



## Sponsored Projects Accounting

**TO:** Business Managers and Research Administrators

**FROM:** Joseph M. Gindhart, Assistant Vice Chancellor for Finance & Director

**DATE:** February 1, 2012

**SUBJECT:** NIH Salary Cap for Federal Fiscal Year 2012

**Congress has enacted substantial changes to the salary cap on NIH awards issued for Federal Fiscal Year 2012. The cap amount has been reduced to the Executive Level II rate of \$179,700 for new and non-competing renewal awards issued on or after 12/23/11. The Executive Level II salary cap has also been expanded to all Department of Health and Human Services Agencies (DHHS) awards issued on or after 12/23/11 (includes ACF, AoA, ATDSDR, CDC, CMS, FDA, HRSA HIS, NIS and SAMHSA). Noted below is the detailed guidance and implementation strategy for NIH, AHRQ and SAMHSA awards. Information related to the other DHHS agencies will be provided when it becomes available.**

The maximum compensation level for individuals working on grants and contracts from the National Institutes of Health (NIH), the Agency for Healthcare Research and Quality (AHRQ) and the Substance Abuse and Mental Health Services Administration (SAMHSA) has been reduced for Federal Fiscal Year (FFY) 2012 ([per the NIH Guide Notice NOT-OD-12-035 issued on 1/20/12](#)). Consolidated Appropriations Act, 2012 (Public Law 112-74) restricts the amount of direct salary of an individual under an NIH/SAMHSA/AHRQ grant, cooperative agreement or applicable contract to **Executive Level II** of the Federal Executive Pay Scale. Effective December 23, 2011, the Executive Level II salary level is set at **\$179,700**.

Direct salary is exclusive of fringe benefits and facilities and administrative (F&A) expenses, also referred to as indirect costs. The appropriate salary cap rate must be applied to competing and non-competing awards based upon the award date on the Notice of Award (NOA).

- Competing and non-competing awards issued on or before 9/30/11 must utilize the Federal Fiscal Year 2011 **Executive Level I** rate (\$199,700).
- Competing and non-competing awards issued during the period 10/01/11 – 12/22/11 can continue to utilize the Federal Fiscal Year 2011 **Executive Level I** rate (\$199,700) through the end of the current budget period.
- Competing and non-competing awards issued on or after 12/23/11 must use the Federal Fiscal Year 2012 **Executive Level II rate (\$179,700)**.

The University's Payroll System (HRMS) will apply the **Executive Level II rate of \$179,700 for applicable FFY 12 awards effective (NOA date on or after 12/23/11) for February 2012 monthly payroll**. HRMS will continue to utilize the **Executive Level I** rate of **\$199,700** for NIH grants currently funded from Federal Fiscal Year 2009, 2010, 2011 and FY2012 (NOA dates 10/1/11 through 12/22/11 only) dollars. The University's policies and procedures regarding the salary cap have been updated and included with this memo. This information will also be presented on Sponsored Projects Accounting's web page, see <http://spa.wustl.edu/> and click on Policies & Guidelines section. The text of the FY12 guidelines issued by the NIH can be found at <http://grants.nih.gov/grants/guide/notice-files/NOT-OD-12-035.html>. This text includes additional example calculations and definitions.

If you have any questions or concerns about the NIH Salary Cap, please contact Krystina Gross at 314-935-5793 / [kgross@wustl.edu](mailto:kgross@wustl.edu), Iris Peper at 314-935-7216 / [ipeper@wustl.edu](mailto:ipeper@wustl.edu) or me at 314-935-7089 / [jgindhart@wustl.edu](mailto:jgindhart@wustl.edu).

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**Policies:**

The regulations issued by the National Institutes of Health (NIH), the Agency for Healthcare Research and Quality (AHRQ) and the Substance Abuse and Mental Health Services Administration (SAMHSA) include a section covering direct salary limits for individuals charged to grants, cooperative agreements and contracts. Direct salary is exclusive of fringe benefits and facilities and administrative (F&A) expenses, also referred to as indirect costs. Compensation for individuals under awards from these three agencies cannot exceed a stipulated rate of pay per year or per academic appointment (see schedule noted below). The term “rate of pay “ can be further described as follows: the rate of salary or wages that an individual earns for services performed (weekly, bi-weekly, monthly). The appropriate salary cap rate must be applied to competing and non-competing awards based upon the federal fiscal year (FFY) (10/XX – 9/YY) in which the Notice of Grant Award was issued. For faculty members who receive a salary that exceeds the applicable rate, the amount of salary requested/charged to a NIH/AHRQ/SAMHSA award must be limited to their effort percentage multiplied by the salary cap rate. Faculty and administrative staff in the academic departments are responsible for applying the appropriate salary cap rate in all applicable proposals and existing awards.

