



Office of Sponsored Projects NIH Salary Cap Guidelines

Effective: April 1, 2016
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Purpose:

To provide guidance regarding the administration of the *NIH Salary Cap* that applies to grants, contracts, and cooperative agreements from the Health and Human Services' agencies that adhere to NIH guidelines including the National Institutes of Health (NIH), the Agency for Healthcare Research and Quality (AHRQ), and the Substance Abuse and Mental Health Services Administration (SAMHSA).

I. Policy

Since 1990, Congress has legislatively mandated a provision for the limitation of salary for grants, contracts, and cooperative agreements awarded by the above-mentioned agencies. A summary of the salary rates is included as Attachment A.

The salary cap applies to grants, contracts, and cooperative agreements that Northern Arizona University (NAU) receives from the above-mentioned agencies and awards from these agencies received via a subcontract from another entity. The salary cap also applies to NAU's subcontractees under these awards.

Direct salary for purposes of calculating the salary cap is exclusive of fringe benefits and facilities and administrative (F&A) expenses, also referred to as indirect costs.

Specifically, the Department of Health and Human Services (DHHS) Appropriation Act restricts the amount of direct salary of an individual under an NIH grant, cooperative agreement or applicable contract to Executive Level 1 of the Federal Executive Pay Scale (since 1991). This pay scale changes each year on January 1. The annual salary cap information and associated time frames is available at http://grants.nih.gov/grants/policy/salcap_summary.htm.

Compensation for individuals under awards from these agencies cannot exceed a stipulated rate of pay (biweekly, academic year (AY) or annually). The salary cap guidance is stated in terms of a 12-month appointment. Thus, the salary cap for an academic year appointment is 75% of the annual salary cap and 1/12 of the annual amount on a monthly basis. For faculty/staff

members who receive a salary that exceeds the applicable salary cap, the amount of salary requested/charged to an award must be limited to their effort percentage multiplied by the salary cap rate. Faculty and administrative staff in the respective benefiting departments are responsible for applying the appropriate salary cap in all applicable proposals and existing awards.

Summer salary charged to HHS projects (NIH, AHRQ, SAMHSA, etc.) by faculty/staff with academic appointments must also follow this policy.

The NIH will not provide additional funds for awards issued under the previous salary cap rate(s); however, they have stated that a PI can rebudget funds to allow for the increase in rates. Upon issuance of a new federal salary cap, the University will apply the cap in the next pay period

II. Procedures

All salary charged to HHS projects (NIH, AHRQ, SAMHSA, etc.) must comply with the salary cap on a pay period basis. The portion of salary over the capped amount should be tracked and accounted by charging this amount to departmental funds.

The attached calculation examples are for illustration purposes only for situations such as:

- A full-time person with a 9-month appointment without existing cost sharing
- A full-time person with a 9 month appointment with existing cost sharing
- A full-time person with a 9-month appointment working during the summer with other funding sources
- A full-time person with a 9-month appointment working during the summer session limited to the amount of the NIH salary cap

III. Questions and Answers (per NIH)

1. **Question:** Can I rebudget grant funds or charge contracts issued in those years restricted to Executive Level I funds to allow for the salary cap increase?

Answer: Yes, provided funds are available and the increase is warranted. Prorated figures should be used for the applicable months.

2. **Question:** If an application/proposal fails to provide needed salary information, will an adjustment be made based on the new rates?

Answer: No adjustment will be made if an application fails to provide adequate information regarding the individual's actual salary level.

3. **Question:** Does the NIH appropriation language link the salary cap to a Federal Executive Level or to a dollar level?

Answer: The salary cap is based on annualized Federal Executive Level base pay, expressed as a dollar amount. However, this does not imply that the amount paid to an NAU investigator is capped by a dollar amount. The level of effort equivalent to the cap may be allocated to a PHS/NIH sponsored project. The link is to the Federal Executive Level pay scale (i.e., Executive Level III for FY 1999 and Executive Level II for FY 2000 and Executive Level I for FYs 2001, 2002, 2003, 2004, 2005 and 2006).

4. **Question:** As the cap is linked to Federal Executive Levels, can grantees/contractors with ongoing awards rebudget/charge up to the various salary caps, based on the fiscal year of the award and the time of the salary expense is incurred?

Answer: Yes, salary may be charged in accordance with the FY cap(s), as long as the levels are consistent with the individual's institutional base pay. Please refer to the salary cap summary with times frames for existing salary caps, at http://grants.nih.gov/grants/policy/salcap_summary.htm.

5. **Question:** Will grantees be permitted to submit revised categorical budgets reflecting higher base salaries?

Answer: Not as a general rule. NIH policy for categorical budgets states that grantees should always reflect actual base salaries in the requested budgets or provide an explanation indicating that actual institutional base salary exceeds the current salary limitation. As a general rule, NIH will use the information available in the existing application and make adjustments for the salary cap based on information available at the time of award. **IV.**

Questions

Questions regarding this policy should be submitted to:

Office of Sponsored Projects (OSP), 928-523-4880, NAU-OSP@nau.edu