



DATE: July 8, 2016

DIRECTIVE NO: 40-16

RECISSION: La Cooperativa Directive No. 23-09

TO: Workforce Innovation and Opportunity Act (WIOA) Subrecipients

SUBJECT: Salary and Bonus Limitations

REFERENCES:

- Directive WSD14-11, Salary and Bonus Limitations, (March 12, 2015)
- Public Law 109-234
- Department of Labor Training and Employment Guidance Letter (TEGL) 05-06, Implementing the Salary and Bonus Limitations in Public Law 109-234

POLICY:

This directive provides federal guidance under Public Law 109-234 regarding the implementation of limitations on salary and bonus payments that can be made with funds awarded directly or indirectly from the U. S. Department of Labor (DOL)/Employment and Training Administration (ETA). The law sets the limit on salaries and bonuses at a rate equivalent to no more than Executive Level II. A salary table providing this rate is listed at the Federal Office of Personnel Management Web site www.opm.gov_under Pay and Leave, Salaries and Wages.

This directive requires that all contractors expending Workforce Innovation and Opportunity Act funds shall comply with federal requirements regarding the limitations on salary and bonus payments.

Effective January 1, 2015, the adjusted salary and bonus limit is set at \$183,300 until otherwise advised. All subrecipients are required to follow the implementing instructions relating to the salary and bonus limitations as provided in TEGL 05-06.

BACKGROUND:

On June 15, 2006, President Bush signed into law an emergency supplemental appropriations bill, Public Law 109-234. Section 7013 of this public law limits salary and



bonus compensation for individuals who are paid by funds appropriated to the ETA and provided to recipients, subrecipients, and contractors. Specifically, Section 7013 states:

“None of the funds appropriated in Public Law 109-149 or prior acts under the heading ‘Employment and Training’ that are available for expenditure on or after the date of enactment of this section shall be used by a recipient or subrecipient of such funds to pay the salary and bonuses of an individual, either as direct costs or indirect costs, at a rate in excess of Executive Level II, except as provided for under Section 101 of Public Law 109-149.

This limit shall not apply to vendors providing goods and services as defined in the Uniform Guidance.

The salary and bonus limit applies to both the gross amount of salary and bonus, and to the rate at which the salary is paid. As a result, for individuals who do not work full time on ETA funded programs or who are only employed part time or part of the year, the salary and bonus limit will be prorated based on the amount of time the individual is dedicated to the ETA funded grant. The following are examples which illustrate how the limitations are calculated based on salary and bonus levels, as well as the rate at which they are paid:

Example 1

An Executive Director’s W-2 for 2015 includes \$150,000 of gross compensation. The Executive Director worked part time (.50 Full Time Equivalent [FTE]) all year. One hundred percent of the Executive Director’s salary costs benefited ETA-funded programs.

2015 Salary and Bonus Limit	\$183,300
Salary eligible for the salary and bonus limit .50 FTE x 100% of salary = 50% (Calculation: \$183,300 x 50%)	\$91,650
Total gross compensation	\$150,000
Salary costs benefitting ETA-funded programs (Calculation: \$150,000 x 100%)	\$150,000
Salary in excess of the salary and bonus limit (Calculation: \$150,000 - \$91,650)	\$58,350

In this scenario, the Executive Director’s salary is eligible for 50 percent of the annual salary and bonus limit (.50 FTE x 100% of his salary benefited ETA-funded programs). Therefore, \$91,650 ($\$183,300 \times 50\% = \$91,650$) of the salary may be paid using ETA appropriated funds or other federal funds. The remainder of the salary, \$58,350 ($\$150,000 - \$91,650 = \$58,350$), is in excess of the allowable 2015 salary and bonus limit and must be paid using non-federal funds.

Example 2

An Executive Director's W-2 for 2015 includes \$150,000 of gross compensation. The Executive Director worked part time (.50 FTE) all year. Seventy percent of the Executive Director's salary costs benefited ETA-funded programs.

2015 Salary and Bonus Limit	\$183,300
Salary eligible for the salary and bonus limit .50 FTE x 70% of salary = 35% (Calculation: \$183,300 x 35%)	\$64,155
Total gross compensation	\$150,000
Salary costs benefitting ETA-funded programs (Calculation: \$150,000 x 100%)	\$105,000
Salary in excess of the salary and bonus limit (Calculation: \$105,000 - \$64,155)	\$40,845

In this scenario, the Executive Director's salary is eligible for 35 percent of the annual salary and bonus limit (.50 FTE x 70% of his salary benefited ETA-funded programs). Therefore, \$64,155 ($\$183,300 \times 35\% = \$64,155$) of the salary may be paid using ETA appropriated funds or other federal funds. Since 70 percent of the Executive Director's salary costs benefited ETA-funded programs, the amount in excess of the allowable 2015 salary and bonus limit, \$40,845 ($\$150,000 \times 70\% = \$105,000 - \$64,155 = \$40,845$), must be paid using non-federal funds.

Example 3

An Executive Director's W-2 for 2015 includes \$200,000 of gross compensation. The Executive Director worked full time all year. Forty percent of the Executive Director's salary costs benefited ETA-funded programs.

2015 Salary and Bonus Limit	\$183,300
Salary eligible for the salary and bonus limit (Calculation: \$183,300 x 40%)	\$73,320
Total gross compensation	\$200,000
Salary costs benefitting ETA-funded programs (Calculation: \$200,000 x 40%)	\$80,000

Salary in excess of the salary and bonus limit
(Calculation: \$80,000 - \$73,320)

\$6,680

In this scenario, the Executive Director's salary is eligible for 40 percent of the annual salary and bonus limit (40% of his salary benefited ETA-funded programs). Therefore, \$73,320 ($\$183,300 \times 40\% = \$73,320$) of the salary may be paid using ETA appropriated funds or other federal funds. Since 40 percent of the Executive Director's salary costs benefited ETA-funded programs, the amount in excess of the allowable 2015 salary and bonus limit, \$6,680 ($\$200,000 \times 40\% = \$80,000 - \$73,320 = \$6,680$) must be paid using non-federal funds.

All subrecipients of WIOA program funds are required to comply with federal requirements regarding the limitations on salary and bonus payments. Additionally, subrecipients are required to follow the instructions for implementing the salary and bonus limitations as provided in TEGL 05-06.

ACTION:

LCCDC and its WIOA subrecipients shall follow this policy. This policy will remain in effect from the date of issue until such time that a revision is required.

INQUIRIES:

Inquiries should be addressed to Marina Tapia at 916-388-2224.



Marco Lizarraga
Executive Director