

Pre/Post-Award Guidance: NIH Salary Cap & NSF Two-Month Rule

Laura V. Paller, MPA, CRA, Senior Contract & Grants Specialist
Charanjeet Kaur, Assistant Director – Post Award Administration

Objectives

- Review NIH guidance on salary limitation for grants
- Learn how to budget salary on NIH proposals
- Post award accounting of NIH supported salary on grants

- Review NSF “two-month” rule
- Learn how to budget salary on NSF proposals
- Post award accounting of NSF supported salary on grants



What is the NIH Salary Cap?

- Introduced by Congress in 1990
- It is a federally-mandated limitation placed on the 12-month salary rate *that can be directly charged to grants and cooperative agreements*
- Updated annually via the Department of Defense and Labor, Health and Human Services, and Education Appropriations Act
- It is NOT:
 - A limitation on how much a PI can be paid by the university
 - Applicable to consultants

What is the current NIH salary cap?

Salary Cap Summary (FY 1990 - Present)

FY 2019 Awards Issued

October 1, 2018 through January 5, 2019 (Executive Level II)	\$189,600
January 6, 2019 through September 30, 2019 (Executive Level II)	\$192,300

FY 2018 Awards Issued

October 1, 2017 through January 6, 2018 (Executive Level II)	\$187,000
January 7, 2018 through September 30, 2018 (Executive Level II)	\$189,600

FY 2017 Awards Issued

October 1, 2016 through January 7, 2017 (Executive Level II)	\$185,100
January 8, 2017 through September 30, 2017 (Executive Level II)	\$187,000

https://grants.nih.gov/grants/policy/salcap_summary.htm

Budgeting PI Salary Over the Cap

Appointment Type: 9 months

Full Time Annual Rate: \$175,000

Effort: 1.75 person months (PM)

PI salary calculation:

$\$175,000/9 = \$19,444$ ← this is your **PI's monthly rate**

$\$19,444*1.75 \text{ PM} = \$34,027$ ← this is **1.75 PM salary**

NIH salary cap calculation:

$\$192,300/12 = \$16,025$ ← this is the **monthly rate at the NIH cap**

$\$16,025*1.75 \text{ PM} = \$28,043$ ← this is **1.75 PM salary at the NIH cap**

Budgeting PI Cost Share Salary Over the Cap

Appointment Type: 9 months

Full Time Annual Rate: \$175,000

Effort: 1.75 person months (PM)

$\$19,444 * 1.75 \text{ PM} = \$34,027 \leftarrow \text{PI's 1.75 PM actual salary}$

$\$16,025 * 1.75 \text{ PM} = \$28,043 \leftarrow \text{1.75 PM Capped salary}$

Cost Share Calculation:

$\$34,027 - \$28,043 = \$5,984 \leftarrow \text{This is your cost share amount}$

NIH Salary Cap Math

There are four variables in the salary cap calculation for an individual:

- Salary Cap at time of project period
 - Published on NIH website
- IBS for project period (See Section II.E. of UD's [Effort Certification Policy](#))
 - IBS: An individual's total compensation for activities for which they were hired over a 12-month project period
- Amount of Direct Salary Charged to Sponsor
- Amount of Salary Cost shared for the period
 - Must be **tagged** as cost share in the university's General Ledger (i.e. salary line must have the same project ID as the project it is cost share for)

Common Post Award Errors

Salary is distributed as per budget

- NIH Cap = \$189,600 CY; 100% one month = \$15,800
- Budgeted Effort = 1/9; Salary at the time of budget $\$142,200/9 = \$15,800$;
- Salary at the time of allocation \$147,888, after 4% increase = \$16,432;
- If allocated 100% with the increase, salary will be \$632 over the cap.

Salary increase during the award period needs to be considered

Small change in distribution

- AY Salary = \$147,888; 100% one month = $\$147,888/9 = \$16,432$
- Instead of 100% we allocated 96% to match the budget = \$15,775
- Salary is still over the cap by \$607; salary cap $\$15,800 * 96\% = \$15,168$

Salary cap percentage will also change with actual salary distribution percentage

The Reconciliation Tool

- The tool has two methods of analysis: Monthly and Annually
- The Annual tab is used at closeout and during annual reconciliations by the Research Office
- The Monthly tab is designed to allow departments to closely monitor the cap during the project lifecycle

INSTRUCTIONS: Input the amount of salary directly charged, salary cost shared, and the pay received for each month of each project year. If no salary was charged or cost shared during a month, leave "Direct" and "Cost Shared" blank, but include the pay received for the month. For direct, cost share, and salary amounts, reference the GMQ_TRANSACTIONS_SALARY query in UD Financials. Only enter information into the blank white boxes.

