

Salary Cap Guidance

NIH Notice Number [NOT-OD-17-049](#)

Salary cap = \$187,000 effective 1/8/17

This Salary Cap applies to all DHHS agencies (including NIH, FDA, CDC, HRSA and others). Other sponsors may impose a salary cap so it is important to read the solicitation carefully to determine if your sponsor has a salary cap. The following list contains other sponsors who impose salary caps. It is not exhaustive.

*AICR (American Institute for Cancer Research)
Anesthesia Safety Foundation
Juvenile Diabetes Research Foundation
National Multiple Sclerosis Society
Ovarian Cancer Research Fund
PCORI (Patient-Centered Outcomes Research Institute)
Progeria Research Foundation
Rheumatology Research Foundation
Susan G. Komen
Thrasher Research Fund*

The DHHS Salary Cap is a legislatively-mandated limit on the direct salary for individuals working on DHHS grants, cooperative agreements, and extramural research and development contracts. The salary limitation rate applies to any individual whose salary is charged directly to an award (note that this does not include consultants).

The rate is set by Congress as part of the annual federal budget appropriations process and is based on Executive Level II of the Federal Executive pay scale. The Federal Executive Pay scale changes in January of each calendar year.

The Salary Cap establishes a maximum annual rate of pay at which an individual's full time effort over a 12-month period can be charged to federal awards. ***It is calculated and applied on a monthly basis.*** The cap is not intended to limit the actual salary paid by AU; institutional salary may be supplemented with non-federal funds. Salary above the cap is considered as mandatory cost share and must be tracked and certified.

National Institutes of Health (NIH) examples

NIH application instructions for competing proposals indicate that the proposals should reflect the actual institution base salary multiplied by the percentage of effort to be expended on the project. NIH will adjust these amounts to reflect the Salary Cap. A sample proposal budget calculation is below:

Institutional Salary	
Salary	\$225,000
Effort	50%
Requested	\$112,500
Benefits (32%)	\$36,000
F&A (48%)	\$71,280
Total Budgeted Amount	\$219,780

Once the above example is adjusted for the Salary Cap, NIH and AU portions will be as follows:

	Institutional Salary	With Cap (NIH)	With Cap (AU)
Salary	\$225,000	\$187,000	\$ 38,000
Effort	50%	42%	8%
Requested	\$112,500	\$ 93,500	\$ 19,000
Benefits (32%)	\$36,000	\$ 29,920	\$ 6,080
F&A (48%)	\$71,280	\$ 59,242	\$ 12,038
Total Budgeted Amount	\$219,780	\$182,662	\$ 37,118

Modular budgets must use the current Salary Cap when estimating the number of modules.

When an award is received and includes individuals whose salary is over the Salary Cap, a sponsored fund and project cost share FOP will be established for each award. The amount assignable to the NIH FOP and the cost share FOP (if required) should be determined.

A sample calculation is below:

STEP 1

Salary Cap	\$ 187,000.00
Months in a year	12
Capped monthly salary (Salary cap/ 12 months)	<u>\$ 15,583.33</u>

AU base salary (for period of appointment)	\$ 225,000.00
Months in appointment	9
AU monthly salary (AU salary / months in appointment)	<u>\$ 25,000.00</u>

STEP 2

Total NIH project effort %	20%
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Salary allowed on NIH fund (Cap X effort %)	\$ 3,116.67
Total salary based on effort (Salary X effort %)	<u>\$ 5,000.00</u>
Salary over the cap (must be cost shared)	<u>\$ 1,883.33</u>

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Once an award is received and a Fund established, the labor distribution will need to be updated in Banner (via an ePAF) so that the appropriate amounts are recorded on each FOP.

		Distribution for ePAF
Salary allowed on NIH fund (Cap X effort %)	\$ 3,116.67	12.467%
Salary over the cap (must be cost shared)	<u>\$ 1,883.33</u>	7.533%
Total salary based on effort (Salary X effort %)	<u><u>\$ 5,000.00</u></u>	20.000%

Budget to cover the amount over the Salary Cap should be transferred from departmental sources to the cost share FOP via a SSB Budget Transfer.

Spreadsheet calculators are available to use for determining the amount over the cap, as well as for determining percentages for labor distributions in Banner.

For questions, please contact:

[Office of Sponsored Programs](#): 4-4438 – Gene Taylor, Director (taylor2@auburn.edu)

[Proposal Services and Faculty Support](#): 4-5954 – Tony Ventimiglia, Director (ventiaf@auburn.edu)

[Contracts and Grants Accounting](#): 4-4847 – Larry Hankins, Director (hankill@auburn.edu)
Gina Bailey, Assistant Director (bailerh@auburn.edu)

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