

Salary Caps

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What is a salary cap?

- It is NOT a limitation on how much a PI can be paid by the university
- It is a limitation placed on the full time 12-month salary rate that can be directly charged to contracts, grants and cooperative agreements
- A university can pay an individual more than the salary cap
- It is federally mandated by an appropriation
- It is applicable to subawards
- It is NOT applicable to consultants



Where does a Salary Cap come from?

- Introduced by Congress in 1990
- The President sets the Executive Schedules of Pay annually via an Executive Order.
- For FY 2014, they have set the following Executive Level salaries:

Level	Salary Rate
Level I	\$201,700
Level II	\$181,500
Level III	\$167,000
Level IV	\$157,100
Level V	\$147,200

- When a fiscal appropriation is signed each year by the President, it dictates which salary level an agency will follow for their grants, cooperative agreements, and contracts.

Agencies & Salary Caps

Agency	Executive Level	Salary Cap
All Agencies Under Department of Health and Human Services (except FDA and IHS): NIH, AHRQ, SAMHSA, CDC, HRSA, ACF, ACL, CMS	Executive Level II	\$181,500 (FY14)
USDA	Executive Level IV	\$157,100 (FY14)
DoD, NASA and Coast Guard	Benchmark Compensation Amount	\$952,308

NIH Salary Cap



- Most widely affected since NIH is the largest source for medical research in the world
- Since 2001, the NIH Salary Cap has been tied to Executive Level I. As of December 2011, the NIH Salary Cap was restricted to Executive Level II.
- Executive Level Salaries are based on 12 months
- The salary cap is proportional to effort

NIH Salary Cap Summary (1990- 2014)

- http://grants.nih.gov/grants/policy/salcap_summary.htm

The screenshot shows the NIH Office of Extramural Research website. The main navigation bar includes links for HOME, ABOUT GRANTS, FUNDING, FORMS & DEADLINES, GRANTS POLICY (highlighted), eRA, NEWS & EVENTS, and ABOUT OER. A search bar is located in the top right corner. Below the navigation bar, the page title is "Grants & Funding". On the left side, there is a "Grants Policy" sidebar with a list of links including Policy & Guidance, Compliance & Oversight, Research Involving Human Subjects, Office of Laboratory Animal Welfare (OLAW), Animals in Research, Peer Review Policies & Practices, Intellectual Property Policy, Acknowledging NIH Funding, Invention Reporting (iEdison), NIH Public Access, and Research Integrity. The main content area is titled "Salary Cap Summary (FY 1990 - FY 2014)" and is updated as of January 24, 2014. It contains a table of salary cap information for various fiscal years.

Fiscal Year	Period	Executive Level	Salary Cap
FY 2014 Awards Issued	October 1, 2013 through January 11, 2014	Executive Level II	\$179,700
	January 12, 2014 through September 30, 2014	Executive Level II	\$181,500
FY 2013 Awards Issued	October 1, 2012 through September 30, 2013	Executive Level II	\$179,700
FY 2012 Awards Issued	October 1, 2011 through December 22, 2011	Executive Level I	\$199,700
	December 23, 2011 through September 30, 2012	Executive Level II	\$179,700
FY 2011 Awards (Executive Level I)	October 1, 2010 through September 30, 2011	Executive Level I	\$199,700

Additional information from the screenshot includes a "Frequently Asked Questions" link under the FY 2012 Awards section.

Post-award considerations

- A few items to keep in mind during the life of the award:
 - An increase or decrease in the **Salary Cap** limitation will affect the amount that will need to be cost shared if your PI is over the cap.
 - An increase or decrease in **PI salary** will affect the amount that will be cost shared or if Salary Cap is still applicable.
 - Changes in the **PI's effort** on the project will change the distribution between sponsor direct and cost share.

Calculating PI Salary Over the Cap

Appointment Type: 9 months

Full Time Annual Rate: \$175,000

Effort: 1.75 person months (PM)

PI salary calculation:

$\$175,000/9 = \$19,444$ ← this is your **PI's monthly rate**

$\$19,444 * 1.75 \text{ PM} = \$34,027$ ← this is **1.75 PM salary**

NIH salary cap calculation:

$\$181,500/12 = \$15,125$ ← this is the **monthly rate at the NIH cap**

$\$15,125 * 1.75 \text{ PM} = \$26,468$ ← this is **1.75 PM salary at the NIH cap**

Calculating PI Cost Share Salary Over the Cap

Appointment Type: 9 months

Full Time Annual Rate: \$175,000

Effort: 1.75 person months (PM)

$\$19,444 * 1.75 \text{ PM} = \$34,027 \leftarrow \text{PI's 1.75 PM actual salary}$

$\$15,125 * 1.75 \text{ PM} = \$26,468 \leftarrow \text{1.75 PM Capped salary}$

Cost Share Calculation:

