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GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

SUSAN CORBIN  
ACTING DIRECTOR

**OFFICIAL**

**Policy Issuance (PI): 21-06**

**Date:** March 12, 2021

**To:** Michigan Works! Agency (MWA) Directors

**From:** Krista Johnson, Division Administrator (**SIGNED**)  
Talent Development Division  
Workforce Development

**Subject:** Salary and Bonus Payment Limitations

**Programs Affected:** All Programs Administered by the Michigan Department of Labor and Economic Opportunity, Workforce Development (LEO-WD)

**References:** Public Law 109-234  
Public Law 115-245  
Training and Employment Guidance Letter 29-14, Change 2  
2 Code of Federal Regulations (CFR) Part 200

**Rescissions:** Policy Issuances 06-32 and 06-32, Change 1

**Background:** On June 15, 2006, Public Law 109-234 was enacted. Section 7013 of this law limits salary and bonus compensation for individuals who are recipients or sub-recipients of Employment and Training Administration (ETA) funds. Specifically, Section 7013 of this law states that ETA funds shall not be used by a recipient or subrecipient 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. The current level can be found under "Rates of Pay for the Executive Schedule" on the Office of Personnel Management website at <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/>.

Additionally, Public Law 115-245 was signed into law on September 28, 2018 restricting the amount of salary that may be paid to an individual under a United States Department of Health and Human Services (HHS) grant, cooperative agreement, or applicable contract to a rate no greater than Executive Level II of the Federal Executive Pay Scale.

**Policy:** No employee of a recipient or subrecipient shall receive earnings from ETA or HHS funds administered or awarded by WD, or their prorated share, that are in excess of the federal Executive Level II rate of pay.

Effective January 1, 2022, no employee of a recipient or subrecipient shall receive earnings from any funds, both federal and state, administered or awarded by WD, or their prorated share, that are in excess of the federal Executive Level II rate of pay. Also effective January 1, 2022, earnings are defined as all received and/or deferred wages, salaries, tips, benefits, etc. that are subject to the federal Medicare tax. Earnings subject to the Medicare tax are found in Box 5 of an employee's W-2 form.

In the case of programs that are partially funded by WD and partially funded through other sources, the limitations imposed apply to the WD funding. For example, individuals can receive earnings from non-WD funds, such as municipal or private funds, in addition to WD funds. In those instances, the total earnings may be higher than the Executive Level II rate. If WD attributed funds only pay a portion of an individual's earnings, those funds may only be charged for the share of the employee's salary attributed to work on the WD funded grant or contract. That portion cannot exceed the Executive Level II rate. For example, if 25 percent of an employee's time is attributable to work on WD funded programs, and the annual Executive Level II amount is \$199,300, no more than \$49,825 (25 percent of \$199,300) can be charged to funds administered by WD.

The limitations do not apply to contractors providing goods and services as defined in 2 CFR Part 200.330(b) which defines contractors as those who:

- Provide goods and services within normal business operations
- Provide similar goods or services to many different purchasers
- Normally operate in a competitive environment
- Provide goods or services that are ancillary to the operation of the Federal program
- Are not subject to compliance requirements of the Federal program

**Action:** MWAs must take action necessary to implement the directives of this policy issuance.

**Inquiries:** Questions regarding this policy issuance should be directed to Mr. Matthew Shilling, Administrative Manager, Compliance Section at 517-242-3623 or via email at [ShillingM@michigan.gov](mailto:ShillingM@michigan.gov).

This policy is available for downloading from the [WD's website](#).

WD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Please contact Ms. Carla Burdick by telephone at 517-647-9384 or by email at [BurdickC@michigan.gov](mailto:BurdickC@michigan.gov) for details.

WD is funded by state and federal funds. More details are available on the Legal Disclaimer page at [www.michigan.gov/workforce](http://www.michigan.gov/workforce).

**Expiration:**

**Date:** Continuing

KJ:MS:cjb