NIH Salary Cap FAQs

1. **What is the Salary Cap?**

   The Salary Cap is a limitation on the institutional base salary that an individual can receive under a Department of Health & Human Services (DHHS) awards. The cap is annually determined by Congress and is currently tied to the Executive Level II salary level. The salary cap applies to all grants, cooperative agreements, and contracts from any DHHS agency.

2. **Can salaries subject to the NIH cap be supplemented?**
   Yes. Actual salary paid to an individual is not constrained by the salary cap. Only the salary charged to sources that are subject to the cap are affected. Federal regulations permit institutions to supplement salary paid under awards that are subject to the salary cap using non-federal or non-sponsored funds.

3. **What proposals/awards are subject to the Salary Cap?**
   All grants and cooperative agreements funded by DHHS agencies are subject to the Salary Cap. Some private foundations and non-DHHS federal agencies also have salary limitations, so please check with SMHS Research Affairs if you are unsure.

4. **Does the Salary Cap apply to my award if UND is not the direct recipient or prime awardee (i.e., the award comes to UND from another university)?**
   The Salary Cap is applicable to any award issued to UND where the prime award is subject to the Salary Cap.

5. **How do I find out the current Salary Cap?**
   An annual notice is provided by NIH that states the salary limit (expressed as a maximum institutional base salary) as well as the period that the salary limitation is effective. For all DHHS awards, the applicable Salary Cap is determined by the Award Issue Date stated in the Notice of Award. The applicable cap takes effect on the Project Start Date for new and competing awards, and the Budget Start Date for non-competing awards.
   The current Salary Cap rate and historical rates can be found in the NIH Salary Cap Summary.

6. **What is institutional base salary (IBS)?**
   An individual's institutional base salary (IBS) is the 12-month compensation that the applicant organization pays for an individual's appointment, whether that individual's time is spent on research, teaching, or other activities.
   IBS excludes all forms of Additional Pay and any pay earned outside the employee's Regular Duties, regardless of whether the work is internal or external to UND. For research staff on a 12-month appointment, the IBS is the employee's annual rate of pay.

7. **How do I calculate my annual institutional base salary for an individual on a 9- month faculty appointment?**

For 9-month faculty, the institutional base salary must be calculated by taking the 9- month salary and converting it to 12-month salary for the purposes of proposal preparation. The easiest way to do this is to divide the 9-month salary by 9 to obtain the monthly salary and then multiply the monthly amount by 12 to obtain an annual base salary.

Example:

Faculty member with 9-month appointment = $180,000

$180,000 salary / 9 months = $20,000 monthly salary

$20,000 monthly salary x 12 months = $240,000

$240,000 = annual base salary for faculty member

8. **How do I prepare a proposal budget if I have an individual whose annual institutional base salary exceeds the current Salary Cap?**

Modular Budget

Personnel Justification should include the name, role, and number of person-months devoted to this project for every person on the project. Do not include salary and fringe benefit rate in the justification, but keep in mind the legislatively mandated Salary Cap when calculating your budget. [When preparing a modular budget, you are instructed to use the current cap when determining the appropriate number of modules.]

Detailed Budget

NIH will not provide payment for salaries that exceed the annual salary cap. If a salary request is above the cap, NIH will adjust the corresponding line item to algin with the salary cap, resulting in a reduced total award amount. In future years, if the salary cap increases, grantees may rebudget to cover investigator salaries up to the new salary cap, but NIH will not increase the total award amount. When preparing a detailed budget, it is advised to base the salary request on actual IBS (not the cap) so that NIH staff has the most up-to-date information in hand at the time of award and can apply the appropriate salary cap at that time.

The most common errors in using the salary cap on proposal budgets:

- *Assuming the cap refers only to the salary requested, not the base salary.* For instance, you might only be asking for $10,000 in PI salary on your HHS proposal, but if the base salary is higher than the cap, you will have to make an adjustment.

- Applying inflation to the salary cap in out years. The salary cap should remain flat across the budget years proposed. The cap should not be increased by an inflationary percentage. For

instance, the current salary cap is $212,100 for a 5-year proposal. The salary cap in year 2, year 3, year 4 and year 5 should remain to $212,100.

- *Not adjusting the salary cap to match the appointment*. The salary cap is for a 12- month period. That means that the cap amount is reduced for the 9-month academic period. For instance, the current year salary cap is $212,100. The salary cap amount for the 9-month academic period is: $212,100 *(9/12) = $159,075.

- *Not adjusting the salary cap to match the FTE level*. The cap is for a 1.0 FTE. That means the cap is proportionally reduced for a .75 or .50 FTE. For instance, the current year salary cap is $212,100. The salary cap for a 0.5 FTE employee is: $212,100 * 0.5 = $106,050.

9. How do I account for Over Cap Salary?

For your convenience, we offer the **Budget Tool** and **Detailed Budget Tool** on the SMHS Grants Management website, conveniently located under 'Forms and Templates > Proposals Submission Forms'. Simply input the base salary and total effort, and the salary limit will be calculated automatically for you.

Salary Cap Table		
Line 9	Line 10	
9,375.00	9,375.00	Salary Per Pay Period
8,837.50	8,837.50	Salary Cap Per pay Period
212,100.00	212,100.00	Salary Cap Amount

Key Personnel	Project Role	Base Salary	Total Effort	Unpaid Effort	Paid Effort	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
Enter Name Here	PD/PI	225,000	25.00%	1.43%	23.57%	53,025	54,616	56,254	57,942	59,680	281,517
Enter Name Here	Co-PD/PI	225,000	25.00%	1.43%	23.57%	53,025	54,616	56,254	57,942	59,680	281,517

The snapshot above is from the Detailed Budget Tool in Grants Management website. Based on the snapshot, the current salary cap is $212,100, while the PI's Institutional Base Salary amounts to $225,000. Additionally, the PI has dedicated 25% effort towards the proposal.

- The unpaid effort = [(225,000-212,100)/225,000] * 25% = 1.43%
- The paid effort = (212,100/225,000) * 25% = 23.57%, or 25% - 1.43 = 23.57%
- Year 1 salary limit from the award = 225,000 * 23.57% = $53,025 **(The dissimilarity in decimal point retention accounts for the variance between excel calculations and actual calculations).**

10. Do I need to submit any additional materials when I receive the award with over salary cap personnel?

Yes. If you receive an award and you have personnel over the salary cap, you are required to complete a Cost Share Form along with your Award Budget Setup Form, which can be accessed on the SMHS Grants Management website under the section 'Form and Templates > Post-Award Forms. The fund number designated for Unpaid Effort is 30606.

Utilizing the same salary and effort percentage mentioned in question 9, the snapshot below will present your completed UND Cost Share form:

| | UND COST SHARE | | | F&A (INDIRECT COST) RATE FOR PROPOSAL = | | 0.00% |

| COST SHARE DEPARTMENT | 8015 |
| DESIGNATED COST SHARE FUND | 30606 |

Note: On July 1 if salaries go up for capped individuals the PFF should be changed which then changes the table below so be sure to email the cost share change to Post Award (Becky) also.

Effort Table

Notes:	Name	Empl ID	Fund	Unpaid Effort %
Total effort committed is 25% with 23.57% paid	Over Salary Cap Personnel's name	*******	30606	1.43

| ◄ | Sponsored funding budget | **UND Cost Share** | Third Party Cost Share | Third Party In Kind | ⊕ |

Please contact SMHS Research Affairs for additional guidance if you have questions.