**FFY 2010 Awards:** The award date on the NIH Notice of Award (competing and non-competing) is on or after 10/01/09, Executive Level I rates apply.

<u>Budget Period</u>	<u>Max Salary Rate (ann.)</u>	<u>Max Salary Rate (monthly)</u>
10/01/09 – 12/31/09	\$196,700	\$16,391.67
01/01/10 – 12/31/10	\$199,700	\$16,641.67
01/01/11 – 09/30/11	\$199,700	\$16,641.67
<b>10/01/11 and beyond</b>	<b>\$199,700</b>	<b>\$16,641.67</b>

**FFY 2011 Awards:** The award date on the NIH Notice of Award (competing and non-competing) is on or after 10/01/10, Executive Level I rates apply.

<u>Budget Period</u>	<u>Max Salary Rate (ann.)</u>	<u>Max Salary Rate (monthly)</u>
10/01/10 – 12/31/10	\$199,700	\$16,641.67
01/01/11 – 09/30/11	\$199,700	\$16,641.67
<b>10/01/11 and beyond</b>	<b>\$199,700</b>	<b>\$16,641.67</b>

**FFY 2012 Awards:** The award date on the NIH Notice of Award (competing and non-competing) is on or after 10/01/11 through 12/22/11, Executive Level I and II rates apply.

<u>Budget Period</u>	<u>Max Salary Rate (ann.)</u>	<u>Max Salary Rate (monthly)</u>
Current	\$199,700	\$16,641.67
<b>Subsequent</b>	<b>\$179,700</b>	<b>\$14,975.00</b>

**Example**

<b>Year 03 (FFY 12)</b>	<b>11/1/11 – 10/31/12</b>	<b>Level I, \$199,700</b>
<b>Year 04 (FFY 13)</b>	<b>11/1/12 – 10/31/13</b>	<b>Level II, \$179,700</b>

The award date on the NIH Notice of Award (competing and non-competing) is on or after 12/23/11, Executive Level II rates apply.

<u>Budget Period</u>	<u>Max Salary Rate (ann.)</u>	<u>Max Salary Rate (monthly)</u>
<b>10/01/11 and beyond</b>	<b>\$179,700</b>	<b>\$14,975.00</b>

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Detailed information regarding various award types and NOA issued date is available via the Requirements Matrix and Award Scenario Matrix in **Appendix A**.

Subawards:

Subawards issued to WU by another institution/entity that has received an NIH prime grant, cooperative agreement or contract (i.e., incoming subaward) continue to be subject to the salary cap guidelines. The application of the Level I or Level II cap rates is based upon the initial NOA date of the Prime award.

Subawards issued by WU to another institution/entity based upon an NIH prime grant, cooperative agreement or contract (i.e., outgoing subawards) continue to be subject to the salary cap guidelines. The application of the Level I or Level II cap rates is based upon the initial NOA date of WU's Prime award.

Annual (ann.) vs. Academic Appointments:

The NIH guidelines state that the amount charged to a grant cannot exceed a stipulated annual rate of pay. Since some faculty have academic year (nine month) appointments, the applicable salary cap for those individuals calculates to 75% of the annual salary cap rate. Accordingly, faculty members with annual (twelve month) appointments that are paid in excess of the applicable NIH rate and faculty members with academic appointment that are paid in excess 75% of the NIH annual rate per year must follow the procedures noted above if they are contributing effort and charging salary to an NIH project.

Summer Salary:

The summer salary charged to NIH projects by faculty with academic appointments must also follow the above noted policy and procedures.

Rebudgeting:

The NIH will allow grantees to rebudget funds freed-up as a result of the lower cap, unless otherwise restricted in the terms on the NOA. See **Appendix A** for details and scenarios.

Adjustments to Awarded Amounts:

The NIH is expected to issue revised NOAs for some FFY 12 competing awards with categorical budgets. Current and future grant period amount for non-competing awards will not be adjusted. See **Appendix B** for details and scenarios.

