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A Note Concerning Buyout

UMass Boston encourages faculty and staff members to obtain support for their research, educational, or service activities from sources external to the university. When a faculty or staff member obtains external funding for a sponsored program, the grant or contract budget sometimes allows for the buyout of a portion of the individual's time. That is, the sponsor's dollars buy out a portion of the individual's state-funded salary while he or she works on the sponsored program. This note is written to clarify the UMass Boston procedures concerning buyout¹.

A grant application that includes a buyout of a portion of the time of the principal investigator² (PI) will include in the proposed budget a line indicating the equivalent amount of the salary buyout and a line indicating the equivalent amount of the benefits buyout. For example, a grant proposal may indicate that the PI plans to devote one third of his or her time (0.33 FTE) to a project, with one third of the PI's salary and benefits to be paid by the grant sponsor. Let us assume that the PI's academic year salary is \$60,000, so the salary buyout is $\$60,000 \times 0.33 = \$20,000$. If we assume that benefits are calculated as 31.28% of salary³, then the benefits buyout is $\$20,000 \times 0.3128 = \$6,256$. It is important to note that the full amount of the sponsor dollars for the buyout will be spent to pay one third of the PI's salary and benefits – they are not available to anyone for allocation because they will be in the PI's paycheck!

If a grant application containing PI buyout is selected for award, then the Office of Research and Sponsored Programs (ORSP) will set up the negotiated budget to include the salary and benefits buyout lines. The ORSP staff will then prepare a memorandum to the PI, as well as the department chairperson, the dean, the provost's office, and the budget office providing the information the PI needs to prepare two personnel action forms (PAs). The first PA establishes the PI's split salary and benefits (i.e., 33% sponsor funded, 67% university funded); the second PA is necessary to fix the date on which the PI's salary and benefits are automatically returned to the original UMass Boston funding source (i.e., 100% university funded). Following approval, the budget office and human resources process the two PAs to implement the

¹ Please refer to the *Faculty Buyout Guidelines* that are available from the Office of the Provost and Senior Vice Chancellor for Academic Affairs.

² The illustration of the procedures to be described in this note will refer to the buyout of a faculty member's time. The same procedures will be applied to the buyout of the time of other UMass Boston employees, such as professional or classified staff. Consequently, the term principal investigator (PI) will be used as a placeholder for any employee of UMass Boston who may be bought out by a sponsored program.

³ Benefits vary with the individual PI; 31.28% of the PI's base salary is the value typically used to estimate the cost of fringe benefits.

redistributions. The buyout portion will be paid from the grant budget, and the non-buyout portion will be paid from the UMass Boston budget from which the PI is typically paid.

The budget office transfers the university dollars freed up by the PI's buyout to a special salary reserve fund in the provost's office that is controlled by the provost's budget officer. The dollars in this reserve fund are used by the provost to pay the costs of replacing the services the PI does not provide during the time the PI is reassigned to work on the sponsored project. Dollars in the salary reserve fund⁴ are only available to the provost, and they can only be used for personnel expenses. The hiring process and the compensation for temporary personnel are governed by standard UMass Boston policies and procedures. In our example, if the decision is made to hire a temporary faculty member to replace the PI, the salary is based upon the university's approved rate for temporary faculty and is not an amount equal to one third of the PI's salary.

Given that a temporary employee will generally earn less than the PI with a buyout, university dollars are then freed up to meet other critical personnel needs. (Remember that the sponsor's dollars are paying the PI's salary and benefits.) In our example, the cost of paying a temporary faculty member will typically be between \$9,000 and \$15,000 depending on degree, experience, and market factors. The PI's salary that was bought out was equal to \$20,000, yielding a balance of university dollars between \$11,000 and \$5,000 in the provost's salary reserve fund⁵. It is the provost's intention to hire personnel to engage in activities as close as possible to those from which the PI has been reassigned. However, because the dollars in the provost's salary reserve fund are university budget dollars and not sponsor dollars, the salary reserve fund can be used to hire personnel to meet any research-related need in the PI's unit.

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⁴ Appropriate benefits are added automatically and are paid from a different university fund.

⁵ This is one reason why buyout is something that PIs are encouraged to include in their grant or contract budgets. The many reasons why PIs are discouraged from including reassigned time during the academic year as cost sharing will be the subject of a future note.