indirect cost rate
- Requires prospective planning of expense posting based on commitments
Why Faculty Might Not Direct Charge in Evanston Schools

- The base academic salary is guaranteed by the faculty members’ Dean’s Office
  - Faculty might prefer to utilize the awarded research dollars for other charges to grants

- Some sponsors have salary caps

- Some limit salary charges to a specific number of months

- Some discourage academic year salary/benefit charges to grant budgets entirely

- It is critical to have an understanding of what each sponsor permits

- In contrast, on the Chicago campus, all faculty direct charge their salaries
Why Faculty Might Direct Charge in Evanston

• Academic year salary portion is supported by an appropriated budget at the school/center level in most Evanston schools
When Do We Direct Charge?

• The administrator and faculty member must work together to develop an annual plan at the beginning of the FY

• Make monthly adjustments as needed to reflect unanticipated activities

• Reduce compliance risks and save yourself transactional work if you complete direct charging before the 90 day period expires

• Retroactive salary adjustments more than 1 year after date of the initial charge will not be processed
Evanston Salary Planning Worksheet

### DIRECT CHARGING TEMPLATE FOR 9-MONTH EVANSTON FACULTY - BETA Version

*Note: this sheet should only be used for faculty with commitments no more than 75%. If the faculty member’s commitment is more than 75%, SDA should be used instead.*

I. Enter data in the fields highlighted in Yellow; all other fields are calculated by the worksheet.

<table>
<thead>
<tr>
<th>Faculty Name</th>
<th>9-Month Salary**</th>
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<tr>
<td></td>
<td>Faculty Appointment</td>
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<tr>
<td>Profile:</td>
<td></td>
</tr>
<tr>
<td>Employee ID:</td>
<td></td>
</tr>
<tr>
<td>FASIS Position #:</td>
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#### Appointment #1

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<tr>
<th># of Months Contract Employment Period</th>
<th>Executive Level I Cap ($199,700)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>NIH Salary Cap (12 months)</td>
<td>$199,700</td>
<td></td>
</tr>
<tr>
<td>Regulatory Salary Cap for 9 months</td>
<td>$149,775</td>
<td></td>
</tr>
<tr>
<td>Calculations:</td>
<td></td>
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</tr>
<tr>
<td>Monthly salary (earned rate)</td>
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<td></td>
</tr>
<tr>
<td>Monthly Salary Based on Appointment 1 only</td>
<td>$0.00</td>
<td></td>
</tr>
<tr>
<td>Monthly “Earned” amounts applied to NIH</td>
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<td></td>
</tr>
<tr>
<td>Over the Cap Cost per Month</td>
<td>$0.00</td>
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<tr>
<td>Monthly Pay Rate (12 months) Appt. 1 only</td>
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<table>
<thead>
<tr>
<th># of Months Contract Employment Period</th>
<th>Executive Level II Cap</th>
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<tr>
<td>NIH Salary Cap (12 months)</td>
<td>$179,700</td>
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<tr>
<td>Regulatory Salary Cap for 9 months</td>
<td>$134,775</td>
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<tr>
<td>Calculations:</td>
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<tr>
<td>Monthly salary (earned rate)</td>
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<tr>
<td>Monthly Salary Based on Appointment 1 only</td>
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<tr>
<td>Monthly “Earned” amounts applied to NIH</td>
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</tr>
<tr>
<td>Regulatory Cap Cost-Sharing Monthly Expense:</td>
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<tr>
<td>Monthly Amount Paid over 12 Months:</td>
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### II. Effort Distribution

Percent Effort and Accounts Charged by Month:

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<th>November</th>
<th>December</th>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June 1 - 15</th>
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<tr>
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<td></td>
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**Note:** Once on the above website, look under “References and Templates” and click “here” to log in with your NetID and password to access this worksheet.
Employee Name: Doe, Jane

**Annual Base Salary (NU+NMFF):** 275,000.00

**Monthly Base Salary (NU + NMFF):** 22,916.67

**Worksheet Date:** 1/12/2016

**% APPT $ SALARY**

<table>
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<tr>
<th>NU</th>
<th>82.00%</th>
<th>225,000.00</th>
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<tbody>
<tr>
<td>NMFF</td>
<td>18.00%</td>
<td>50,000.00</td>
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</tbody>
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### NU GRANT CHART STRINGS

#### NIH Project
- **CHART STRING:** 610-1234567-0001000
- **Base Salary:** 185,100.00
- **Salary:** 3,239.25
- **% Base:** 3,239.25
- **% NU:** 21.00%
- **% Effort:** 21.00%

#### NIH Flowthrough Project
- **CHART STRING:** 620-1234567-0002000
- **Base Salary:** 185,100.00
- **Salary:** 4,627.50
- **% Base:** 4,627.50
- **% NU:** 24.68%
- **% Effort:** 30.00%

#### Projected NIH Project
- **CHART STRING:** 610-1234567-0003000
- **Base Salary:** 185,100.00
- **Salary:** 1,542.50
- **% Base:** 1,542.50
- **% NU:** 10.00%
- **% Effort:** 10.00%

### NU NON-GRANT CHART STRINGS

#### Chair Appointment
- **CHART STRING:** 620-1234567
- **Base Salary:** N/A
- **Salary:** 1,145.83
- **% Base:** 1,145.83
- **% NU:** 5.00%
- **% Effort:** 5.00%