**Procedures:**

Payroll Edits:

- The HRMS Payroll System (HRMS) contains a specific edit related to the NIH salary cap. During the process of sourcing an employee to an account/fund in which the prime source of funding is the NIH, the system will compare the individual's actual salary rate to the applicable cap rate, based upon the federal fiscal year in which the funds were awarded. The account/fund profile contains a field which indicates the federal fiscal year that the **initial Notice of Award (NOA) was issued based upon the schedule above**. The edit calculates the mandatory cost sharing (X account/allocation) and limits the maximum allowable amount charged to the grant. **The HRMS edit message will also display the applicable cap rate that was utilized in the calculation.** Please Note: HRMS will only allow the mandatory cost sharing to be posted to an X account/allocation.

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Payroll Cost Transfers:

Competing awards with an NOA date that is on or after 12/23/11 - HRMS sourcing edits applied the Level I rates to the 12/31/11 and 1/31/12 monthly pay, therefore, for the corresponding budget periods starting on or after 12/23/11, payroll cost transfers must be processed to reflect the applicable Level II rate of \$179,700.

Non-competing awards with an NOA date that is on or after 12/23/11 – The level II rate will be effective for the start date of the next budget period. If the salary sourcing for an applicable individual is not adjusted to the new cap rate at the start of the budget period, a PCT must be processed to adjust actual amounts paid under the old rate to the applicable Level II rate of \$179,700. See below for additional info about a query in HRMS that will assist in identifying individuals requiring sourcing changes in a timely manner.

Grant / Cost Share Calculation Methodology:

- HRMS will automatically calculate the applicable grant and cost share amounts based upon the salary amount figure entered on the job source page (earnings code = REG). Initially, the system will calculate the allowable grant salary percentage and the corresponding cost sharing percentage based on the applicable NIH Cap rate (Step #1). These percentages will then be applied to the applicable salary amount for the project and the system will present the grant and cost share amounts (Step #2). Please refer to the example noted below.

**Example – HRMS Grant / Cost Share Calculation**

**Step #1:**

The PI has an annual salary of \$222,000 and works full time on one NIH grant. The NIH salary cap rate is **\$179,700** for this project.

Actual Monthly Salary = <b>18,500.00</b>	(= 222,000 / 12 mo.)
NIH Cap Monthly Limit (Level II) = <b>14,975.00</b>	(= 179,700 / 12 mo.)
Allowable Grant Salary Percent (based on NIH Cap) = <b>80.95%</b>	(= (14,975.00 / 18,500.00) * 100)
Cost Sharing Percentage = <b>19.05</b>	(= 100% - 80.95%)

**Step #2:**

Monthly Amount of Grant Cost = <b>14,975.00</b>	(= 18,500.00 * 80.95%)
Monthly Amount of Cost Sharing = <b>3,524.25</b>	(= 18,500.00 * 19.05%)

A more detailed explanation of cost sharing methodology, allocations and examples is provided in **Appendix C**.

Salary Sourcing Issues:

- The salary cap limits implemented in HRMS will continue to effect existing and future payroll sourcing. Salaries for individuals currently paid from NIH funded projects will continue to post to the account/fund and

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the cost sharing account/allocation based upon the NIH Salary Cap rates in effect at that time he/she was originally sourced.

