ADDITIONAL COMPENSATION FREQUENTLY ASKED QUESTIONS

1. **Question:** What are the requirements of the federal grant accounting rules on additional compensation?

   **Answer:** The relevant rule is contained in “OMB Circular A-21,” the federal accounting rules that apply to all federal grants to colleges and universities. Section J. 10. d (1) establishes the fundamental principle for charging compensation to federal grants. It states that federal sponsored research may not be charged for more than “the proportionate share of the base salary for that period.” The rule goes on to explicitly provide that work for other departments or work outside of normal duties is assumed to be part of faculty member’s obligations and should require no additional compensation. Additional compensation paid by federal grants is allowed only “in unusual cases where consultation is across departmental lines or involves separate or remote operation, and the work... is in addition to his regular departmental load and the additional compensation is “specifically provided for in the agreement or approved in writing by the sponsoring agency.”

   In sum, the rule allows additional compensation only when the work meets all of the following three criteria:

   1. Must be unusual. For example, it must be for short durations only—may not be recurring.

   2. Must be across departmental lines or at a remote location and must clearly involve effort which is not normally part of faculty workload.

   3. Must have explicit, written approval by the sponsoring agency.

2. **Question:** Will MSU approve proposals going forward to federal agencies which include additional compensation?

   **Answer:** Refer to Question 1 above. MSU will not allow additional compensation in proposals to federal agencies unless the criteria listed are clearly established. As you can see, that will occur only in very unusual circumstances.

3. **Question:** I currently receive additional compensation and I understand that the University will be paying that additional compensation with non-grant funds for an interim period. How long will the interim period be and what will happen when the interim period ends?

   **Answer:** The interim period is not a specific period of time. MSU will provide these funds to pay existing additional compensation until an alternative means of addressing the compensation charged to federal grants is established. MSU estimates that this could take from six months to one year.

4. **Question:** Why has MSU suddenly become concerned about this additional compensation practice being potentially out of compliance with A-21? Has there been a change in regulations or in federal guidance?
Answer: While A-21 has not changed, information from federal audits, positions taken by federal sponsors, and the recent advice from experts have cumulated to cause MSU to take this step to avoid the risk of non-compliance.

5. **Question:** Without allowing additional compensation, how will MSU attract and retain high quality research-active faculty?

**Answer:** The compensation consultant will provide guidance on this question. MSU will ask the consultant to provide information, including from other Carnegie research institutions, about university compensation practices which allow those institutions to recruit, retain, and incentivize research-active faculty.

6. **Question:** Do we know of compensation programs in use at other universities which are compliant with A-21 and which allow recognition of excellence, including research activity?

**Answer:** The experts MSU previously retained advised that compensation programs exist which comply with the fundamental compensation principle of A-21—that federal sponsored research may not be charged for more than “the proportionate share of the base salary for that period”. Again, the compensation consultant to be hired will review these programs and identify the options for the university to consider going forward.

7. **Question:** I receive additional compensation under a sponsored research grant from a private company. How will this change affect that additional compensation?

**Answer:** The accounting rules we are concerned about apply only to federally funded grants. Additional compensation paid by other research sponsors will not be affected.

8. **Question:** I receive summer salary under federally funded sponsored research. Will summer salaries be affected by this action?

**Answer:** Summer salaries are specifically allowed under federal regulations and they will continue to be allowed as approved by the federal sponsor.

9. **Question:** What MSU funds will be used to pay this additional compensation in the interim before a new compensation program is established?

**Answer:** The funds will come from an account which has accumulated the return on MSU P-Card purchases as negotiated as part of the P-Card contract for the University. These returns have accumulated over a number of years and MSU has identified this as a source of funds for the transition period.

10. **Question:** Will this change affect the University Sponsored Research Appointments (USRA)?

**Answer:** No. Existing USRA contracts will remain for the time being since they do not involve additional compensation. However, MSU discontinued approving new USRA designations several years
ago. The compensation consultant will be expected to address the compensation needs the USRA was designed to meet.

11. **Question:** Will any new compensation program be negotiated with the faculty union?

   **Answer:** Once there is a program for consideration, the university will analyze whether the program contains terms and conditions of employment which are the subject of bargaining. It is anticipated there will be opportunities for various constituencies, including the faculty union, to review and provide comment during the development of an alternative compensation program.

12. **Question:** My letter of hire says I am entitled to additional compensation. Doesn’t that create a contractual right to additional compensation?

   **Answer:** The current collective bargaining agreement is the contract between the members of the collective bargaining unit and the Board of Regents. The collective bargaining agreement for tenure track faculty states: “Faculty may receive additional compensation during the academic year of up to 20% of their base salary in accordance with state and federal law and regulations and University policy.” Section 13.05. This section of the collective bargaining agreement supersedes all previous contracts.

   Since all additional compensation requests are subject to approval in accordance with university policy and must be compliant with federal and state laws and regulations, the university cannot approve requests that are not in compliance with federal accounting rules.

13. **Question:** Is MSU at risk for federal agencies requiring recoupment of past additional compensation charged under federal grants? 

    **Answer:** As noted, MSU is discussing this issue with its federal sponsors. Since additional compensation paid was approved by the sponsors, we are seeking guidance on whether there was any unallowable costs paid. There is some risk of federal agencies determining some unallowable costs and requesting reimbursement, but we do not know what the level of that risk is at this time. Our discussions with our major federal sponsors have just begun.