

Guidelines for Implementing Public Law 109-234

Attachment 1 Guidelines for Implementing Public Law 109-234

Note: The calculations in this Attachment are based on the federal Executive Level II annual salary rates for Calendar Years (CY) 2006 and 2007 only. Different rates ~~may~~ apply in **subsequent years** ~~CY-2008~~. While rates may change for ~~CY-2008~~ and subsequent periods, the basic calculation methodology will continue to apply.

Note: Amounts shown are for demonstration purposes only and are not intended to indicate actual distributions or acceptable salary rates or bonuses. For demonstration purposes, all percentages that are calculated in the following examples are rounded to the nearest hundredth, and all calculated dollar amounts are rounded to the nearest dollar. In practice, eliminate rounding for more precise results.

Example 1:
Bonus Paid and Direct Charged During Period Not Covered by 2006 Cap

An employee was paid a salary of \$200,000 during CY 2006. Ninety percent of the salary was direct charged to ETA grants. The employee was also paid a \$10,000 bonus during the period not covered by the CY 2006 cap. Fifty percent of the bonus was direct charged to ETA grants.

Period not covered by cap (01/01/06 – 06/14/06): 165 days / 365 days = 45.21%
 Period covered by cap (06/15/06 – 12/31/06): 200 days / 365 days = 54.79%

The federal Executive Level II annual salary rate for CY 2006 was \$165,200. The individual was employed with pay for the entire 2006 calendar year as a full-time employee.

➤ **Step 1: Calculate Maximum Allowable Salary and Bonus for CY 2006.**

ETA share of actual salary and bonus attributable to period not covered by cap:

Salary: \$200,000 x 45.21% x 90%¹ \$ 81,378
 Bonus: \$ 10,000 x 50%¹ \$ 5,000
 ETA share of actual salary and bonus attributable to period not covered by cap \$ 86,378

ETA share of CY 2006 limit attributable to period covered by the cap:

\$165,200 x 54.79% x 90%² \$ 81,462

| | |
|--|------------|
| Maximum Allowable Salary and Bonus for CY 2006 | \$ 167,840 |
|--|------------|

➤ **Step 2: Calculate ETA Share of Salary and Bonus Paid During CY 2006.**

Salary: \$200,000 x 90%¹ \$ 180,000
 Bonus: \$ 10,000 x 50%¹ \$ 5,000

| | |
|---|------------|
| ETA Share of Salary and Bonus Paid During CY 2006 | \$ 185,000 |
|---|------------|

➤ **Step 3: Calculate Amount Over/Under Cap.**

Maximum allowable salary and bonus for CY 2006 \$ 167,840
 ETA Share of salary and bonus paid during CY 2006 \$ 185,000

| | |
|-----------------|-----------|
| Amount Over Cap | \$ 17,160 |
|-----------------|-----------|

1 Use amounts actually paid during the period per the accounting records, or prorate as shown.
 2 If the individual only worked part-time, also multiply the limit by the FTE percentage, e.g. \$165,200 x 54.79% x 90% x 60% (part-time).

Example 2:
Bonus Paid and Direct Charged During Period Covered by 2006 Cap

An employee was paid a salary of \$200,000 during CY 2006. Ninety percent of the salary was direct charged to ETA grants. The employee was also paid a \$10,000 bonus during the CY 2006 period that was covered by the cap. Fifty percent of the bonus was direct charged to ETA grants.

| | |
|--|--------|
| Period not covered by cap (01/01/06 – 06/14/06): 165 days / 365 days = | 45.21% |
| Period covered by cap (06/15/06 – 12/31/06): 200 days / 365 days = | 54.79% |

The federal Executive Level II annual salary rate for CY 2006 was \$165,200. The individual was employed with pay for the entire 2006 calendar year as a full-time employee.

