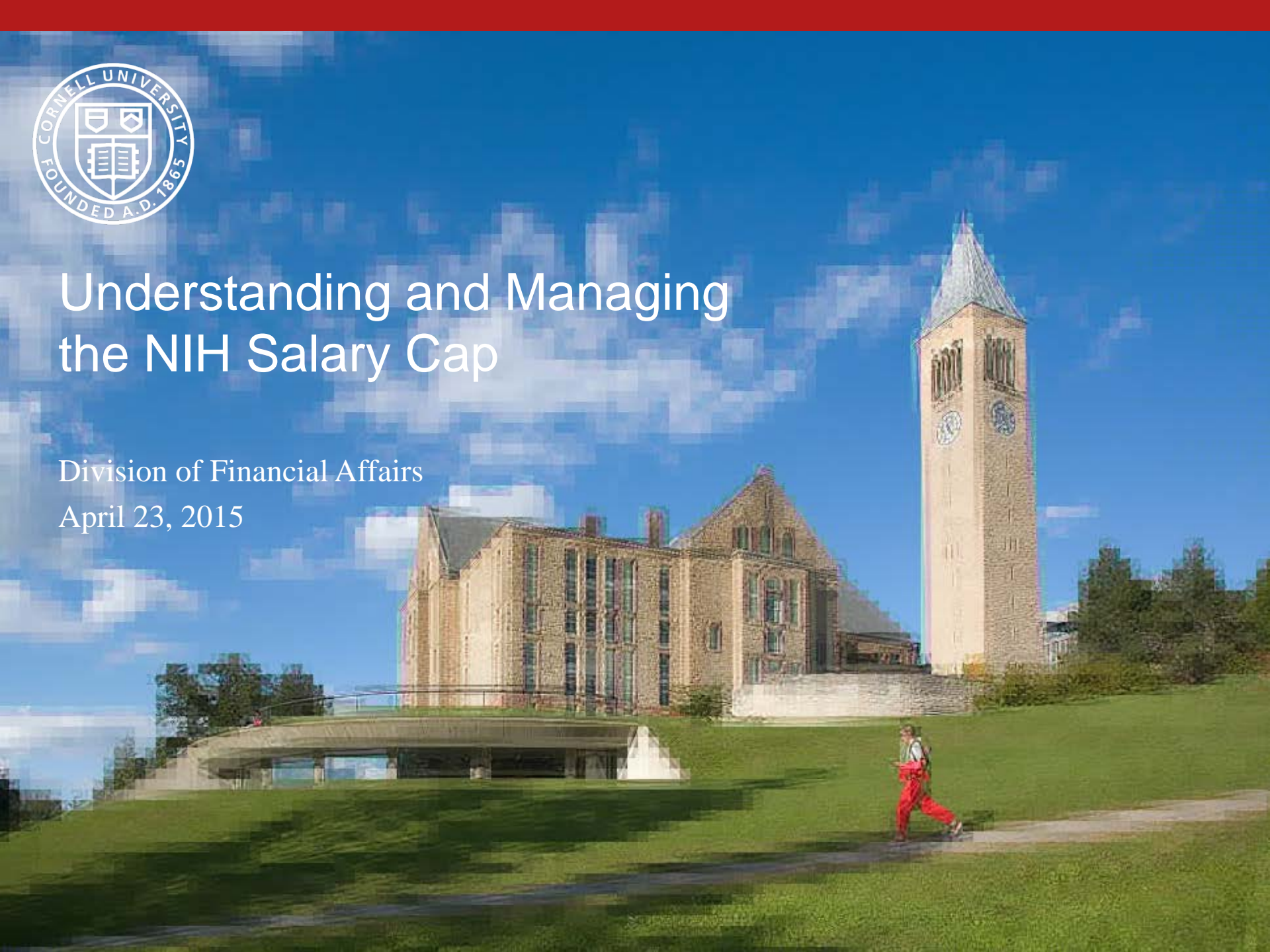




# Understanding and Managing the NIH Salary Cap

Division of Financial Affairs  
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# Program Agenda

