TO: One-Stop Operator  
WIB Service Providers  
WIB Staff  

SUBJECT: SALARY AND BONUS LIMITATIONS FOR 2016  

EXECUTIVE SUMMARY  

Purpose:  

This policy provides the guidance and establishes the procedures regarding the 2016 salary and bonus limitations for individuals paid by funds appropriated to Department of Labor (DOL) Employment and Training Administration (ETA). This policy applies to all subrecipients expending Workforce Innovation and Opportunity Act (WIOA) program funds. The 2016 salary rates for executive level employees became effective January 1, 2016.  

Scope:  

This directive applies to all Local Workforce Development Areas (local areas) and all Providers of Workforce Innovation and Opportunity Act (WIOA) Title I activities and services.  

Effective Date:  

This directive is effective immediately.  

REFERENCES:  

- The Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (Public Law 109-234), Title VII, Section 7013  

Locally Imposed Requirements:  

This policy contains no locally imposed requirements.
FILING INSTRUCTIONS:

This policy supersedes TUL 15-02, Salary and Bonus Limitations for 2015, June 10, 2015. Retain this directive until further notice.

BACKGROUND:

On June 15, 2006, President Bush signed into law an emergency supplemental appropriations bill, Public Law 109-234. Section 7013 of this law limits the salary and bonus compensation for individuals paid by funds appropriated to ETA and provided to recipients and subrecipients. Specifically, Section 7013 states the following:

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 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 Office of Management and Budget Circular A-133. Where States are recipients of such funds, States may establish a lower limit for salaries and bonuses of those receiving salaries and bonuses from subrecipients of such funds, taking into account factors including the relative cost-of-living in the State, the compensation levels for comparable State or local government employees, and the size of the organization that administers federal programs involved including Employment and Training Administration programs.

As a result of this law, the ETA issued TEGL 05-06 on August 15, 2006. This TEGL discusses the limitations on salary and bonus payments that can be made with funds appropriated to the ETA. Specifically, this TEGL provides information on programs affected by this provision, effective dates and funding cycles, covered individuals and transactions, application of the limitation, and related grant and contract modifications.

POLICY AND PROCEDURES:

Public Law 109-234 sets the limit on salary and bonus compensation for individuals paid by funds appropriated to ETA at a rate equivalent to no more than Executive Level II. A salary table providing this rate is listed under the “Policy, Pay and Leave” section of the Federal Office of Personnel Management’s website. These levels are adjusted annually. Effective January 1, 2016, the salary and bonus limit is set at $185,100. It should be noted that these limitations do not apply to benefits that are not salary and bonuses. For example, fringe benefits, insurance premiums, or pension plans paid by a subrecipient are not included in this calculation.

Per DOL’s ETA Region 6 Office, 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 projects 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 provided by DOL ETA Region 6 to 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 2016 includes $150,000 of gross compensation. He worked part
time (.50 Full Time Equivalent [FTE]) all year. One hundred percent of the Executive Director’s
salary costs benefited ETA-funded programs.

2016 Salary and Bonus Limit $185,100
Salary eligible for the salary and bonus limit $92,550
 .50 FTE x 100% of salary = 50%
  (Calculation: $185,100 x 50%)
Total gross compensation $150,000
Salary costs benefitting ETA-funded programs $150,000
  (Calculation: $150,000 x 100%)
Salary in excess of the salary and bonus limit $57,450
  (Calculation: $150,000 - $92,550)

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, $92,550
($185,100 x 50% = $92,550) of the salary may be paid using ETA appropriated funds or other
federal funds. The remaining $57,450 ($150,000 - $92,550 = $57,450) of the salary is in excess
of the allowable 2016 salary and bonus limit and must therefore be paid using non-federal funds.

Example 2
An Executive Director’s W-2 for 2016 includes $150,000 of gross compensation. He worked part
time (.50 FTE) all year. Seventy percent of the Executive Director’s salary costs benefited ETA-
financed programs.

2016 Salary and Bonus Limit $185,100
Salary eligible for the salary and bonus limit $64,785
 .50 FTE x 70% of salary = 35%
  (Calculation: $185,100 x 35%)
Total gross compensation $150,000
Salary costs benefitting ETA-funded programs $105,000
  (Calculation: $150,000 x 70%)
Salary in excess of the salary and bonus limit $40,215
  (Calculation: $105,000 - $64,785)

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, $64,785
($185,100 x 35% = $64,785) of the salary may be paid using ETA appropriated funds or other
federal funds. Since only 70 percent of the Executive Director’s salary costs benefited ETA-funded
programs, the remaining amount of $40,215 ($150,000 x 70% = $105,000 - $64,785 = $40,215),
which is in excess of the allowable 2016 salary and bonus limit, must be paid using non-federal funds.

Example 3
An Executive Director’s W-2 for 2016 includes $200,000 of gross compensation. He worked full time all year. Forty percent of the Executive Director’s salary costs benefited ETA-funded programs.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Salary and Bonus Limit</td>
<td>$185,100</td>
</tr>
<tr>
<td>Salary eligible for the salary and bonus limit</td>
<td>$74,040</td>
</tr>
<tr>
<td>(Calculation: $185,100 x 40%)</td>
<td></td>
</tr>
<tr>
<td>Total gross compensation</td>
<td>$200,000</td>
</tr>
<tr>
<td>Salary costs benefitting ETA-funded programs</td>
<td>$80,000</td>
</tr>
<tr>
<td>(Calculation: $200,000 x 40%)</td>
<td></td>
</tr>
<tr>
<td>Salary in excess of the salary and bonus limit</td>
<td>$5,960</td>
</tr>
<tr>
<td>(Calculation: $80,000 - $74,040)</td>
<td></td>
</tr>
</tbody>
</table>

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, $74,040 ($185,100 x 40% = $74,040) of the salary may be paid using ETA appropriated funds or other federal funds. Since only 40 percent of the Executive Director’s salary costs benefited ETA-funded programs, the remaining amount of $5,960 ($200,000 x 40% = $80,000 - $74,040 = $5,960), which is in excess of the allowable 2016 salary and bonus limit, 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:**

Bring this directive to the attention of all relevant parties.

**INQUIRIES:**

Please direct inquiries regarding this directive to the Workforce Investment Board at (559) 713-5200.

Adam Peck
Executive Director
AP:EC:llg