

Extra Compensation Paid by Sponsored Program Awards

Often, Jax State faculty and/or professional staff will engage in additional work beneficial to the university and that aligns with the mission of the institution. Such activities are often a part of research or programmatic sponsored programs paid by grant awards, and subawards made to the university from external sponsors. In most cases, if the funding sponsor will allow, and the Jax State Criteria for Determining When Extra Compensation is Appropriate (in Policy II:05:02 Consulting and Extra Compensation) are met, Jax State can permit exempt faculty and/or exempt professional staff to earn extra compensation for work over and above the individual's normal workload if approved by the employee's Department Head or Unit Supervisor, and Dean or Department Director and paid by an external source such as a federal or nonfederal grant award or subaward. Access the Jax State Consulting and Extra Compensation Policy (II:05:02) here: [Jax State Consulting and Extra Compensation Policy](#)

The Jax State Criteria for Determining When Extra Compensation is Appropriate

The following five (5) issues must be considered in determining whether compensation in excess of an individual's base rate of pay is warranted:

1. The project or program budget includes sufficient funds to cover the cost of the extra compensation, including benefits.
2. The additional duties will not interfere with the individual's existing university responsibilities.
3. Approval is obtained in advance from the sponsor and appropriate university personnel.
4. Premium rates are allowable only when the sponsor has specifically approved them in advance, in writing.
5. Employees must be able to demonstrate on an ongoing basis that activities for which extra compensation is sought do not interfere with teaching, academic advising, service, scholarship, or other university responsibilities. This evaluation will be determined by the respective faculty personnel's supervisor and dean/director on a case-by-case basis in an objective fashion without reservation.

The Maximum Amount of Extra Compensation that can be Earned at Jax State

For faculty and/or professional earning extra compensation on a sponsored program the maximum amount allowed by Jax State is limited to the individual's annual compensation defined as their gross salary.

How Extra Compensation is Calculated by the Jax State Office of Sponsored Programs

If Jax State approves of extra compensation to be paid to faculty and/or professional staff who will be working on a sponsored program such individuals may desire to know how extra compensation is calculated by the Jax State Office of Sponsored Programs. In addition, the Jax State Office of Sponsored Programs adds the employer's (Jax State) share of fringe benefits to the total extra compensation cost amount to be charged to a sponsored program grant award or subaward. Important information on how

extra compensation and mandatory fringe benefits are calculated and applied to such extra compensation amounts follows.

As a hypothetical example, we will say that Dr. Jan Dow, a Jax State faculty member, submitted a grant proposal to a potential sponsor to fund a sponsored program. In the grant application Dr. Dow requested extra compensation due to the amount of additional work which she will contribute to the sponsored program if the sponsor funds the proposed project. Dr. Dow requested 20% extra compensation, and her request met the Jax State Criteria for Determining When Extra Compensation is Appropriate and was approved by the Department Head, Dean and the Office of Sponsored Programs. The Office of Sponsored Programs added the 20% extra compensation amount to the grant proposal budget and justified the request in the budget justification. The Office of Sponsored Programs submitted the grant application to a potential sponsor which organization approved the sponsored program for funding. The sponsored program work will begin on August 1 and will be completed by Dr. Dow over the entire academic year. Since Dr. Dow is a nine (9) month employee, and the work will be conducted over the academic year, she will be paid extra compensation by Jax State monthly from the sponsored program award over a nine (9) month period. Dr. Dow's current, annual gross salary is \$50,000.

Extra Compensation Calculation:

The calculation for Dr. Dow's extra compensation is: $\$50,000 \times 20\% = \$10,000$ paid over nine (9) months or about \$1,111/month gross earnings. The Jax State Payroll Office will add the monthly extra compensation amount to Dr. Dow's monthly paycheck.

Fringe Benefits Applied to Extra Compensation:

An extra compensation amount also must have certain fringe benefits applied which are the employer's (Jax State) share of such benefits. Fringe benefits applied to any extra compensation amounts include FICA (Social Security); FICA Medicare (Medicare); Retirement; Supplemental Retirement if applicable, and Unemployment Insurance.