- Subsequent to the implementation of the new rates in HRMS (2/9/12), **initiating any** sourcing document for an individual who is **currently paid** on a grant which is funded from FFY 2012 NIH dollars (date of initial award is on or after 12/23/11) will cause the system to recalculate the mandatory cost sharing amount (X account/allocation) and prompt the user to adjust the sourcing (even if there was no intention of modifying the grant source). If sufficient funds are not available on the grant to charge up to the appropriate salary limit, then a V account/allocation (voluntary cost sharing) must be used to charge the difference. Please Note: HRMS will not recognize other cost sharing allocations (U, W...) for the voluntary portion.
- Due to the phased-in implementation of the Level II rates, HRMS will utilize both the Level I and Level II rates, as applicable, over a period of time. Consequently, it is possible for the sourcing of an individual working on multiple NIH funded projects would involve both rates in a monthly pay period.
- It is also expected that a group of individuals that had not previously been impacted by the salary cap (rate of pay was below the Level I rate or the DHHS agency was not subject to the cap (e.g., CDC, HRSA, FDA...) in prior federal fiscal years) would now be required to cost share on FFY 12 awards based upon the new Level II rates. The department administrator should submit a Cost Sharing Account Request Form to their Grant Analyst in OSRS to establish the applicable cost sharing allocations (X/V) prior to modifying salary sourcing in HRMS. Noted below are links to appropriate form:
  - OSRS - Danforth Campus Cost Sharing Request Form: [http://wuro.wustl.edu/FormsGuides/Costshare\\_1021.pdf](http://wuro.wustl.edu/FormsGuides/Costshare_1021.pdf)
  - OSRS – School of Medicine, Cost Sharing Form: : <http://grantsandcontracts.wustl.edu/medadmin/gcsite.nsf/WV/BE5E89473C7F6AFC86256DC1006BF09F?OpenDocument>
- A page is available in HRMS to assist in identifying individuals working on grants with Salary Limit errors (e.g., Level II cap is now applicable). The error messages that are viewable through this page will include both Level I & II cap funds. SPA suggests that each department review the messages on this page at the beginning of each calendar month to determine individuals that require adjustment to their sources due to the Level II cap rate requirements for new budget periods on non-competitive renewal projects.
  - The page can be located by migrating to – HRMS > Job & Compensation > Salary Cap Messages. Once there, please press search to view all individuals who you have security to and have salary cap errors.
  - There will also be a new query (WP\_DP\_FUND\_SAL\_LIMIT) available to report on the Salary Cap limit for each of the active funds that you have security access to. The limit for a fund may change at some point during the year based upon the start date of new budget period.
- The NIH Salary Cap limits must be incorporated **for all new sourcing** during the remainder of the University's FY 2012 and for all grants sourced in FY 2013. The hard edit in HRMS requires implementation of the caps. If sufficient funds are not available on the grant to charge up to the appropriate salary limit, then a V (voluntary cost sharing) account/allocation must be used to charge the difference. Please Note: HRMS will not recognize other cost sharing allocations (U, W...) for the voluntary portion.
- Since the implementation of HRMS (January 2003), the following practice has been recommended for managing situations when one department (the PI's primary department) is paying for the NIH salary cap cost sharing on grant activity performed in another (secondary) department. To record the effort on the grant in

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the proper department, the cost sharing account/allocation should be maintained by the department in which the grant activity is occurring. That is, the X account/allocation should be maintained in the same department as the regular grant account. Accordingly, the corresponding Debit account for the X account/allocation in the secondary department would be provided by the primary department.

<b>Primary Department</b>	<b>Fund Type</b>
22-3444-1120-5555#	Grant Account/Fund
22-3444-1120-5555#X	Cost Sharing Allocation
12-3444-50-9####	Debit Account

  

<b>Secondary Department</b>	<b>Fund Type</b>
22-4333-1120-5432#	Grant Account/Fund
22-4333-1120-5432#X	Cost Sharing Allocation
12-3444-50-9####	Debit Account

Under this account set-up method, the primary department would request a new X/V account/allocation in the secondary department from the Office of Sponsored Research Services (OSRS) via a Cost Sharing Account Request Form (see links above). The primary department must provide the Debit account and sign/authorize the form. Manual entry of a journal document (utilize BUOB 50) may be necessary if the charges to a single cost sharing (X) account should be spread to multiple debit accounts (which may be in different departments).

The maintenance of the salary sources on both accounts will be simplified under this method. Additionally, the compensation on the faculty member's job in HRMS will represent the total effort on the grant in that department. That compensation will not need to change if the salary cap changes (only the split between the grant sources and the cost sharing sources will change). The utilization of dollar amounts rather than percentages is recommended because it will simplify the entry of salary sources when cost sharing is necessary.

- The HRMS Team and SPA have developed a set of slides that provide a more detailed explanation of the sourcing issues. This data can be found on the SPA website, [http://www.spa.wustl.edu/training/pdf/nihscalp\\_hrms.pdf](http://www.spa.wustl.edu/training/pdf/nihscalp_hrms.pdf).

**Multiple Cost Share Funding Sources Issue:**

- As noted above, the cost sharing amounts associated with the NIH salary cap are charged to the corresponding X/V accounts/allocations. In some instances, there may be multiple faculty members within the same department/division working on a project and the associated cost sharing for these individuals will all post to the related X/V accounts/allocations via the HRMS edits. Some faculty members may choose to fund their cost sharing from accounts/sources which are different from the debit account(s) assigned to the department's X/V accounts/allocations. In these situations, the academic department is responsible for reallocating these amounts on the department's X/V accounts/allocations to the individual faculty member's funding account/source via journal entries (utilize BUOB 50).

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**Questions and Answers (Per NIH)**

The full text of the FY 2012 implementation guidelines issued by the NIH can be found at <http://grants.nih.gov/grants/guide/notice-files/NOT-OD-12-035.html>. This text includes calculations, definitions and additional Q&A's.

