College of Health & Human Development
Changes to NIH Salary Cap for 2012

Recent changes to the salary cap and how they affect how our college charges salaries to NIH awards and other funding sources.

Presented by CHHD Research Office

March 29, 2012
What is Salary Cap?

- A legislatively mandated provision limiting the direct salary that an individual may receive from an NIH grant.
- Limits the amount NIH can award and institutions can charge a grant; not the actual institutional base salary of an individual.
- Base salary = *annual* compensation an organization pays for an individual’s appointment regardless if the individual’s time is spent on research, teaching, patient care or other.
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What is Salary Cap?

- Since its inception in 1990 the cap amount has been tied to a dollar amount based on levels of the Federal Executive Pay Scale.
- Since 2001 NIH has used Executive Level 1 as the cap amount (with an adjustment each January) and was most recently $199,700 annually.
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What has changed?

• On 12/23/2011 the President signed the Appropriation Act into law which changed the salary limitation to Executive Level II, which is currently $179,700 annually

• This level II is to be applied to any awards with an initial date on/after 12/23/2011.
What awards are affected?

- Awards initially funded with 2012 FY funds are affected. This includes:
  - All competing awards issued after 12/23/11
  - Non-competing awards on their first new award date after 12/23/11
  - All future awards unless legislation changes
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What will change on an award with an initial date before 12/23/11?

- Competing grants with detail budgets will be revised to adjust future year commitments only
- Modular budgets will not be adjusted, but grantees must still apply the appropriate levels
- Non-competing awards will not be adjusted and will continue to use Exec Level 1 until the next segment
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What will change on an award with an initial date after 12/23/11?

- Competing grants will be issued using Exec Level II
- Modular budgets will not be adjusted, but grantees must still apply the appropriate levels
- Non-competing awards will not be adjusted and grantees apply Exec Level II.
- Rebudgeting of excess is allowed in these cases.
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Where can I find initial award date?

Notice of Award

**Grant Number:** 5R01GM012345-25 REVISED

**Issue Date:** 1/26/2012

**Principal Investigator(s):**
[PI #1 NAME AND DEGREE]
[PI #2 NAME (contact) AND DEGREE]

**Project Title:** [PROJECT TITLE]

**Budget Period:** 12/01/2011 - 11/30/2012
**Project Period:** 10/01/1997 - 11/30/2015
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Who is affected by the lowering of the Executive Level for the cap?

- Individuals who were previously capped at Level I ($199,700 annually) will now move to Level II ($179,700 annually) and will need to cover more of their effort expended on the award on funds other than the award account.

- Individuals who previously were not subject to the cap but are now due to the lower level amount.
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How is my NIH base salary determined?

- The base salary, according NIH guidelines, is determined by the *annual* compensation that would be paid for that person’s appointment.
- A 36-week appointment with a base salary of $134,775 would have an annualized compensation of $179,700 (134,775 / 36 * 48 = 179,700) and is now subject to cap.
- Similarly a 40-week appointment with a base of $149,750 and a 48-week appointment with a base of $179,700 are now subject to cap.
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How is the Cap calculated for an Individual?

- To calculate the over-cap portion of a salary we need to compare the monthly base salary to the monthly cap salary ($14,975).
- If an individual has a monthly base of $16,000 and has an effort of 15% in a given month, then the portion charged to the grant is 15% of the cap amount ($2,246.25) rather than 15% of their own salary ($2,400). The difference in those amounts ($153.75) must be paid from a source other than the grant or other federal funds.
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How is the Cap calculated for an Individual?

- For this same person, a comparison of the base to the cap (14975/16000) shows a ratio of 93.59% of effort that is permitted to be charged to the grant.
- This information can be used for planning and budgeting purposes for both award expenditures and funding use to pay the over-cap.
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How does the change affect an individual who was previously capped?

- At the Level 1 cap ($199,700 annually or $16,641.67 monthly) an individual with a 36-week annual base salary of $207,000 or $23,000 monthly was able to charge approx. 72% of their effort to the grant.

- Going forward on new awards that same person can only charge 65% (14,975/23,000) to the award.
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How do the research & finance offices track the portions of the cap?

- A special cost center named with fund number is set up in general or other funds within the same department as the award. The part of the monthly salary that is over-cap is charged to that account each month rather than to the award.

- On a periodic basis the finance office reconciles the cost center based on the department’s instructions on where the funds should be charged.

- Over-cap for supplemental pay has restrictions on the source of funding.
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How does the department/center pay for the over-cap portion of the salary?

- For the **Academic Year Only**—the budget will be moved from the department to cover the salary cap amount—this will reduce the amount of salary released by the employee.

- Summer supplemental pay which is over the salary cap must be covered from one of the sources below. The department must specify the source of funds being used.
  - Endowments
  - Faculty Salary Release
  - Miscellaneous General Research (MGR) Funds
  - Gift Funds
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Need more information?

- [http://grants.nih.gov/grants/policy/fy2012_salary_cap_faqs.htm](http://grants.nih.gov/grants/policy/fy2012_salary_cap_faqs.htm) for frequently asked questions on the 2012 changes and a chart with types of awards and award dates

- [http://grants.nih.gov/grants/guide/notice-files/NOT-OD-12-035.html](http://grants.nih.gov/grants/guide/notice-files/NOT-OD-12-035.html) for general information on salary caps and examples of how different appointment types (9 mo vs. 12mo) are considered in calculating base salary
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Need help estimating?

- A worksheet and instructions will be placed in the shared drives for each department so that they can estimate a split to over-cap cost center using the current cap levels