$\$34,027 - \$26,468 = \$7,559 \leftarrow \text{This is your cost share amount!}$

Calculating PI Salary Over the Cap

Appointment Type: 12 months

Full Time Annual Rate: \$205,000

Effort: .75 person months (PM)

PI salary calculation:

$\$205,000/12 = \$17,083$ ← this is your **PI's monthly rate**

$\$17,083 * .75 \text{ PM} = \$12,812$ ← this is **.75 PM salary**

NIH salary cap calculation:

$\$181,500/12 = \$15,125$ ← this is the **monthly rate at the NIH cap**

$\$15,125 * .75 \text{ PM} = \$11,344$ ← this is **.75 PM salary at the NIH cap**

Calculating PI Cost Share Salary Over the Cap

Appointment Type: 12 months

Full Time Annual Rate: \$205,000

Effort: .75 person months (PM)

$\$17,083 \times .75 \text{ PM} = \$12,812 \leftarrow \text{PI's } .75 \text{ PM actual salary}$

$\$15,125 \times .75 \text{ PM} = \$11,344 \leftarrow .75 \text{ PM Capped salary}$

Cost Share Calculation:

$\$12,812 - \$11,344 = \$1,468 \leftarrow \text{This is your cost share amount!}$

FAQs

Who is affected by salary caps?

- Salary caps apply to all personnel working on grants from the agencies mentioned above that have a mandated cap.

Who pays for salary “over the cap”?

- Funds can be used to cover the “over the cap” amount from the following sources:
 - Non-sponsored, unrestricted supplemental funds
 - Department research workload (Department or College purpose code)

Can a PI reduce their effort so they are below the salary cap?

- No! A PI's effort is proportional to the salary requested from the sponsor.
- Example: A PI's 9 month salary is \$200,000 making their one month salary \$22,222. The PI is committing .5 person months to the grant. When determining if they are over the cap, we compare their .5 month salary ($\$200,000/9=\$22,222/2=\$11,111$) to .5 month cap rate ($\$181,500/12=\$15,125/2=\$7,562.50$) not the 1 month cap rate of \$15,125.

How do I know if my Chair, who receives supplemental pay, is over the cap?

- For any faculty/staff who receive supplemental pay (extra ninths or administrative supplements), calculations are based only on their full time annual rate. Omit supplemental pay when determining if they are over the cap.

Can I use the “over the cap” amount to meet cost share requirements of the grant?

- No! Since this is not an allowable expense on the grant, it cannot be used to meet mandatory cost share.
- Internally, “over the cap” amounts are tracked in the effort system as cost share and used to determine if overall effort commitments are met.

Why don't I divide the NIH salary cap by 9 since my PI is on a 9 month contract?

- The NIH salary cap is annualized so we always divide it by 12. This will give you a monthly cap rate which can be used to compare to your PI's one month salary rate.
- When determining if your PI is over the cap you should divide their full time annual rate by 9.

When preparing a NIH budget, should I budget at the cap or the PI's true salary?

- Always prepare your budget at the capped salary amount. In your budget justification, include a narrative that states the PI's salary is budgeted at the capped salary amount.
- Additionally, under current NIH fiscal policy, escalation of your budget in out years is not permissible.

What is included in a salary cap?

- Only salary is included in a salary cap, not fringe benefits.

How do I determine which cap is applicable?

- Salary at the current cap level may be charged to a grant regardless of the issue date of the award on or after the effective date of the current cap.
 - For example. Salary at a level of \$181,500 may be charged to a grant regardless of the issue date of the award, on or after January 12, 2014.

Case Studies – Who is over the cap?

Example 1. Individual with a Nine-Month Appointment

Dr. Minion is on a nine-month faculty appointment in the Department of Biology. He is submitting a NIH R01 grant proposal with 1.2 person months effort. His full time annual rate is \$123,456. Is Dr. Minion over the cap? If not, how much will be charged to the grant for 1.2 person months? If he is, how much needs to be cost-shared?

Example 2. Individual with a Twelve-Month Appointment

Dr. Gru is on a twelve-month professional appointment in the Department of Physical Therapy. He is submitting a CDC Occupational Safety and Health Research grant proposal with .5 person month effort. His full time annual rate is \$181,500. Is Dr. Gru over the cap? If not, how much will be charged to the grant for .5 person month? If he is, how much needs to be cost-shared?

Example 3. Individual with a Ten-Month Chair Appointment

Dr. Agnes is on a ten-month Chair appointment in the Department of Chemical Engineering. She is submitting a cooperative agreement proposal to the NIH with 2.4 person months effort. Her full time annual rate is \$140,500 in addition to a 1/9 and a \$5,000 administrative supplement for her role as Chair. Is Dr. Agnes over the cap? If not, how much will be charged to the grant for 2.4 person months? If she is, how much needs to be cost-shared?