Name:													
Employee ID:													
Award:													
Project:													
Start Date:													
End Date:													
Date Range:													
Salary Cap:													
Period 1	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Direct													\$ -
Cost Shared													\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll													\$ -
Cap	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Over/(Under)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Date Range:													
Salary Cap:													
Period 2	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Direct													\$ -
Cost Shared													\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Monthly Analysis Annual Analysis NIH Salary Cap

Monthly Analysis

INSTRUCTIONS: Input the amount of salary directly charged, salary cost shared, and the pay received for the entire year-long project funding period. For direct, cost share, and salary amounts, reference the GMQ_TRANSACTIONS_SALARY query in UD Financials. Only enter information into the blank white boxes. If the project funding period is less than one year, an entire year's pay should still be input into the "Total Pay" field.

Name:	
Employee ID:	
Award:	
Project:	
Start Date:	
End Date:	
Period 1 Date Range:	
NIH Salary Cap as of Period Start Date: <small>(Prorate if Salary Cap changes mid-period)</small>	
Total Direct Salary Charged:	
Total Cost Share Salary:	
Total Salary Charged to Project:	\$ -
Period 2 Date Range:	
NIH Salary Cap as of Period Start Date: <small>(Prorate if Salary Cap changes mid-period)</small>	
Total Direct Salary Charged:	
Total Cost Share Salary:	
Total Salary Charged to Project:	\$ -

Monthly Analysis Annual Analysis NIH Salary Cap

Annual Analysis

The Reconciliation Tool -Monthly Analysis

INSTRUCTIONS: Input the amount of salary directly charged, salary cost shared, and the pay received for each month of each project year. If no salary was charged or cost shared during a month, leave "Direct" and "Cost Shared" blank, but include the pay received for the month. For direct, cost share, and salary amounts, reference the GMQ_TRANSACTIONS_SALARY query in UD Financials. Only enter information into the blank white boxes.

Name:	
Employee ID	
Award:	
Project:	
Start Date:	
End Date:	

Enter start and end date of award period 1

Total Salary Cap not monthly

Faculty salary directly charged to the NIH award

Here you will enter salary cost shared for the faculty, for the same award and period

Date Range:													
Salary Cap:													
Period 1	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Direct													\$ -
Cost Shared													\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll													\$ -
Cap	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Over/(Under)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Total salary paid to the faculty from all sources also known as IBS

Date Range:													
Salary Cap:													
Period 2	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Direct													\$ -
Cost Shared													\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Monthly Analysis

Annual Analysis

NIH Salary Cap



Using the Monthly Reconciliation Tool

Date Range:	6/1/17 - 5/31/18				
Salary Cap:	\$ 187,000.00	\$ 187,000.00	\$187,000.00	\$ 187,000.00	\$187,000.00
Period 1	Month 1	Month 2	Month 3	Month 4	Month 5
Direct	\$ 6,000.00	\$ 5,500.00	\$ 4,000.00		
Cost Shared	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00		
Total	\$ 8,000.00	\$ 7,500.00	\$ 6,000.00	\$ -	\$ -
Payroll	\$ 25,000.00	\$ 21,000.00	\$ 20,000.00	\$ 18,500.00	\$ 18,500.00
Cap	\$ 4,986.67	\$ 5,565.48	\$ 4,675.00	\$ -	\$ -
Over/(Under)	\$ 1,013.33	\$ (65.48)	\$ (675.00)	\$ -	\$ -

Using the Monthly Reconciliation Tool

Date Range:	6/1/18 - 8/31/18												
Salary Cap:	\$ 189,600.00	\$ 189,600.00	\$ 189,600.00										
Period 2	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Direct	\$ 2,500.00	\$ 800.00	\$ 1,500.00										\$ 4,800.00
Cost Shared	\$ 500.00	\$ 700.00	\$ 200.00										\$ 1,400.00
Total	\$ 3,000.00	\$ 1,500.00	\$ 1,700.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,200.00
Payroll	\$ 25,000.00	\$ 26,000.00	\$ 25,000.00	\$ 19,000.00	\$ 19,000.00	\$ 19,000.00	\$ 19,000.00	\$ 19,000.00	\$ 19,000.00	\$ 19,000.00	\$ 19,000.00	\$ 19,000.00	\$ 247,000.00
Cap	\$ 1,896.00	\$ 911.54	\$ 1,074.40	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,759.19
Over/(Under)	\$ 604.00	\$ (111.54)	\$ 425.60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40.81