1. If an application/proposal fails to provide needed salary information, will an adjustment be made based on the new limit? No adjustment will be made if an application fails to provide adequate information regarding the individual's actual salary level. However, grantees must charge the grant based on the applicable salary limit in effect when the initial FY2012 award was issued.
2. Does the NIH appropriation language link the salary limitation to a Federal Executive Level or to a dollar level? The link is to the Federal Executive Level pay scale (i.e., Executive Level I for FYs 2001-2011, Executive Level I for FY2012 awards with an initial Issue Date on/before 12/22/2011, and Executive Level II for FY 2012 awards with an initial Issue Date on/after 12/23/2011).
3. As the salary limitation is linked to Federal Executive Levels, can grantees/contractors with ongoing awards rebudget/charge the various salary limits, based on the fiscal year of the award and the time the salary expense is incurred? Salary may be charged in accordance with the applicable FY limit in effect when the FY2012 award was initially issued, 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](http://grants.nih.gov/grants/policy/salcap_summary.htm).
4. A grant was issued on/after December 23, 2011. The award was based on the Executive Level I. Can I rebudget the funds awarded in excess of the new Executive Level II salary limit, or will NIH adjust the award by the difference between the two? It depends on the type of award. If the award is a non-competing award, then grantees may rebudget the funds awarded in excess of the new salary limit. However, **if the grant is a competing award, the NIH IC will revise the award when an adjustment for the lower salary limit is needed.**
5. Can grantees rebudget on FY2012 awards that were proposed using Executive Level I and are awarded on/after 12/23/2011? Executive Level II is effective with awards with an *initial* Issue Date of 12/23/2011 and beyond. For non-competing awards with an *initial* Issue Date of 12/23/2011 and beyond, grantees can rebudget. **For competing awards issued on/after 12/23/2011, the ICs will revise the award and adjust the current and all future year commitments to apply Executive Level II when applicable.**
6. For awards issued on/before 12/22/2011, will future year commitments be adjusted to reflect Executive Level II? For competing awards issued on/before 12/22/2011, no adjustment will be made to the FY2012 award; however, **future year commitments will be adjusted when applicable to reflect Executive Level II.** Non-competing awards will not be adjusted to reflect Executive Level II for either the FY2012 award or any future year commitments.
7. A grant with an initial Issue Date on/before 12/22/2011 was awarded and included funding for a "to be named" position; the "to be named" person will not begin employment until after January 1, 2012. Which salary limit is applicable? Apply the Executive Level I. The salary limit is tied to the limit in effect when the grant was initially funded, regardless when the individual's employment became effective.

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Award	Initial Issue Date of NOA (current)			Utilize for Current Grant Period		Reduction to Award Funding & Rebudgeting			
	On or Before 9/30/11	On or Between 10/1/11 - 12/22/11	On or After 12/23/11	Exec. Level I (\$199,900)	Exec. Level II (\$179,900)	Current Award Funding (FFY 12)	Current Award *Rebudget Excess Salary & Fringe	Future Award Funding (FFY 13 and beyond)	Future Award *Rebudget Excess Salary & Fringe
Competing Award with Categorical Budget (FFY 2011)	Yes			Yes		No	N/A	No	Yes
Competing Award with Categorical Budget (FFY 2012)		Yes		Yes		No	N/A	Yes	N/A
Competing Award with Categorical Budget (FFY 2012)			Yes		Yes	Yes	N/A	N/A	N/A
Competing Award with Modular Budget (FFY 2011)	Yes			Yes		N/A	N/A	N/A	N/A
Competing Award with Modular Budget (FFY 2012)		Yes		Yes		No	N/A	N/A	N/A
Competing Award with Modular Budget (FFY 2012)			Yes		Yes	No	N/A	N/A	N/A
Non-Competing Award with Categorical Budget (FFY 2011)	Yes			Yes		No	N/A	No	Yes
Non-Competing Award with Categorical Budget (FFY 2012)		Yes		Yes		No	N/A	No	Yes
Non-Competing Award with Categorical Budget (FFY 2012)			Yes		Yes	No	Yes	No	Yes
Non-Competing Award with Modular Budget (FFY 2011)	Yes			Yes		No	N/A	No	N/A
Non-Competing Award with Modular Budget (FFY 2012)		Yes		Yes		No	N/A	No	N/A
Non-Competing Award with Modular Budget (FFY 2012)			Yes		Yes	No	N/A	No	N/A

FFY = Federal Fiscal Year (10/1/XX - 9/30/YY)

N/A = Not applicable

\* Unless otherwise restricted in the terms of the NOA, grantee may rebudget funds freed-up as a result of utilizing the lower cap rate (Level II). Amounts would include salary and applicable benefits awarded at the Level 1 rate minus the actual salary/fringe charged to the project at the Level II rate.

