LSA Guidelines for Salary Cap Management

What is a salary cap?
The National Institutes of Health (NIH), other U.S. Department of Health and Human Services (HHS) agencies, and certain other funding agencies limit the amount of salary that can be charged to sponsored awards. NIH provides a list of current and historical salary caps at [http://grants.nih.gov/grants/policy/salcap_summary.htm](http://grants.nih.gov/grants/policy/salcap_summary.htm). For FY 15, the amount of direct salary is capped at Executive Level II of the federal Executive Schedule, which is $183,300 as of January 11, 2015.

The salary cap applies to an individual’s institutional base salary, which is the annual compensation that the University pays for an individual’s appointment, whether that individual’s time is spent on research, teaching, patient care, or other activities. The cap does not limit the amount of salary the University can pay an individual; rather, it limits the amount that can be charged to the sponsored project. Please note, the cap amounts shown on the NIH website are for 12-month appointments. For 9-month appointments, the salary cap is 9/12ths of the amount shown ($137,475 as of January 11, 2015). For example:

- An individual whose base salary is $200,000 and who is appointed at 20% effort on an NIH project for a 12-month appointment would charge $36,660 salary to the project (20% * $183,300), rather than $40,000 (20% of base salary)
- An individual whose base salary is $150,000 and who is appointed at 20% effort on an NIH project for a 9-month appointment would charge $27,495 salary to the project (20% * 9/12 * $183,300), rather than $30,000 (20% of base salary)

How is over-cap salary flagged?
Salary that exceeds the cap should be charged to program code NIHCP in a non-sponsored fund. This allows it to be easily identified for reporting and auditing purposes. In the example above for a 9-month appointment, the individual’s Department Budget Earnings (DBE) record for the academic year might look like this:

<table>
<thead>
<tr>
<th>Short Code</th>
<th>% Effort</th>
<th>% Dist</th>
<th>Effective Date</th>
<th>End Date</th>
<th>Comp Rt Dist</th>
<th>Fund</th>
<th>Dept ID</th>
<th>Program</th>
<th>Class</th>
<th>Project Grant</th>
<th>Activity</th>
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<tbody>
<tr>
<td>123456</td>
<td>50.00%</td>
<td>50.00%</td>
<td>9/1/2xxx</td>
<td>5/31/2xxx</td>
<td>75,000</td>
<td>10000</td>
<td>17000</td>
<td>LIREG</td>
<td>11000</td>
<td></td>
<td>Instruction</td>
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<tr>
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<td>30.00%</td>
<td>30.00%</td>
<td>9/1/2xxx</td>
<td>5/31/2xxx</td>
<td>45,000</td>
<td>10000</td>
<td>17000</td>
<td>LIREG</td>
<td>21000</td>
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<tr>
<td>17xxxx</td>
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<td>9/1/xxxx</td>
<td>5/31/xxxx</td>
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<td>10000</td>
<td>17000</td>
<td>NIHCP</td>
<td>22000</td>
<td>UXXXXX</td>
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<tr>
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<td>18.33%</td>
<td>9/1/xxxx</td>
<td>5/31/xxxx</td>
<td>27,495</td>
<td>20000</td>
<td>17000</td>
<td>10000</td>
<td>22000</td>
<td>F0xxxx</td>
<td>Sponsored Funds</td>
</tr>
</tbody>
</table>
How is over-cap salary funded?
The funding source for salary in excess of the cap depends on the nature of the appointment to the sponsored project. The three most common situations we see in LSA are:

1) **True Academic Year effort on sponsored project – College of LSA funds over-cap salary and fringes**
   The College of LSA funds regular academic year appointments for tenure-track faculty on program LIREG via the monthly revenue offset allocations. When a portion of a faculty member’s academic year effort is charged to an external grant, LIREG funds are used to cover the over-cap salary and fringes. The department processes a journal entry to fund the over-cap salary and fringes on program NIHCP from LIREG, and the College funds LIREG through the monthly revenue offset allocations.

2) **Academic Year effort to cover half month summer salary – Department or faculty member funds over-cap salary and fringes**
   The University’s SPG 201.04 limits summer appointments on sponsored research (direct costs or cost-sharing) to a maximum of 2.5 months. If a faculty member has been granted permission to fund two and a half months of summer salary from externally sponsored research, s/he may be permitted to fund an additional half month of summer salary from the general fund summer-salary program, LSMRN (refer to [Request for Summer Appointment in Excess of Two Months](link) policy).
   To fund the half month of summer salary on LSMRN, a portion of academic year salary may be charged to the sponsored project. The academic year effort on the sponsored project creates LIREG savings which are used to fund LSMRN. However, the LIREG savings are not sufficient to cover the over-cap salary and associated fringes; so the over-cap salary and associated fringes must be funded by the faculty member’s department or by the faculty member’s discretionary research funds.

3) **Summer ninth on sponsored project – Department or faculty member funds over-cap salary and fringes**
   Summer salary and fringe benefits are incremental costs to the College of LSA. Therefore, the over-cap salary and fringes must be funded by the faculty member’s department or by the faculty member’s discretionary research funds.