- Even if the last period of a project is less than 12 months (due to a no-cost extension, etc.), the total payroll information for all 12 months must be filled out
 - This is because the salary cap is a limit on an employee’s **rate of earning** based on an employee’s full-time compensation
- If payroll data is not yet available for the remaining months of a project period, a projection based off of HR Webviews is acceptable

Using the Monthly Reconciliation Tool

Name:	John Smith													
Employee ID	123456789													
Award:	987654321													
Project:	PHYT123456													
Start Date:	6/1/2017													
End Date:	8/31/2018													
Date Range:	6/1/17 - 5/31/18													
Salary Cap:	\$ 187,000.00	\$ 187,000.00	\$187,000.00	\$ 187,000.00	\$187,000.00	\$187,000.00	\$187,000.00	\$187,000.00	\$189,600.00	\$189,600.00	\$189,600.00	\$189,600.00	\$189,600.00	
Period 1	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total	
Direct	\$ 6,000.00	\$ 5,500.00	\$ 4,000.00			\$ 1,000.00	\$ 800.00	\$ 500.00	\$ 500.00	\$ 500.00			\$ 18,800.00	
Cost Shared	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00			\$ 100.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00			\$ 7,300.00	
Total	\$ 8,000.00	\$ 7,500.00	\$ 6,000.00	\$ -	\$ -	\$ 1,100.00	\$ 1,100.00	\$ 800.00	\$ 800.00	\$ 800.00	\$ -	\$ -	\$ 26,100.00	
Payroll	\$ 25,000.00	\$ 21,000.00	\$ 20,000.00	\$ 18,500.00	\$ 18,500.00	\$ 18,500.00	\$ 18,500.00	\$ 18,500.00	\$ 18,500.00	\$ 18,500.00	\$ 18,500.00	\$ 18,500.00	\$ 232,500.00	
Cap	\$ 4,986.67	\$ 5,565.48	\$ 4,675.00	\$ -	\$ -	\$ 926.58	\$ 926.58	\$ 683.24	\$ 683.24	\$ 683.24	\$ -	\$ -	\$ 21,101.71	
Over/(Under)	\$ 1,013.33	\$ (65.48)	\$ (675.00)	\$ -	\$ -	\$ 73.42	\$ (126.58)	\$ (183.24)	\$ (183.24)	\$ (183.24)	\$ -	\$ -	\$ (2,301.71)	
Date Range:	6/1/18 - 8/31/18													
Salary Cap:	\$ 189,600.00	\$ 189,600.00	\$189,600.00											
Period 2	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total	
Direct	\$ 2,500.00	\$ 800.00	\$ 1,500.00										\$ 4,800.00	
Cost Shared	\$ 500.00	\$ 700.00	\$ 200.00										\$ 1,400.00	
Total	\$ 3,000.00	\$ 1,500.00	\$ 1,700.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,200.00	
Payroll	\$ 25,000.00	\$ 26,000.00	\$ 25,000.00	\$ 19,000.00	\$ 19,000.00	\$ 19,000.00	\$ 19,000.00	\$ 19,000.00	\$ 19,000.00	\$ 19,000.00	\$ 19,000.00	\$ 19,000.00	\$ 247,000.00	
Cap	\$ 1,896.00	\$ 911.54	\$ 1,074.40	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,759.19	
Over/(Under)	\$ 604.00	\$ (111.54)	\$ 425.60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40.81	

Monthly Analysis

Annual Analysis

NIH Salary Cap



The Reconciliation Tool -Annual Analysis

Period 1 Date Range:		6/1/17 - 5/31/18
NIH Salary Cap as of Period Start Date: <small>(Prorate if Project Period Covers Multiple Caps)</small>	\$	187,975.00
Total Direct Salary Charged:	\$	18,800.00
Total Cost Share Salary:	\$	7,300.00
Total Salary Charged to Project:	\$	26,100.00
Total Pay for One Year Beginning with Period Start Date:	\$	232,500.00
Actual Effort Based on Salary Charged:		11%
Calculated Salary Cap:	\$	21,101.71
Over/(Under) Cap: <small>If over, this is the amount that needs to be transferred from direct to cost share</small>	\$	(2,301.71)

- The annual analysis tab uses the exact same math as the “Total” column on the monthly analysis tab
- The inputs remain essentially the same: published salary cap (prorated if project period covers multiple published caps), total direct salary, total cost share, and total pay (IBS) for the one-year period
 - Do not enter information in the gray boxes
- The annual calculation reveals the effort spent on the project for that period