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Award	Examples					
	Initial NOA Date	Award Number	Current Budget Period	Executive Salary Level	Salary Cap Rate	Subsequent Budget Period(s)
Competing Award with Categorical Budget (FFY 2011)	8/22/2011	1 P01 XX32165-01	9/1/11 - 8/31/12	I	\$199,700	Level II rates apply for 02 year and rest of project period
Competing Award with Categorical Budget (FFY 2012)	11/15/2011	1 P01 VV98765-01	12/1/11 - 11/30/12	I	\$199,700	Level II rates apply for 02 year and rest of project period
Competing Award with Categorical Budget (FFY 2012)	12/28/2011	1 P01 ZZ25867-01	1/1/12 - 12/31/12	II	\$179,700	Level II rates apply to entire project period
Competing Award with Modular Budget (FFY 2011)	9/1/2011	2 R01 DD778899-05	9/1/11 - 8/31/12	I	\$199,700	Level II rates apply for 06 year and rest of project period
Competing Award with Modular Budget (FFY 2012)	11/7/2011	2 R01 CC332211-05	12/1/11 - 11/30/12	I	\$199,700	Level II rates apply for 06 year and rest of project period
Competing Award with Modular Budget (FFY 2012)	12/30/2011	2 R01 BB556622-05	1/1/12 - 12/31/12	II	\$179,700	Level II rates apply to entire project period
Non-Competing Award with Categorical Budget (FFY 2011)	7/29/2011	5 P01 XX32165-04	9/1/11 - 8/31/12	I	\$199,700	Level II rates for 05 year and rest of project period
Non-Competing Award with Categorical Budget (FFY 2012)	11/27/2011	5 P01 VV98765-03	12/1/11 - 11/30/12	I	\$199,700	Level II rates apply for 04 year and rest of project period
Non-Competing Award with Categorical Budget (FFY 2012)	12/26/2011	5 P01 ZZ25867-02	1/1/12 - 12/31/12	II	\$179,700	Level II rates apply for 03 year and rest of project period
Non-Competing Award with Modular Budget (FFY 2011)	9/17/2011	5 R01 DD778899-04	9/1/11 - 8/31/12	I	\$199,700	Level II rates apply for 05 year and rest of project period
Non-Competing Award with Modular Budget (FFY 2012)	10/25/2011	5 R01 CC332211-03	12/1/11 - 11/30/12	I	\$199,700	Level II rates apply for 04 year and rest of project period
Non-Competing Award with Modular Budget (FFY 2012)	12/29/2011	5 R01 BB556622-02	1/1/12 - 12/31/12	II	\$179,700	Level II rates apply for 03 year and rest of project period

## **Adjustment to Award Amounts & Rebudgeting**

### **NIH competing awards with categorical budgets with an initial NOA Issue Date on or before September 30, 2011:**

- No adjustments to current or future award amounts.
- Rebudgeting for current award should not be required, because amounts awarded at Level 1 and the Level 1 rate is still applicable. Rebudgeting for future grant periods for funds freed up as a result of utilizing the Level II rate may be rebudgeted, unless otherwise restricted in the terms of NOA. Amounts would include salary and applicable fringe benefits awarded at Level I rate minus the actual salary/fringe charged to the project at the Level II rate.

### **NIH competing awards with categorical budgets with an initial NOA Issue Date on or between October 1, 2011 and December 22, 2011:**

- No adjustment to current award amount, however all future grants period funding will be reduced based upon the new Level II rates.
- Rebudgeting for current award should not be required, because amounts awarded at Level 1 and the Level 1 rate is applicable. Rebudgeting for future grant periods should not be required, because amounts awarded at Level II and the Level II rate is applicable.

### **NIH competing awards with categorical budgets with an initial NOA Issue Date on/after December 23, 2011:**

- Current and future grant period awards will be adjusted based upon the new Level II rates.
- Rebudgeting is not applicable in this instance, since revised award amounts reflect the Level II rate.