- Background
- Cap levels and effective periods
- Impact on proposal budgets
- Accounting for the cap
- Details of calculation
- Questions



# Understanding and Managing the NIH Salary Cap

## BACKGROUND



## Background

- The NIH Salary cap was first instituted in 1990
- Cap is imposed by Congress, through the annual appropriation bill funding NIH
- Most recently the cap has been tied to the federal Executive Level II salaries. When the EL-II rate goes up, so does the cap.
  - Prior to 2012 the cap was tied to the EL-I (higher) rate
- The cap is imposed on the *rate* of pay
- Volunteered effort (e.g. saying that one will work 5%, and not charging it to the project) is not a factor in the management of the cap. This effort is recorded at actual cost.



## Rate of Pay

- The NIH expresses the cap as a rate of dollars per full year that they will pay for someone's salary
  - “An individual's institutional base salary [IBS] is the annual compensation that the applicant organization pays for an individual's appointment, whether that individual's time is spent on research, teaching, patient care, or other activities.”
  - At Cornell IBS excludes salary supplements and allowances.
- Based on the IBS below, what is annual *rate* of pay:
  - Vet professor, with a 12 month, full time, appointment, earning \$8,333.33 semi-monthly?
  - Plant Biology professor, with a 9 month, full time appointment, earning \$150,000 per year?
  - Research scientist, with a 3 month, summer, quarter time appointment at \$4,166.67 per month?



## What is the annual rate of pay of a:

- Vet professor, with a 12 month, full time, appointment, earning \$8,333.33 semi-monthly?
  - $8,333.33 \times 2 \times 12 = \$200,000$
- Plant Biology professor, with a 9 month, full time appointment, earning \$150,000 per year?
  - $(150,000/9) \times 12 = \$200,000$  (or  $150,000 \times 12/9$ ths)
- Research scientist, with a 3 month, summer, quarter time appointment at \$4,166.67 per month?
  - $4,166.67 \times 4 \times 12 = \$200,000$



# Understanding and Managing the NIH Salary Cap

## CAP LEVELS and EFFECTIVE PERIODS



## Cap Levels

- Cap is currently tied to the federal Executive Level II salary
- As of January 11, 2015 that amount is \$183,300
  - This rate is for full time, 12 month service
  - This translates to \$137,475 for a 9 month appointment
- Googling “nih salary cap level” will take you to [http://grants.nih.gov/grants/policy/salcap\\_summary.htm](http://grants.nih.gov/grants/policy/salcap_summary.htm) which is the cap summary from 1990 to the present





[http://grants.nih.gov/grants/policy/salcap\\_summary.htm](http://grants.nih.gov/grants/policy/salcap_summary.htm)

## Salary Cap Summary (FY 1990 - Present)

### FY 2015 Awards Issued

|  |           |
|--|-----------|
| October 1, 2014 through January 10, 2015 (Executive Level II)    | \$181,500 |
| January 11, 2015 through September 30, 2015 (Executive Level II) | \$183,300 |

### FY 2014 Awards Issued

|  |           |
|--|-----------|
| October 1, 2013 through January 11, 2014 (Executive Level II)    | \$179,700 |
| January 12, 2014 through September 30, 2014 (Executive Level II) | \$181,500 |

### FY 2013 Awards Issued

|   |           |
|---|-----------|
| October 1, 2012 through September 30, 2013 (Executive Level II) | \$179,700 |
|---|-----------|



## Effective Periods

- Awards
  - Awards are made at the level in effect when the award (or increment) is made. For example, an award made in November 2013 would only fund salaries up to a rate of \$179,700 per year
- Expenditures
  - Expenditures may be made up to the level in effect at the time of the expenditure. For example, a payment from the above award, in February 2014, could be at a rate up to \$181,500.



