



*Section 300: Proposal Development and Submission*

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## OSR Policy 300.7 — Direct Costs: Personnel

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**Responsible Officer:** Director  
**Responsible Unit:** Proposal Management  
**Effective date:** July 1, 2008  
**Last revised on:** October 17, 2008

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### Policy Statement

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When estimating a sponsored research budget, the following direct cost elements regarding personnel must be calculated and included, as follows:

#### I. Salary

Proposed salary for research projects is based upon the Institutional Base Salary (IBS) including all allowable administrative supplements of each proposed individual as shown in FRS, taking into consideration any projected legislative salary and/or merit increases that may occur prior to the start date of the project. Such salary escalations should take into consideration inflation for the duration of the project and add the calculated amount to all future year budgets, following any limits presented by the sponsor.

Some agencies impose a salary cap. Updates to this exception are posted on the [OSR General Information](#) web page.

For personnel yet to be determined, projections are based upon the IBS for the proposed position.

Unless otherwise directed by the sponsor, proposed salaries are based upon the total percentage of effort that the University employee will spend working on the project. This effort is reported according to guidelines set by the sponsoring agency and is subject to audit.

The percentage of effort indicated and the salary support requested for the sponsored project must be reasonable and consistent without jeopardizing an employee's other commitments to the University in terms of fulfilling his/her administrative, teaching or clinical responsibilities.

With the exception of employees hired solely to conduct research (thus, their total percentage of effort would equal 100% on a sponsored project or projects), it is advisable for the PI and other members of the research team to limit his/her total combined effort so it does not exceed 90% on one or more sponsored projects. Federal auditors will question University employees' high percentages of effort on sponsored projects that do not take into account an employee's administrative, teaching and/or clinical commitments



as part of their total effort. Once funds are awarded and accepted, the proposed percentage of effort becomes legally binding, therefore it must be carefully and judiciously considered *prior* to commitment in the budget.

When proposing salary amounts, always include the applicable percentage of effort for *every* individual contributing effort to the project, regardless of the salary source. Otherwise, the sponsor may presume the absence of a proposed salary amount constitutes cost sharing. The department is required to absorb such costs.

Likewise, when sponsors place a ceiling on annual salary rates that are chargeable against an award, the department is required to absorb any unreimbursed amounts and record the expense as cost sharing.

## **II. Fringe Benefits**

Fringe benefits are calculated separately from salary estimates using specifically defined [Fringe Benefit Rates](#).

- a. Depending on the position being proposed, fringe benefits may include:
  - Social Security
  - Workers Compensation
  - Severance
  - Retirement
  - Disability
  - Unemployment
- b. The second area, health insurance, is a calculation based on [health insurance rates](#) factored according to employee classification.

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## **Reason for Policy**

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In assisting the University's departmental research administrators, this policy provides guidelines for budget planning of direct personnel costs in accordance with [Federal regulations](#).

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## **Exclusions/Exceptions**

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1. Compensation received by any person though UNC-Chapel Hill's payroll is considered to be salary. Therefore, employees of the University are ineligible to serve as paid consultants or independent contractors on UNC-Chapel Hill research projects.
2. Escalation rates may be limited by a sponsor and are usually presented in the proposal guidelines. The appropriate [OSR Proposal or Grant & Contract Specialist](#) can also provide generally accepted sponsor rates.
3. Fringe benefits and health insurance rates differ for those clinical faculty members licensed to practice medicine in North Carolina and those providing clinical effort equal to or greater than 50% in a full time position. These employees are eligible for the [UNC Physicians & Associates](#)



[\(P&A\) Supplemental Fringe Benefits](#) in addition to the baseline fringe benefit and health insurance rates.

4. Salary for part time employees cannot be calculated as if they were full time employees.
5. Calculations for postdoctoral scholars must be based on the compensation guidelines presented by the [Office of Postdoctoral Affairs](#).
6. Graduate research and teaching assistants are limited as to the [maximum number of work hours](#) they are allowed per week. Calculating a full time graduate research/teaching assistant should be based and shown as 100% level of effort, a 12-month commitment or 1,280 hours per year.

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## Procedures and Related Policies

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The following procedures are to assist research administrators with budget calculations regarding personnel. They do not account for discrepancies, subtleties, or other unforeseen circumstances. Prior to taking any steps in estimating budgets, read the sponsor guidelines.

- [OSR Policy 300.7-Pro 1](#)      [Estimating Salary](#)
- [OSR Policy 300.7-Pro 2](#)      [Working with Salary Caps](#)
- [OSR Policy 300.7-Pro 3](#)      [Estimating Fringe Benefits](#)
- [OSR Policy 300.7-Pro 4](#)      [Estimating Health Insurance](#)
- [OSR Policy 300.7-Pro 5](#)      [Estimating Fully Loaded Labor Hours](#)

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## OSR Research Tool Kits

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Other Research Sources: [Time and Effort Reporting](#)

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## Contacts

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Questions and concerns can be submitted online at [Ask OSR](#) or by using the [OSR staff directory](#). Within [RAMSeS](#), the “*Speak to Someone*” option assists in locating the staff member best suited to address project-specific issues.

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## References

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 [Research Administration Glossary at Carolina](#)

1. Office of Management and Budget (OMB) Circular A-21, Section J10, Compensation for Personal Services.



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## Revision History

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**Prior Revisions:** The policies in the *Office of Sponsored Research Policies & Procedures Manual* supersede any OSR policies, procedures and appendices previously included in the *University Business Manual*, a publication of UNC Chapel Hill's [Division of Finance](#).

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