➤ **Step 1: Calculate ETA Share of Salary and Bonus Attributable to Period Covered by Cap¹**

| | |
|---|-------------------|
| ETA share of combined salary and bonus attributable to period covered by cap: | |
| ETA share of salary attributable to period covered by cap | |
| \$200,000 x 54.79% x 90% ² | \$ 98,622 |
| ETA share of bonus attributable to period covered by cap | |
| \$10,000 x 50% ² | \$ 5,000 |
| | <u>\$ 103,622</u> |
| Total salary and bonus attributable to period covered by cap: | |
| (\$200,000 x 54.79%) + \$10,000 ² | \$ 119,580 |
| ETA share of combined salary and bonus attributable to period covered by cap | |
| \$103,622 / \$119,580 | 86.65% |

➤ **Step 2: Calculate Maximum Allowable Salary and Bonus for CY 2006.**

| | |
|---|-------------------|
| ETA share of actual salary and bonus attributable to period not covered by cap: | |
| Salary: \$200,000 x 45.21% x 90% ² | \$ 81,378 |
| Bonus: No bonus was paid during this period | \$ 0 |
| ETA share of actual salary and bonus attributable to period not covered by cap | \$ 81,378 |
| ETA share of CY 2006 limit attributable to period covered by cap: | |
| \$165,200 x 54.79% x 90% ^{1,3} | \$ 81,462 |
| Maximum Allowable Salary and Bonus for CY 2006 | <u>\$ 162,840</u> |

➤ **Step 3: Calculate ETA Share of Salary and Bonus Paid During CY 2006.**

| | |
|---|-------------------|
| Salary: \$200,000 x 90% ² | \$ 180,000 |
| Bonus: \$ 10,000 x 50% ² | \$ 5,000 |
| ETA Share of Salary and Bonus Paid During CY 2006 | <u>\$ 185,000</u> |

➤ **Step 4: Calculate Amount Over/Under Cap.**

| | |
|---|-------------------|
| Maximum allowable salary and bonus for CY 2006 | \$ 162,840 |
| ETA Share of salary and bonus paid during CY 2006 | <u>\$ 185,000</u> |
| Amount Over Cap | <u>\$ 22,160</u> |

- 1 Skip Step 1 if the ETA shares of the salary and bonus are the same percentage; substitute that rate in place of “90%” in the last calculation of Step 2.
- 2 Use amounts actually paid during the period per the accounting period, or prorate as shown.
- 3 If the individual only worked part-time, also multiply the limit by the FTE percentage.

Example 3:
Salary Paid and Direct Charged for Partial Year Employment in CY 2006

An individual was only employed by the entity for the period 03/01/06 – 07/31/06 (153 days). During CY 2006 the employee was paid \$83,836 for salary. Ninety percent of the salary was direct charged to ETA grants.

| | | |
|--|-----------------------|--------|
| Period not covered by cap (01/01/06 – 06/14/06): | 165 days / 365 days = | 45.21% |
| Period covered by cap (06/15/06 – 12/31/06): | 200 days / 365 days = | 54.79% |
| % of salary attributable to period not covered by cap: | 106 days / 153 days = | 69.28% |
| % of salary attributable to period covered by cap: | 47 days / 153 days = | 30.72% |
| % of period not covered by cap that individual was employed: | 106 days / 165 days = | 64.24% |
| % of period covered by cap that individual was employed: | 47 days / 200 days = | 23.50% |

The federal Executive Level II annual salary rate for CY 2006 was \$165,200.

➤ **Step 1: Calculate Maximum Allowable Salary and Bonus for CY 2006.**

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|---|------------------|
| ETA share of actual salary and bonus attributable to period not covered by the cap: | |
| Salary: \$83,836 x 69.28% x 90% ¹ | \$ 52,273 |
| ETA share of CY 2006 limit attributable to period covered by cap: | |
| \$165,200 x 54.79% x 23.50% x 90% ² | \$ 19,150 |
| Maximum Allowable Salary and Bonus for CY 2006 | \$ 71,423 |

➤ **Step 2: Calculate ETA Share of Salary and Bonus Paid During CY 2006.**

| | |
|--|------------------|
| Salary: \$83,836 x 90% ¹ | \$ 75,452 |
| Bonus: No bonus was paid during CY 2006 | \$ 0 |
| ETA Share of Salary and Bonus Paid During CY 2006 | \$ 75,452 |

➤ **Step 3: Calculate Amount Over/Under Cap.**

| | |
|---|-----------------|
| Maximum allowable salary and bonus for CY 2006 | \$ 71,423 |
| ETA share of salary and bonus paid during CY 2006 | \$ 75,452 |
| Amount Over Cap | \$ 4,029 |

- 1 Use amounts actually paid during the period per the accounting period, or prorate as shown.
- 2 If the individual only worked part-time, also multiply the limit by the FTE percentage.