FICA (Social Security) Applied to Extra Compensation:

Every extra compensation amount must have the employer's (Jax State) share of FICA (Social Security) applied at 6.20%. So, for Dr. Dow the calculation is $\$10,000 \times 6.20\% = \620 .

FICA Medicare (Medicare) Applied to Extra Compensation:

Every extra compensation amount must have the employer's (Jax State) share of FICA Medicare (Medicare) applied at 1.45%. So, for Dr. Dow the calculation is $\$10,000 \times 1.45\% = \145 .

Retirement Applied to Extra Compensation:

It is important to note the start date of Dr. Dow at Jax State, which was August 1, 2012. This date is critical to the Office of Sponsored Programs because the start date of an employee drives the Retirement fringe benefit calculation. Tier 1 employees began at the university prior to January 2013. Tier 2 employees started at Jax State after January 2013. The Office of Human Resources has the correct percentages applied to extra compensation for Retirement for Tier 1 and Tier 2 employees. Currently, Tier 1 employees have a percentage of 12.59% applied for Retirement to extra compensation. Tier 2 employees have a percentage of 11.57% applied for Retirement to extra compensation.

For Dr. Dow's Retirement amount the calculation is $\$10,000 \times 12.59\% = \$1,259$.

Supplemental Retirement Applied to Extra Compensation:

Some Jax State employees elect to participate in the Supplemental Retirement Program offered by the university. It is important for the Office of Sponsored Programs to determine if an employee is to receive

extra compensation, does the individual participate in the Jax State Supplemental Retirement Program and if so, at what percentage does the employee contribute out of their payroll check? The university will match an employee's contribution up to 5%. So, in the case of Dr. Dow we'll say that she participates in the program and contributes 5%. So, the employer's (Jax State) share will have an applicable amount charged to the award. The calculation for Dr. Dow is $\$10,000 \times 5\% = \500 . If Dr. Dow contributed to the Supplemental Retirement Program at a lower amount, say 3%, then the Office of Sponsored Programs would use that percentage in the calculation.

Unemployment Applied to Extra Compensation:

Every extra compensation amount must have the employer's (Jax State) share of Unemployment Insurance applied at .0002%. So, for Dr. Dow the calculation is $\$10,000 \times .0002\% = \2 .

So, the total employer's (Jax State) fringe benefits calculations for Dr. Dow's \$10,000 in extra compensation and which must be charged to the sponsored award are:

- \$10,000 x 6.20% (FICA) = \$620
- \$10,000 x 1.45% (FICA Medicare) = \$145
- \$10,000 x 12.59% (Retirement) = \$1,259
- \$10,000 x 5% (Supplemental Retirement) = \$500
- \$10,000 x .0002% (Unemployment) = \$2

Total fringe benefits added to the extra compensation charged to the sponsored program award = \$2,526.

Keep in mind the employer's (Jax State) share of fringe benefits are not the amounts to be deducted from Dr. Dow's paycheck. Jax State Payroll will apply appropriate taxes and deductions to Dr. Dow's paycheck.

So, when the Office of Sponsored Programs calculates the cost of extra compensation, the unit must add the employer's (Jax State) share of fringe benefits to the total amount. Faculty and/or professional staff may contact the Office of Sponsored Programs for questions or assistance regarding extra compensation calculations and/or fringe benefits applied to extra compensation paid by a sponsored program grant award or a subaward made to the university. You may contact the Office of Sponsored Programs at 256-782-8144 or via email at mwetherholt@jsu.edu or lgarner@jsu.edu.

Non-Exempt Employees Working on Sponsored Programs

Non-exempt Jax State employees working on or assisting with sponsored programs may not charge overtime to federal grant awards, subawards or contracts. If a non-exempt employee works more than forty (40) hours in a week on a nonfederal sponsored program, the employee may receive compensatory time, or overtime pay with prior approval of the awarding sponsor, department head or unit supervisor, the dean or unit director and the appropriate vice president. Non-exempt employees must report their hours worked on sponsored programs on the bi-weekly payroll report.