Using the Annual Reconciliation Tool

Period 2 Date Range:		6/1/18 - 8/31/18
NIH Salary Cap as of Period Start Date: <small>(Prorate if Project Period Covers Multiple Caps)</small>	\$	189,600.00
Total Direct Salary Charged:	\$	4,800.00
Total Cost Share Salary:	\$	1,400.00
Total Salary Charged to Project:	\$	6,200.00
Total Pay for One Year Beginning with Period Start Date:	\$	247,000.00
Actual Effort Based on Salary Charged:		3%
Calculated Salary Cap:	\$	4,759.19
Over/(Under) Cap: <small>If over, this is the amount that needs to be transferred from direct to cost share</small>	\$	40.81

- Just as with the monthly analysis tool, a full year's pay must be used, even if the period's start and end date cover a period less than 12 months
- If the over/(under) cap calculation is (green), the individual is compliant with the cap
 - If the calculation is red, the number is the amount that must be moved from direct salary charged to cost share for the project

Is the use of the calculator mandatory?

While not mandatory, the use of the calculator is strongly recommended. The Research Office will be using the calculator to report to the NIH and respond to audit inquiries regarding cap compliance.

If an alternative method is used, the number outputs from that method must match up with the number outputs from the calculator, assuming the inputs are the same.

Common Questions

Who pays for the salary “over the cap”?

Funds can be used to cover the “over the cap” amount from non-sponsored/unrestricted supplemental funds or a department/college purpose code as part of the faculty’s departmental research workload

Can a PI reduce their effort so they are below the salary cap?

No, a PI’s effort is proportional to the salary requested from the sponsor.

How do I know if a Chair, who receives supplemental pay, is over the cap?

For anyone receiving supplemental pay (extra ninths or administrative supplements), calculations are based only on their full time annual rate.

Common Questions

How do I determine which cap amount is applicable?

Salary at the current cap level may be charged to a grant regardless of the issue date of the award on or after the effective date of the current cap.

For example. Salary at a level of \$192,300 may be charged to a grant regardless of the issue date of the award, on or after January 6, 2019.

<https://grants.nih.gov/grants/guide/notice-files/NOT-OD-19-099.html>



What is the NSF “two-month” rule?

- As a general policy, NSF limits the salary compensation requested in the proposal budget (and therefore awarded) for senior personnel to no more than two months of their regular salary in any one year.
- This limit includes salary compensation received from all NSF-funded grants.
- If anticipated, any compensation for such personnel in excess of two months must be disclosed in the proposal budget, justified in the budget justification, and must be specifically approved by NSF in the award notice budget.

Who are Senior Personnel?

- PIs/co-PIs - the individual(s) designated by the proposer, and approved by NSF, who will be responsible for the scientific or technical direction of the project.
- Faculty Associate (faculty member) - an individual other than the Principal Investigator(s) considered by the University to be a member of its faculty or who holds an appointment as a faculty member at another institution, and who will participate in the project being supported.

Exceeding the NSF “two-month” rule

- Under normal re-budgeting authority, a grantee can internally approve an increase or decrease in person months devoted to the project after an award is made, even if doing so results in salary support for senior personnel exceeding the two-month salary policy
- The NSF two-month rule identifies the salary limit as applicable to “any one year” which UD has defined as September – August.
- Prior approval only required if increase results in a change in scope or if award documents specifies it

Post Award Guidance

- Review the proposal budget, budget justification, and award notice to confirm if compensation for personnel in excess of two months was already approved within the NSF award
- If additional effort in excess of two months is required to successfully address the research aspects of the proposed project, submit a re-budget request for internal approval
 - NSF prior approval is necessary if the objectives or scope of the project change
- Departments should routinely reconcile budget verses expenses, and conduct an annual fiscal review for the period of September - August
- If there is no approved re-budget request, the SRA team will request additional justification at the time of closeout
- Lack of approval and/or justification can lead to removal of the salary over two months

OIG Clarification of 2 Month Rule Policy

“Payroll transactions incurred after NSF revised its policies and procedures (December 26, 2014) will be audited against those procedures, which now permit awardees to unilaterally increase salary budgets for senior personnel in excess of two months of their regular salaries. The revisions were prospective and DO NOT apply to payroll transactions made before December 26, 2014.”

(Report on Research Compliance, Volume 13, Number 3, March 2016)

Questions?

Laura V. Paller, MPA, CRA
Senior Contract & Grants Specialist
lpaller@udel.edu
302.831.1470

Charanjeet Kaur
Assistant Director
Post Award Administration
ckaur@udel.edu
302.831.8578