Example 4:
Salary and Bonus Charged Using Indirect Cost Rate in 2006

An employee was paid a salary of \$200,000 and bonus of \$10,000 during CY 2006. The salary and bonus were charged to the indirect cost pool and assigned to programs using the entity's 40.5% indirect cost rate. The organization uses direct salaries as its indirect cost rate base. Total indirect costs in the indirect cost pool were \$1,000,000. Total direct ETA salaries were \$600,000. The bonus was paid during the period not covered by the cap.

| | |
|--|--------|
| Period not covered by cap (01/01/06 – 06/14/06): 165 days / 365 days = | 45.21% |
| Period covered by cap (06/15/06 – 12/31/06): 200 days / 365 days = | 54.79% |

The federal Executive Level II annual salary rate for CY 2006 was \$165,200. The individual was employed with pay for the entire 2006 calendar year as a full-time employee.

➤ **Step 1: Calculate Maximum Allowable Salary and Bonus for CY 2006.**

ETA share of total indirect cost pool:

| | |
|--|------------|
| Total indirect costs attributable to ETA | |
| Base x indirect cost rate: \$600,000 x 40.5% | \$ 243,000 |
| Total percentage of indirect costs attributable to ETA | |
| Total indirect costs attributable to ETA / total indirect costs: \$243,000/\$1,000,000 | 24.30% |

ETA share of actual salary and bonus attributable to period not covered by the cap:

| | |
|--|-----------|
| Salary: \$200,000 x 45.21% x 24.3% ¹ | \$ 21,970 |
| Bonus: \$ 10,000 x 24.3% ¹ | \$ 2,430 |
| ETA share of actual salary and bonus attributable to period not covered by cap | \$ 24,400 |

ETA share of CY 2006 limit attributable to period covered by cap:

| | |
|---|-----------|
| \$165,200 x 54.79% x 24.3% ² | \$ 21,996 |
|---|-----------|

| | |
|--|-----------|
| Maximum Allowable Salary and Bonus for CY 2006 | \$ 46,396 |
|--|-----------|

➤ **Step 2: Calculate ETA Share of Salary and Bonus Paid During CY 2006.**

| | |
|--|-----------|
| Salary: \$200,000 x 24.3% ¹ | \$ 48,600 |
| Bonus: \$ 10,000 x 24.3% ¹ | \$ 2,430 |

| | |
|---|-----------|
| ETA Share of Salary and Bonus Paid During CY 2006 | \$ 51,030 |
|---|-----------|

➤ **Step 3: Calculate Amount Over/Under Cap.**

| | |
|---|-----------|
| Maximum allowable salary and bonus for CY 2006 | \$ 46,396 |
| ETA share of salary and bonus paid during CY 2006 | \$ 51,030 |

| | |
|-----------------|----------|
| Amount Over Cap | \$ 4,634 |
|-----------------|----------|

1 Use amounts actually paid during the period per the accounting period, or prorate as shown.
 2 If the individual only worked part-time, also multiply the limit by the FTE percentage.

**Example 5:
Bonus Paid and Direct Charged During CY 2007**

An employee was paid a salary of \$200,000 during CY 2007. Ninety percent of the salary was direct charged to ETA grants. The employee was also paid a \$10,000 bonus during CY 2007. Fifty percent of the bonus was direct charged to ETA grants.

The federal Executive Level II annual salary rate for CY 2007 was \$168,000. The individual was employed with pay for the entire 2007 calendar year as a full-time employee.

