

This document provides explanations with examples of how to correctly budget administrator salaries to ensure compliance with [2 Code of Federal Regulations 200.412-200.414](#), [Appendix III to Part 200: Indirect \(F&A\) Costs Identification and Assignment](#), and [29 Code of Federal Regulations 541](#).

*Per 2 CFR: Part 200*, the salaries of central administrators and departmental administrators are not eligible to be charged as direct costs to federal grants. These costs are already covered under indirect costs.

*Per 29 CFR: Part 541* executive, administrator, or professional (EAP) employees are not eligible to receive overload compensation, including by having their salaries augmented by federal grant funds. The [Department of Labor's Fair Labor Standards Act](#) defines the "white collar" exemption "from the minimum wage and overtime pay requirements." The EAP exemption gives three tests: (1) the employee must be paid a predetermined and fixed salary that is not subject to reduction because of variations in the quality or quantity of work performed (*the salary basis test*); (2) the amount of salary paid must meet a minimum specified amount (*the salary level test*); and (3) the employee's job duties must primarily involve executive, administrative, or professional duties as defined by the regulations (*the duties test*). The California State University has applied the FLSA tests to designate EAP positions, to include Executive, Administrative, Professional, or Agricultural employees.

At California State University, Fresno, charging the salaries of departmental administrators has distinguishing features from charging the salaries of central administrators.

**1. Central Administrators (President, Provost, Vice Presidents, administrators in offices providing university wide services).**

- a. *2 CFR, Appendix III, 1.5* provides illustration of the definition of a central administrator whose effort comes under indirect costs: "... such as the President's or Chancellor's office, the offices for institution-wide financial management, business services, budget and planning, personnel management, and safety and risk management; the office of the General Counsel; and the operations of the central administrative management information systems."
- b. What are other examples of central offices at California State University, Fresno?
  - i. Office of Research and Sponsored Projects
  - ii. Student Affairs and Enrollment Management Division
  - iii. The Library
  - iv. Richter Center for Community Engagement and Service
  - v. Office of Institutional Effectiveness
- c. *Best Practice*: In the event that a proposal for a large award is being developed in the unit of a central administrator, the budget should include adequate staffing such as a program manager to handle daily management of all aspects of the program, including drafting the annual reports, for review by the central administrator to whom the program manager reports.

**2. Departmental Administrators (Deans, Chairs, Directors, and similar positions).**

- a. *Appendix III, 1.5 and 1.6* defines departments and offices whose administrators' effort comes under indirect costs: "non-university-wide deans' offices, academic departments and divisions, organized research units, or similar organizational units."
- b. *Appendix III 6.4* provides for one exemption: "Federal agencies may authorize reimbursement of additional costs for department heads and faculty only in exceptional cases where an institution can demonstrate undue hardship or detriment to project performance."
- c. At California State University, Fresno, departmental heads do not meet that exemption because the salary of Chairs is split between administrative and faculty work. A Chair typically carries a 50% administrative load and a 50% faculty load. Therefore, the Chair has faculty time that is eligible for buyout to conduct the work of the award. Moreover, Chairs are usually on a 10-month salary, and federal agencies allow billing up to 11 months of the fiscal year, so a Chair has up to one summer month eligible for federal support to conduct the work of the federal award.
- d. Buyout from the faculty effort of a Chair must be charged at the faculty rate. To calculate the amount needed for one course buyout for a Chair, determine the percentage and level of the Chair's salary for faculty effort. Here is a simplified example: the Chair's annual salary is \$109,213. Of that, \$69,213 pays for 50% administrative duties as Chair and \$40,000 pays for 50% faculty effort. The Chair's administrative salary will be slightly higher than the faculty salary, plus the Chair's salary may cover up to one additional month: Again, a Chair usually has a 10-month contract versus a faculty member's 9-month contract. If the Chair has 50% faculty effort, that means that the Chair is teaching four courses per academic year.<sup>1</sup> \$40,000 for teaching / four courses = \$10,000 per course buyout. That faculty rate must be charged to the federal award.

***Note:***

Administration of externally funded projects complies with the policies and procedures of the sponsor, the Foundation, and the University. In the event that one policy is more restrictive, the more restrictive policy applies.

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<sup>1</sup> Check with the department. For example, the Psychology Department can assign 4 WTUs per course (and not the standard 3 WTUs per course / 10% of the 30 WTUs annual faculty load).