



Sponsored Projects Accounting

TO: Business Managers and Research Administrators
FROM: Joseph M. Gindhart, Assistant Vice Chancellor for Finance & Director
DATE: May 12, 2011
SUBJECT: NIH Salary Cap for Federal Fiscal Year 2011

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) **remains consistent** for FY 2011 ([per the NIH Guide Notice NOT-OD-11-073 issued on 5/4/11](#)). [The Department of Defense and Full-year Continuing Appropriations Act of 2011 \(Public Law 112-10\)](#) continues to restrict the amount of direct salary of an individual under an NIH/SAMHSA/AHRQ grant, cooperative agreement or applicable contract to Executive Level I of the Federal Executive Pay Scale. Effective January 1, 2011, the Executive Level I salary level **remains** set at **\$199,700**.

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 Grant Award. Competing and non-competing awards issued during the period 01/01/09 – 12/31/09 must utilize the Federal Fiscal Year 2009 rate(s), competing and non-competing awards issued during the period 01/01/10 – 12/31/10 must utilize the Federal Fiscal Year 2010 rate(s), and awards issued during the period 01/01/11 and beyond can use the Federal Fiscal Year 2011 rate(s) – [which remain consistent with the prior year](#) (see Policy). The NIH also provided some Questions and Answers regarding this issue, and they are attached.

The University's Payroll System (HRMS) will continue to utilize the rate of **\$199,700** for NIH grants funded from Federal Fiscal Year 2009, 2010 and 2011 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 FY11 guidelines issued by the NIH can be found at <http://grants.nih.gov/grants/guide/notice-files/NOT-OD-11-073.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 or me at 314-935-7089 / jgindhart@wustl.edu.

Attachment

Washington University

NIH Salary Cap Policies and Procedures

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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 2009 Awards: The award date on the NIH Notice of Grant Award (competing and non-competing) is on or after 10/01/08, Executive Level 1 rates apply.

<u>Budget Period</u>	<u>Max Salary Rate (ann.)</u>	<u>Max Salary Rate (academic)</u>
01/01/08 - 12/31/08	\$191,300	\$143,475
01/01/09 – 12/31/09	\$196,700	\$147,525
01/01/10 – 12/31/10	\$199,700	\$149,775
01/01/11 and beyond	\$199,700	\$149,775

FFY 2010 Awards: The award date on the NIH Notice of Grant Award (competing and non-competing) is on or after 10/01/09, Executive Level 1 rates apply.

<u>Budget Period</u>	<u>Max Salary Rate (ann.)</u>	<u>Max Salary Rate (academic)</u>
01/01/09 – 12/31/09	\$196,700	\$147,525
01/01/10 – 12/31/10	\$199,700	\$149,775
01/01/11 and beyond	\$199,700	\$149,775

FFY 2011 Awards: The award date on the NIH Notice of Grant Award (competing and non-competing) is on or after 10/01/10, Executive Level 1 rates apply.

<u>Budget Period</u>	<u>Max Salary Rate (ann.)</u>	<u>Max Salary Rate (academic)</u>
01/01/10 – 12/31/10	\$199,700	\$149,775
01/01/11 and beyond	\$199,700	\$149,775

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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 not provide additional funding 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. Accordingly, the amount of salary charged to the project can be increased to the new rate, if there are sufficient remaining funds in the project to cover the additional salary and fringe benefit costs.

Procedures:

Payroll Edit:

- 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 current Notice of Grant was issued. The edit calculates the mandatory cost sharing (X account/allocation) and limits the maximum allowable amount charged to the grant.

Please Note: HRMS will only allow the mandatory cost sharing to be posted to an X account/allocation.

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 **\$199,700** for this project.

Actual Monthly Salary = **18,500.00** (= 222,000 / 12 mo.)

NIH Cap Monthly Limit = **16,641.67** (= 199,700 / 12 mo.)

Allowable Grant Salary Percent (based on NIH Cap) = **89.955%** (= (16,641.67 / 18,500.00) * 100)

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Cost Sharing Percentage = 10.045	(= 100% - 89.955%)
<u>Step #2:</u>	
Monthly Amount of Grant Cost = 16,641.67	(= 18,500.00 * 89.955%)
Monthly Amount of Cost Sharing = 1,858.33	(= 18,500.00 * 10.045%)

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 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 **last** implementation of the new rates in HRMS (**2/1/10**), **initiating any** sourcing document for an individual who is **currently paid** on a grant which is funded from FFY 2009, 2010 or **2011** NIH dollars (date of award is on or after 10/1/08) 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.

- The NIH Salary Cap limits must **continue** to be incorporated **for all new sourcing** during the remainder of the University's FY 2011 and for all grants sourced in FY 2012. 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 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.

<u>Primary Department</u>	<u>Fund Type</u>
22-3444-1120-5555#	Grant Account/Fund
22-3444-1120-5555#X	Cost Sharing Allocation
12-3444-50-9#####	Debit Account
<u>Secondary Department</u>	<u>Fund Type</u>
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 <http://spa.wustl.edu/forms.htm>). 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

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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/nihsalcap_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).

Questions and Answers (Per NIH)

The full text of the FY 2011 implementation guidelines issued by the NIH can be found at <http://grants.nih.gov/grants/guide/notice-files/NOT-OD-11-073.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 rates? No adjustment will be made if an application fails to provide adequate information regarding the individual's actual salary level.
2. Does the NIH appropriation language link the salary cap to a Federal Executive Level or to a dollar level? The link is to the Federal Executive Level pay scale (i.e., Executive Level III for FY 1999, Executive Level II for FY 2000, and Executive Level I for FY's 2001 – 2011).
3. As the cap is linked to Federal Executive Levels, can grantees / contractors with ongoing awards rebudget / charge up to the various caps, based on the fiscal year of the award and the time of the salary expense is incurred? 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 the time frames for existing salary caps, at http://grants.nih.gov/grants/policy/salcap_summary.htm.