#### Operating Fund
- **CHART STRING:** 710-1234567
- **Base Salary:** N/A
- **Salary:** 2,477.20
- **% Base:** 2,477.20
- **% NU:** 10.81%
- **% Effort:** 10.81%

### COST SHARE CHART STRINGS (grant % effort = % cost share + % base)

#### Cost Share for NIH Project
- **CHART STRING:** 103-1234567-0001000
- **Base Salary:** N/A
- **Salary:** 1,574.38
- **% Base:** 1,574.38
- **% NU:** 6.87%
- **% Effort:** 8.40%

#### Cost Share for NIH Flowthrough Project
- **CHART STRING:** 103-1234567-0002000
- **Base Salary:** N/A
- **Salary:** 2,248.13
- **% Base:** 2,248.13
- **% NU:** 9.81%
- **% Effort:** 11.99%

#### Cost Share for Projected NIH Project
- **CHART STRING:** 103-1234567-0003000
- **Base Salary:** N/A
- **Salary:** 749.38
- **% Base:** 749.38
- **% NU:** 3.27%
- **% Effort:** 4.00%

### NMG SALARY

- **CHART STRING:** 710-1234567
- **Base Salary:** 4,166.67
- **Salary:** 4,166.67
- **% Base:** 4,166.67
- **% NU:** 18.18%
- **% Effort:** 18.18%

### Monthly Total

<p>| | | | | |</p>
<table>
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<tr>
<th></th>
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<td>Oct</td>
<td>Sep</td>
<td>Nov</td>
<td>Oct</td>
<td>Nov</td>
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<tr>
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<td>34,108.03</td>
<td>34,108.03</td>
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**BUDGET NOTE:** Cost sharing charged to endowment acct

**TOTAL CHARGE TO ENDOWMENT (after transfer to cost share)**

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<table>
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<tbody>
<tr>
<td>Oct</td>
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<tr>
<td>NU</td>
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<td>29,041.36</td>
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<td>34,108.03</td>
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**TOTAL CHARGE TO COST SHARE (192's)**

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<tbody>
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<td>Oct</td>
<td>Sep</td>
<td>Nov</td>
<td>Oct</td>
</tr>
<tr>
<td>NU</td>
<td>29,041.36</td>
<td>29,041.36</td>
<td>29,041.36</td>
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<td>NMFF</td>
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<tr>
<td>Total</td>
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<td>34,108.03</td>
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**TOTAL CHARGE TO ENDOWMENT**

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<td>NU</td>
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<td>NMFF</td>
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<tr>
<td>Total</td>
<td>34,108.03</td>
<td>34,108.03</td>
<td>34,108.03</td>
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</table>

**BUDGET NOTE:** Cost share charged to endowment acct
<table>
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<tr>
<th>AUG</th>
<th>% base</th>
<th>% NU</th>
<th>% effort</th>
<th>PERIOD/ADDITIONAL COMMENTS</th>
<th>Net Dif</th>
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<tr>
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<td>14.13%</td>
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<td>21%</td>
<td>8/31/14 - 8/31/18</td>
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<td>4,627.50</td>
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<td>24.68%</td>
<td>30%</td>
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<td>5%</td>
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<td>5%</td>
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<tr>
<td>2,477.20</td>
<td>10.81%</td>
<td>13.21%</td>
<td>10%</td>
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</table>
Faculty Salary Charging Quiz #1

- Prof. Darwin has an academic base salary of $90,000 and a 9-month appointment
- His monthly earned rate is $10,000/month
- He is paid over 12 months
- What is his monthly pay rate (amount paid out in each paycheck)?

Answer: $7,500. Since the salary is paid over 12 months, only 75% of the earned rate is actually paid out in each paycheck.
Faculty Salary Charging Quiz #2

- Prof. Darwin has an academic base salary of $90,000 and a 9-month appointment.
- Prof. Darwin wants to charge 1 month of academic effort to his NSF grant.
- What is the total dollar amount of salary that will be charged to the grant?

Answer: $10,000. The effort is based on the earned rate (1/9) not the paid rate (1/12).
Faculty Salary Charging Quiz #3

Dr. Oz has an FSM and NMG faculty appointment with an annual base salary on FSM of $50K and an annual base salary on NMG of $235,991. His total annual base salary is $285,991. In order to calculate effort and salary distribution, would we just use the FSM annual base salary or use both FSM and NMG annual base salaries?

He has two NIH grants, with effort at 20% on one and 10% on another. Would we have to cost share on these grants or not?

Answer: 1.) We would use the IBS, both FSM and NMG

2.) Yes, his IBS is greater than the NIH’s salary cap of $185,100
What are your next steps?

- Once you have determined that you will be involved with direct charging faculty salary to sponsored projects, you will need to:
  - Take the FASIS training classes that give you access to the system
  - Download the salary planning worksheet and/or the SDA form
  - Consult with your deans office or the Office for Research in the medical school for any further guidance, training, or resources

ffra.northwestern.edu
Forms: Where Do You Get Them?

- Summer Salary Forms
  - www.northwestern.edu/hr/payroll/administratorpayments.html

- SDA Forms
  - www.northwestern.edu/hr/payroll/administratorpayments.html

- Salary planning wkst & Academic Base Salary wkst
  - www.northwestern.edu/coststudies/effort.html

*Note:* Once on the above website, look under “References and Templates” and click “here” to log in with your NetID and password to access this worksheet.
Questions?

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