# Understanding and Managing the NIH Salary Cap

## IMPACT ON PROPOSAL BUDGETS



# Proposal Budgets

- Proposal should budget and indicate the full, institutional base salary (IBS), for all individuals.
  - For example: Professor Lopez is working 10% on project A, she makes \$200,000 per academic year
    - Her budgeted effort is \$20,000, her IBS is \$200,000.
    - Remember, IBS excludes administrative supplements and allowances
- The NIH may reduce the award to the capped level in effect at the time of award or increment.
  - If awarded by the NIH today, Professor Lopez's salary would be limited to \$13,747 (10% effort on 9/12ths [9 month appt] of the cap)
  - To jump ahead, the difference between \$20,000 and \$13,747 must be accounted for separately.



# Understanding and Managing the NIH Salary Cap

## ACCOUNTING FOR THE CAP



## Accounting for the Cap

- Policy 3.11, Effort Planning, details this procedure
- At least one KFS cost sharing (type CS) sub account must be established for each NIH award on which capped individuals are working.
  - This sub account cannot be used for any other purpose (e.g. cost shared effort or other expenses) and the title must begin with NIH CAP.



## Accounting for the Cap

- In our previous example Professor Lopez was devoting 10% to the project. However, of that \$20,000, only \$13,747 may be charged.
- The salary should be allocated as follows
  - 6.87% to the NIH award account
    - $6.87 \times 200,000 = 13,747$
  - 3.13% to the Salary Cap Cost sharing subaccount
    - $3.13 \times 200,000 = 6,253$
- These allocations should be in place for each pay.
  - Avoid doing catch up adjustments which undermine our compliance credibility



## Accounting for the Cap: Summer Salary

- An individual may opt to be paid their summer salary at the cap level.
  - In this case a cost sharing sub account is not necessary
  - However, it is critical that the limitation is documented and that there is no pay “taking the place” of the above the cap portion
  - E.g. Prof. Wan, who normally earns \$197,000 per academic year, may be paid at the rate of \$15,275 per summer month (cap level) rather than \$21,889 (IBS).
    - None of the 6,614 can be paid from a sponsored source, since he is being paid at the cap level.
    - If he *were* paid at his IBS, the 6,614 would be in an NIH CAP cost sharing sub account.
    - In either case, the amount paid must represent a full month of work, regardless of the percentage of the IBS





# Understanding and Managing the NIH Salary Cap

## DETAILS OF THE CALCULATION



## Calculation

- The impact of the cap when there is a stated level of effort.
  - Assume 9 month IBS of \$160,000, 12 month cap of \$183,300, 15% effort
  - 15% of 9 month cap is  $.15 \times .75 \times 183,300 = 20,621$   
this is the maximum amount that can be charged
  - 15% of the IBS is  $.15 \times 160,000 = 24,000$
  - $(20,621/160,000)$  or 12.89% is the portion to charged the award
  - $(24,000-20,621)/(160,000)$  or 2.11% is charged to the NIH CAP sub account



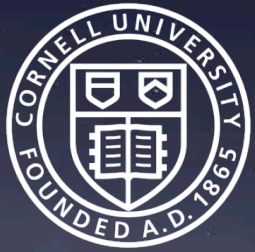
## Calculation

- The impact of the cap when there is a stated amount to charge to the award.
  - Assume 9 month IBS of \$175,000, 12 month cap of \$183,300, \$25,000 on the award.
  - This individual's rate exceeds the cap by  $175,000 - (183,300 \times .75) = 37,525$
  - To charge \$25,000 the individual would allocate  $25,000/175,000 = 14.29\%$  to the award account. There must also be an allocation of  $(25,000/(183,300 \times .75)) - 14.29 = 3.90\%$  to the NIH CAP sub account for the cap exceedance.
  - Thus, to charge the award \$25,000 the person must be working at least  $3.90 + 14.29 = 18.19\%$  of the time on the project during that period. (Note: 18.19% equals 25,000 / 9 month cap)



# Understanding and Managing the NIH Salary Cap

## QUESTIONS



For further information contact:  
[uco-cost@cornell.edu](mailto:uco-cost@cornell.edu)