### **NIH competing awards with modular budgets with an initial NOA Issue Date on or before September 30, 2011:**

- No adjustments to current or future grant period funding.
- Rebudgeting is not applicable in this instance, since amounts awarded in modular budget format.

### **NIH competing awards with modular budgets with an initial NOA Issue Date on or between October 1, 2011 and December 22, 2011:**

- No adjustments to current or future grant period funding.
- Rebudgeting is not applicable in this instance, since amount awarded in modular budget format.

### **NIH competing awards with modular budgets with an initial NOA Issue Date on/after December 23, 2011:**

- No adjustments to current or future grant period funding.
- Rebudgeting is not applicable in this instance, since amount awarded in modular budget format.

### **NIH non-competing award with categorical budget and an NOA Issue date on or before September 30, 2011:**

- No adjustments to current or future grant period funding.
- Rebudgeting for current award should not be required, because amounts awarded at Level 1 and the Level 1 rate is applicable. Rebudgeting for future grant periods for funds freed up as a result of utilizing the Level II rate may be rebudgeted, unless otherwise restricted in the terms of NOA. Amounts would include salary and applicable fringe benefits awarded at Level I rate minus the actual salary/fringe charged to the project at the Level II rate.

## **Adjustment to Award Amounts & Rebudgeting, cont.**

### **NIH non-competing award with categorical budget and an NOA Issue date on or between October 1, 2011 and December 22, 2011:**

- No adjustments to current or future grant period funding.
- Rebudgeting for current award should not be required, because amounts awarded at Level 1 and the Level 1 rate is applicable. Rebudgeting for future grant periods for funds freed up as a result of utilizing the Level II rate may be rebudgeted, unless otherwise restricted in the terms of NOA. Amounts would include salary and applicable fringe benefits awarded at Level I rate minus the actual salary/fringe charged to the project at the Level II rate.

### **NIH non-competing award with categorical budget and an NOA Issue date on or after December 23, 2011:**

- No adjustments to current or future grant period funding.
- Rebudgeting for current and future grant periods for funds freed up as a result of utilizing the Level II rate may be rebudgeted, unless otherwise restricted in the terms of NOA. Amounts would include salary and applicable fringe benefits awarded at Level I rate minus the actual salary/fringe charged to the project at the Level II rate.

### **NIH non-competing award with modular budgets and an NOA Issue date on or before September 30, 2011:**

- No adjustments to current or future grant period funding.
- Rebudgeting is not applicable in this instance, since amounts awarded in modular budget format.

### **NIH non-competing award with modular budget and an NOA Issue date on or between October 1, 2011 and December 22, 2011:**

- No adjustments to current or future grant period funding.
- Rebudgeting is not applicable in this instance, since amounts awarded in modular budget format.

### **NIH non-competing award with modular budget and an NOA Issue date on or after December 23, 2011:**

- No adjustments to current or future grant period funding.
- Rebudgeting is not applicable in this instance, since amounts awarded in modular budget format.

## Cost Sharing Methodology, Allocations & Examples

### **Mandatory Cost Sharing Account/Fund (“X”):**

Cost sharing obligations mandated by the NIH Salary Cap policy will be maintained and monitored in allocations that end in “X”. The first five digits of the fund number will correspond to the sponsored account/fund, but the sixth digit will be an “X”. The PI and/or their designee will source the applicable amounts/percentages related to the effective Salary Cap Rate charge to this fund/allocation. HRMS contains edits that will automatically calculate the applicable cost sharing figures. See Calculation Methodology below.

Example:	Sponsored Fund –	54321
	Mandatory Cost Sharing Fund –	54321X

### **Voluntary Cost Sharing Account/Fund (“V”):**

In some instances, the NIH project does not contain sufficient funds to charge up to the appropriate NIH Salary Cap limit, so a V (voluntary cost sharing) account/allocation can be used to charge the difference.

Example:	Sponsored Fund –	54321
	Mandatory Cost Sharing Fund –	54321X
	Voluntary Cost Sharing Fund –	54321V

### **Cost Sharing Debit Account:**

The cost sharing Debit account is the actual source of funds for the obligation. The PI and/or the department should provide the Debit account number on the appropriate OSRS forms (see above). The Debit account should meet one of the following criteria:

- An unrestricted ledger class (LC) 12 account, excluding clinical practice accounts.
- An unrestricted LC 22 account, usually a gift or endowment account.
- A non-federal career development award (LC 22)
- The Debit account is entered in profile field #258 and can be viewed on Account Inquiry.
- The Debit account number can be different for the X and V accounts on the same project.
- The department number on the Debit account can differ from the department number utilized on the X and V funds.

