



UNIVERSITY OF NEW HAMPSHIRE

DHHS Salary Cap

Frequently Asked Questions

General Information

What is the Salary Cap?

The Salary Cap is a limitation on the direct salary that an individual can receive under a [Department of Health & Human Services \(DHHS\)](#) awards. The salary cap applies to all grants, cooperative agreements, and contracts from any DHHS agency.

Why is this important?

The Salary Cap limits the amount of salaries and wages for an employee that can be charged to an award. The limitation is legislatively mandated each year by Congress and is currently tied to the Executive Level II salary level. The Salary Cap does not limit the amount of compensation paid to an employee, but it does limit the amount that the funding agency will reimburse for that individual's effort on the project.

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 SPA if you are unsure.

Does the Salary Cap apply to my award if UNH is not the direct recipient or prime awardee (i.e., the award comes to UNH from another university)?

The Salary Cap is applicable to any award issued to UNH where the prime award is subject to the Salary Cap.

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 at http://grants.nih.gov/grants/policy/salcap_summary.htm

What is institutional base salary?

An individual's institutional base salary is the annual 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 UNH. For research staff on a 12-month appointment, the institutional base salary is the employee's annual rate of pay.

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 multiplying the monthly amount by 12 to obtain an annual base salary

Example:

Faculty member with 9 month appointment = \$135,000

\$135,000 salary / 9 months = \$15,000 monthly salary

\$15,000 monthly salary x 12 months = \$180,000

\$180,000 = annual base salary for faculty member

Proposal Preparation

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

Modular Budget

The 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: Personnel (Sections A & B)

Salary Caps: NIH will not pay requested salary above the annual salary cap, which can be found at https://grants.nih.gov/grants/policy/salcap_summary.htm. If salary is requested above the salary cap, NIH will reduce that line item to the salary cap, resulting in a reduced total award amount. In future years, if the salary cap increases, grantees may rebudget to pay investigator salaries up to the new salary cap, but NIH will not increase the total award amount. If you are preparing a detailed budget, you are instructed to base your request on actual institutional base salaries (not the cap) so that NIH staff has the most current 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 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.
- 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.
- 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.

The SF424 requires effort to be expressed as person-months. How do I convert level of effort into person months?

NIH has provided guidance on how to convert % effort into person months on their FAQ at http://grants.nih.gov/grants/policy/person_months_faqs.htm

I'm still confused! Where can I get more help?

Additional guidance on preparing proposal budgets can be found on the NIH Grants website at http://grants.nih.gov/grants/developing_budget.htm#years

If you still have questions, please contact your Grants & Contracts Administrator for more additional guidance on how to prepare your proposal budget.

Internal Processes

NEW - Do I need to submit any additional materials with my routing package if someone on my proposal has an annual institutional base salary over the current cap?

Yes. If you are proposing someone over the cap, you must complete a Cost Share Form. This will be used to track actual salary paid to individual above the salary cap.

How do I account for salary above a rate cap?

The NIH Salary Cap is the maximum amount of salary that can be charged to an NIH award. The salary cap does not limit total UNH compensation but only the portion of compensation that is charged to the award.

The difference between the percentage of total salary and the allowable salary must be charged to a non-sponsored account. Since this overage cannot be charged to an NIH grant, it also cannot be used to meet any cost-sharing commitments.

As an example, if a 12-month employee is paid over the salary cap and is providing 10% of his or her effort on an NIH award, 10% of the capped amount for the corresponding time period can be charged.

Annual Salary: \$200,000

NIH Cap: \$189,600

Effort on NIH grant: 10%

Maximum salary charge to NIH grant = Effort % X NIH Cap = 10% X \$189,600 = \$18,960

Actual salary earned = Effort % X Annual Salary = 10% X \$200,000 = \$20,000

The difference between the salary charged to NIH and the actual salary, i.e., \$1,040 must be paid from an university account. As it is not an NIH allowable expense it cannot be used as cost share match but it must be tracked.

As another example, a faculty member wishes to charge one month's summer effort to her NIH grant. The faculty member's academic salary is \$180,000. The monthly salary is \$20,000 (\$180,000/9 months). The monthly salary of \$20,000, exceeds the NIH rate cap of \$15,800 (\$189,600/12 months). One month's effort on the NIH award X \$15,800 (monthly NIH cap) = \$15,800. \$15,800 is the maximum amount that may be charged to the award. \$4,200 (\$20,000 actual salary - \$15,800 NIH monthly salary cap) would need to be charged to the faculty member's help account if they wish to support the difference.

Note: In general, faculty with a 9-month appointment and receiving summer compensation from a sponsored project are not compensated by UNH for salary over a sponsor imposed rate cap, however, faculty can use funds from their help accounts to support the difference.