Budget Using the Base Salary for Employees

Base Salary

Calculate salaries and wages for grant budgets using each person's institutional base salary and time / effort committed to the project.

Raises (Refer to your school's suggested increase %)

Depending on the planned start-date and duration of your project, you may need to include pay raise estimates to ensure that your budget will have sufficient funds to cover personnel costs. If project activities will take place after the current fiscal or academic year ends, calculate a 3% raise per person for each year of the project. (If next year's raise is known at the time you are developing a budget, include the known raise for next year then budget a 3% pay increase for any subsequent years of the project.) While raises have been lower than 3% in recent years, budgeting for that level of increase is prudent so that any unpredicted costs (e.g., promotions, fellowships, etc.) can be covered.

Example 1: Dr. O is being proposed on a NIH grant. Dr. O has an Institutional Base Salary of $100,000/year. The current date is February 2nd, and the proposed start date of the grant is October 1st of the same year. What salary would you propose for Dr. O in year 1 of the grant?

Solution: *(Institutional Base Salary)* $100,000 x *(Escalation rate)* 1.03 = $103,000 Escalated Base Salary

Example 2: Dr. J is a qualified PI who is submitting a five-year proposal to NSF. Dr. J's base salary is $150,000/year and he has a research assistant that makes $50,000/year. Per the Office of Sponsored Projects, NSF has approved 3% increases in salary on similar proposals in the past. What is the escalated annual salary for Dr. J and the research assistant in each of the five years?

Solution:

Year	Dr. J	Research Assistant
1	$150,000	$50,000
2	$154,500	$51,500
3	$159,135	$53,045
4	$163,909	$54,636
5	$168,826	$56,275

Budgeting for 9-Month Faculty

Many faculty are on 9-month appointments, and their effort and compensation on a grant program can be calculated using the methods below:

Academic Year Course Release (school specific clarification needed)

With the approval of the Department Head and Dean, faculty can be released from academic year teaching duties to work on grant-funded activities. In these instances, the grant will pay for that portion of the faculty member's time, creating "salary savings" to the institution. For faculty members teaching four courses per semester (8 courses per year), each course equals 12.5% of their total academic year effort. To budget for academic year course release, multiply 12.5% x the number of courses from which the faculty member will be released during the academic year x the faculty member's base salary.

EXAMPLE: Dr. Z is on a 9-month appointment @ a salary of $50,000. Dr. Z will be released from one course each semester to work on grant activities during the academic year. 12.5% x 2 courses =25% x $50,000 = $12,500.

Monthly Rate of Pay (for Summer Salary)

Faculty members often use the summer months to conduct research and work on grant activities. To budget for summer effort, divide the 9-month base salary by 9 to calculate the monthly rate of pay, then multiply that figure by the number of summer months (up to 3) that the faculty member will work on the grant project. Dartmouth allows 9-month faculty to earn up to 33% of their salary during the summer. When all summer pay – including teaching and grant pay – is combined, the total cannot exceed 33% of the faculty member's academic-year salary. Take a faculty member's summer teaching plans into account when determining how much time to budget for grant activity, to ensure the budget doesn't exceed the 33% summer pay maximum. Also keep in mind that some funding agencies (including the National Science Foundation) limit summer compensation to 2 months – be sure to check the program guidelines carefully for these restrictions.

Example: Professor N is a full-time employee with a 9-month appointment who makes $80,000/yr. Professor N plans to devote two months' work during the school year on Project X. What is Professor N's FTE, percent of effort and salary?

> **Solution:**   2 months effort ÷ 9 x 100 = 22.2% of effort
> 22.2% effort x $80,000 = $17,760 Proposed Salary

Example: Professor P is a half time employee with a 9-month appointment who makes $45,000/yr. Professor P plans to devote 100% of his time for two months during the school year on Project X. What is Professor P's FTE, percent of effort and salary?