### **Month End Process:**

Although cost sharing expenditures (salaries and fringe benefits) associated with the NIH Salary cap are posted directly to the X and/or V accounts, the academic department absorbs these costs via the corresponding Debit account. As part of the monthly general ledger closing process, the FIS system automatically calculates and posts transactions to the X, V and Debit accounts. These transactions are identified in BUOB 50 (salaries and fringe benefits). On a monthly basis, the system will post a credit (negative) entry to the X/V account in an amount equal to the expenditures incurred that month. Similarly, the system will post a debit (positive) entry to the Debit account for the same amount. Accordingly, the X/V account will have a net zero expenditure balance at month end and the Debit account’s expenses will increase by the amounts incurred for cost sharing obligations. The PI and/or his designee should review their X/V accounts and contact SPA if an account does not have a net zero balance at month end.

**NIH Salary Cap Cost Sharing  
HRMS Calculation and Sourcing Examples**

<b>Example - FY 12 Cap Rate (Level II)</b>			<b>Example - Multi Rates (Levels II &amp; I)</b>		
	<u>Annual</u>	<u>Monthly</u>		<u>Annual</u>	<u>Monthly</u>
<b>PI Salary:</b>	\$ 222,000.00	\$ 18,500.00	<b>PI Salary:</b>	\$ 250,000.00	\$ 20,833.33
<b>NIH Salary Cap:</b>	179,700.00	14,975.00	<b>NIH Level II - Grant 5302#</b>	179,700.00	14,975.00
<b>Allowable Grant Salary %:</b>		80.95%	<b>Allowable Grant Salary %:</b>		71.88%
<b>Cost Sharing %:</b>		19.05%	<b>Cost Sharing %:</b>		28.12%
			<b>NIH Level I - Grant 5477#</b>	199,700.00	16,641.67
			<b>Allowable Grant Salary %:</b>		79.88%
			<b>Cost Sharing %:</b>		20.12%
<b><u>Home Dept #3444</u></b>			<b><u>Home Dept - #3444</u></b>		
<b>Fund 5555# Effort:</b>	95%		<b>Fund 5302# Effort:</b>	95%	
<b>Fund 5555# Salary:</b>	210,900.00	17,575.00	<b>Fund 5302# Salary:</b>	237,500.00	19,791.67
<b>NIH Salary Cap (\$179,700):</b>	170,715.00	14,226.25	<b>NIH Salary Cap (\$179,700):</b>	170,715.00	14,226.25
<b>Cost Share</b>		3,348.75	<b>Cost Share</b>		5,565.42
<b><u>Secondary Dept #4333</u></b>			<b><u>Secondary Dept - #4333</u></b>		
<b>Fund 5432# Effort:</b>	4.999%		<b>Fund 5477# Effort:</b>	4.999%	
<b>Fund 5432# Salary:</b>	11,097.78	924.82	<b>Fund 5477# Salary:</b>	12,497.50	1,041.46
<b>NIH Salary Cap (\$179,700):</b>	8,983.20	748.60	<b>NIH Salary Cap (\$199,700):</b>	9,983.00	831.92
<b>Cost Share</b>		176.21	<b>Cost Share</b>		209.54
<b><u>HRMS Sourcing</u></b>	<u>Monthly \$</u>	<u>Monthly %</u>	<b><u>HRMS Sourcing</u></b>	<u>Monthly \$</u>	<u>Monthly %</u>
<b><u>Job #1 (Primary Dept)</u></b>			<b><u>Job #1 (Primary Dept)</u></b>		
22-003444-1120-5555#	14,226.25	80.9459%	22-003444-1120-5302#	14,226.25	71.8800%
22-003444-1120-5555#X	3,348.75	19.0541%	22-003444-1120-5302#X	5,565.42	28.1200%
<b>Total</b>	17,575.00	100.0000%	<b>Total</b>	19,791.67	100.0000%
<b><u>Job #2 (Secondary Dept)</u></b>			<b><u>Job #2 (Secondary Dept)</u></b>		
22-004333-1120-5432#	748.60	80.9459%	22-004333-1120-5477#	831.92	79.8800%
22-004333-1120-5432#X	176.21	19.0541%	22-004333-1120-5477#X	209.54	20.1200%
<b>Total</b>	924.82	100.0000%	<b>Total</b>	1,041.46	100.0000%