➤ **Step 1: Calculate ETA Share of Salary and Bonus.**¹

| | |
|--|------------|
| ETA share of combined salary and bonus: | |
| ETA share of salary (\$200,000 x 90%) ² | \$ 180,000 |
| ETA share of bonus (\$ 10,000 x 50%) ² | \$ 5,000 |
| ETA share of combined salary and bonus | \$ 185,000 |
| Total salary and bonus: (\$200,000 + \$10,000) | \$ 210,000 |
| ETA share of combined salary and bonus (\$185,000 / \$210,000) | 88.10% |

➤ **Step 2: Calculate Maximum Allowable Salary and Bonus for CY 2007.**

| | |
|---|------------|
| Maximum Allowable Salary and Bonus for CY 2007 (\$ 168,000 x 88.10%) ^{1,3} | \$ 148,008 |
|---|------------|

➤ **Step 3: Calculate ETA Share of Salary and Bonus Paid During CY 2007.**

| | |
|---|------------|
| Salary: \$200,000 x 90% ² | \$ 180,000 |
| Bonus: \$ 10,000 x 50% ² | \$ 5,000 |
| ETA Share of Salary and Bonus Paid During CY 2007 | \$ 185,000 |

➤ **Step 4: Calculate Amount Over/Under Cap.**

| | |
|---|------------|
| Maximum allowable salary and bonus for CY 2007 | \$ 148,008 |
| ETA share of salary and bonus paid during CY 2007 | \$ 185,000 |
| Amount Over Cap | \$ 36,992 |

- 1 Skip Step 1 if the ETA shares of the salary and bonus are the same percentage; substitute that rate in place of "86.65%" in the last calculation of Step 2.
- 2 Use amounts actually paid during the period per the accounting period, or prorate as shown.
- 3 If the individual only worked part-time, also multiply the limit by the FTE percentage.

**Example 6:
Salary and Bonus Charged Using Indirect Cost Rate in CY 2007**

An employee was paid a salary of \$200,000 and a bonus of \$10,000 during CY 2007. The salary and bonus were charged to the indirect cost pool and assigned to programs using the entity's 24.3% indirect cost rate. The organization uses direct salaries as its indirect cost rate base. Total indirect costs in the indirect cost pool were \$1,000,000. Total direct ETA salaries were \$600,000.

The federal Executive Level II annual salary rate for CY 2007 was \$168,000. The individual was employed with pay for the entire 2007 calendar year as a full-time employee.

➤ **Step 1: Calculate Maximum Allowable Salary and Bonus for CY 2007.¹**

| | |
|---|-----------|
| Maximum Allowable Salary and Bonus for CY 2007 ($\$168,000 \times 24.3\%$) ² | \$ 40,824 |
|---|-----------|

➤ **Step 2: Calculate ETA Share of Salary and Bonus Paid During CY 2007.¹**

| | |
|---|-----------|
| Salary: $\$200,000 \times 24.3\%$ ³ | \$ 48,600 |
| Bonus: $\$ 10,000 \times 24.3\%$ ³ | \$ 2,430 |
| ETA Share of Salary and Bonus Paid During CY 2007 | \$ 51,030 |

➤ **Step 3: Calculate Amount Over/Under Cap.**

| | |
|---|-----------|
| Maximum allowable salary and bonus for CY 2007 | \$ 40,824 |
| ETA share of salary and bonus paid during CY 2007 | \$ 51,030 |
| Amount Over Cap | \$ 10,206 |

1 If indirect cost rate changes during the year, modify calculations in Steps 1 and 2 to reflect the dates that each rate applies.

Step 1: $\$168,000 \times 24.3\% \times (\# \text{ days that rate applies during year} / 365 \text{ days})$
 $+ \frac{\$168,000 \times \text{new rate} \times (\# \text{ days that new rate applies during year} / 365)}$
 Maximum Allowable Salary and Bonus for CY 2007

Step 2: $\$200,000 \times 24.3\% \times (\# \text{ days that rate applies during year} / 365 \text{ days})$
 $+ \$200,000 \times \text{new rate} \times (\# \text{ days new rate applies during year} / 365 \text{ days})$
 $+ \$ 10,000 \times 24.3\% \times (\# \text{ days that rate applies during year} / 365 \text{ days})$
 $+ \frac{\$ 10,000 \times \text{new rate} \times (\# \text{ days new rate applies during year} / 365 \text{ days})}{}$
 ETA Share of Salary and Bonus Paid During CY 2007

2 If the individual only worked part-time, also multiply the limit by the FTE percentage.

3 Use amounts actually paid during the period per the accounting period, or prorate as shown.