> **Solution:**   2 months effort ÷ 9 x 100 = 22.2% of effort
> 22.2% effort x $45,000 = $9,990 Proposed Salary

"Person Months" for Academic Year (9-month appointment) faculty

Some funding agencies (including the National Science Foundation) require budgets to reflect effort in terms of "person months" committed to the project. Person months can be calculated in several ways, depending on the planned effort on the grant, the salary request, and the funding agency's instructions for calculating person months. Person months are typically divided into categories based on when a faculty member will work on the project (academic year or summer):

Academic Year (AY) Person Months

When requesting academic year release time for a faculty member with a 9-month appointment, multiply the percentage of release time effort x 9 (the number of months in an academic year appointment).

EXAMPLE: Dr. L will be released from one course each semester (2 courses total), the AY effort is 12.5% per course (a total of 25% effort for the AY). 25% AY effort x 9-month appointment = 2.25 person months.

Summer Person Months

When requesting one month of summer pay for a faculty member on an academic-year appointment, figuring person months is easy: the faculty member is committing one person month. However, if pay is figured on an hourly or other basis, you'll need to convert the amount paid to a percentage of effort (based on the person's base salary).

EXAMPLE: Dr. L is being compensated $5,000 for teaching a workshop and his base pay is $50,000, the percent effort is 10% ($50,000 divided by $5,000) and the faculty member is committing 0.9 person months (10% effort x 9-month appointment = 0.9 person months).

NIH Person Months – How to convert

To convert percent effort to person months, multiply the percentage of your effort associated with the project times the number of months of your appointment. For example:

- 25% of a 9-month academic year appointment equals 2.25 (AY) person months (9 x 0.25= 2.25)
- 10% of a 12-month calendar appointment equals 1.2 (CY) person months (12 x 0.10 = 1.2)
- 35% of a 3-month summer term appointment equals 1.05 (SM) person months (3 x 0.35= 1.05)
- 10% of a 0.5 FTE 12-month appointment equals 0.6 (CY) person months (12 x .5 X .1 = 0.6)

Another example: If the regular pay schedule of an institution is a 9-month academic year and the PI will devote 9 months at 30% time/effort and 3 months summer term at 30% time/effort to the project, then 2.7 academic months and .9 summer months should be listed in the academic and summer term blocks of the application (9 x 30% = 2.7 person months; 3 x 30%= .9)

Budgeting for 12-month Faculty and Exempt Staff

Projects may involve the effort of 12-month faculty and exempt staff. Typically, 12-month faculty and staff will be released from other duties to work on grant-funded activities. The following computation methods provide examples of how to budget for 12-month faculty and exempt staff.

12-Month Salary Example: Professor Q is a full-time employee with a 12-month appointment and an institutional base salary of $100,000/yr. Professor Q plans to spend two months working on Project X during the year. What is Professor Q's' full time equivalent (FTE), percent of effort, and salary?

Solution: 2 months effort ÷ 12 x 100 = 16.7% of effort
16.7% effort x $100,000 = $16,700 Proposed Salary

Percentage of Effort Assigned to Grant

With the approval of appropriate administrators, 12-month faculty members and/or exempt staff members can have a portion of their effort reassigned to grant activities. The budget should include the portion of effort that will be assigned to the grant.

EXAMPLE: Assistant Director V is an exempt staff member at 100% effort with a base salary of $35,000. Ms. V will be re-assigned to the grant for 50% of her effort. $35,000 x 50% = $17,500.

Monthly Rate of Pay

It may be necessary to budget for 12-month faculty and exempt staff at a monthly rate of pay. To determine monthly rate of pay divide the base salary by 12.

EXAMPLE: Mr. U is an exempt staff member at 100% effort with a base salary of $39,000. Mr. U will be re-assigned to spend two months conducting grant funded activities. $39,000 / 12 = $3,250 monthly rate of pay x 2 months = $6,500.

"Person Months" for 12-Month Faculty and Exempt Staff

Some funding agencies (including the National Science Foundation) require budgets to reflect effort in terms of "person months" committed to the project. Person months can be calculated in several ways, depending on the planned effort on the grant, the salary request, and the funding agency's instructions for calculating person months. The simplest way to calculate person months is to follow the guidance provided by the National Science Foundation (see http://www.nsf.gov/funding/preparing/faq/faq_p.jsp?org=NSF) Person-months typically are categorized based on the type of appointment a person has and when the work is done academic year, calendar year, or summer. Use the calendar year category to show person months committed by 12-month faculty and exempt staff (the academic year and summer categories are used only for 9-month faculty).

Calendar Year (CY) Person-Months

To calculate person months for employees on a 12-month appointment, multiply the percentage of effort x 12 (the number of months in a 12-month appointment). For example, someone reassigned 10% time to work on a grant project is committing 1.2 person months (10% effort x 12-month appointment = 1.2 person months).

Budgeting for Non-Exempt Staff

Some projects will require the support of non-exempt staff. Non-exempt staff will either be hired specifically to work on grant projects, or currently employed staff may be released from other duties to work on grant-funded activities. In rare cases, non-exempt staff may be paid with overtime compensation for extra service duties that go beyond the scope of their regular responsibilities.

Since some clerical assistance is routinely provided to faculty/staff, salaries for departmental administrative and clerical staff are typically included in VUS's Facilities and Administration charge and should not be charged to grant budgets. However, direct charging of these costs may be appropriate if the following circumstances apply:

The sponsored program is a major project or activity. "Major project" is defined as a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments.

The individuals performing the administrative / clerical support can be specifically identified with the project or activity. Contact OSP for information and guidance regarding the role of non-exempt staff.

Budgeting for Students

Grants often include undergraduate or graduate students as personnel because they represent a cost-effective way to staff a project. Students often are in a unique position to make contributions to a project and benefit from the experience. There are two primary options to budget for students:

Student Workers at an Hourly Rate

Undergraduate and graduate students can be paid with grant funds at an hourly rate. Because students have a broad range of skill-levels and can be engaged in a wide variety of duties, there is no set hourly rate for student workers. Generally, undergraduates are paid between $6.00 and $10.00 per hour, and graduate students are generally paid between $8.00 and $15.00 per hour, depending upon their level of responsibility, the skill involved in their assigned duties, and other factors.

EXAMPLE: Three graduate students will be identified to assist with data collection, entry, and analysis for the XYZ project. Each student will work approximately 100 hours per semester during the Fall and Spring semesters of two-year project period and be compensated at an hourly rate of $12.00/hour. $12.00/hour x 100 hours/semester x 4 semesters x 3 students = $14,400.

Graduate Student (Thayer School specifically)

Graduate Students can be included in grant proposals. To budget for a graduate student, include the costs of tuition and fees as well as a stipend the student will receive each semester. Budget for the current rate of tuition + a 3% increase (unless the actual increase is known) to ensure that sufficient funds will be available to fund the tuition component of the assistantship. For a multi-year project, include a 3% tuition increase for each year of the project.

Please remember:
Stipend and Tuition costs are only allowed on NIH Training Grants and NIH Fellowship Grants.
Salary/Wages and Tuition Remission costs are only allowable on NIH Research Grants.

Fringe Benefits

Whenever grant funds are used to pay salaries and wages, associated fringe benefits must also be charged to the grant. Dartmouth has established an average fringe benefit rate that should be used to calculate fringe benefits for grant proposals.

Budgeting for Fringe Benefits for currently employed full-time personnel

The fringe benefit rate and percentage include social security, unemployment / worker's compensation, retirement, and health insurance.

Personnel working XX% effort or greater are considered full-time.

Multiply the compensation to be paid with grant funds by XX%.

EXAMPLE: Dr. M will be paid $20,000 from the grant for her effort on the project. Dr. M's fringe benefit rate is 30% of her salary. The grant will pay associated fringe benefits of $6,000 ($20,000 x 30% = $6,000).

Budgeting for Fringe Benefits for part-time personnel, students, and summer salary

Dartmouth has established XX% as the fringe benefit rate for part-time employees, student workers, and summer salary. This includes social security and worker's compensation.

Personnel working less than XX% effort are considered part-time.

Fringe benefits for all students should be calculated at X%. For graduate assistantships, calculate fringe benefits on wages only (not on the tuition support).

Multiply the compensation to be paid with grant funds by X%

EXAMPLE: A student will be hired to work 200 hours and paid $10/hour with grant funds ($2,000 total). The grant will pay associated fringe benefits of $153 ($2,000 x 7.65% = $153).