New Guidance on Implementing the NIH Salary Cap

On December 23, 2011, President Obama signed into law the Consolidated Appropriations Act, 2012 (Public Law 112-74) restricting the amount of direct salary to Executive Level II of the Federal Executive Pay scale. Executive Level II salary is $179,700.

According to NIH notice NOT-OD-12-035, “implementation of the lower level is effective with FY2012 awards where the initial Issue Date of the award is on/after 12/23/2011. For FY2012 awards issued on/before December 22, 2011 (competing and non-competing), the effective salary limitation remains at Executive Level I, $199,700.”

The Office of Grant and Contract Financial Administration (GCFA) and Medical School Financial Operations (FinOps) have reviewed and carefully weighed several options to ensure the proper management and execution of the new salary cap. An analysis was performed to forecast the amount the University would benefit in salaries charged to award carryover balances at the Executive Level I rate. The results yielded a benefit of less than $200,000 University-wide, and the associated costs in managing the carryover balances and proper execution of the reduced cap outweighed the prospective benefit.

Effective March 1, 2012, all new awards and new FY12 installments with FY11 carryover balances that have been issued on or after December 23, 2011, will be subject to the Executive Level II cap.

- Awards and installments received prior to December 23, 2011 as well as no cost extensions on FY2011 awards, will remain at the Executive Level I rate until October 1, 2012. Beginning October 1, all awards with the NIH salary limitation will be subject to the new cap.
- For new installments with FY11 carryover balances issued between December 23, 2011 and February 29, 2012 retroactive adjustments to salaries charged at the Executive Level I rate are not necessary.

The overall grant’s budget is not affected by the March 1 decision. Budgeted dollars are eligible to be re-budgeted for other personnel or non-personnel charges that are associated with the award.

Department Action Needed

- A cost sharing account is required for all awards with Investigator salaries that are greater than the new Executive Level II salary cap. If a project linkage does not already exist, Department administrators will need to submit a project/award linkage request. Refer to Procedure 1304 PR.01 for guidance on the setup and Procedure 1306 PR.01 for cost sharing information.
- Labor schedules need to be adjusted immediately (for the March payroll and going forward) to include or increase the cost sharing account percentage.

OGM Setup Reports

Sponsored Award Setup reports will reflect one of two terms when applicable:

- Executive Level II salary cap starts in FY12* - award notice was issued on or after Dec 23, 2011
- Executive Level II salary cap starts in FY13 – award notice was issued before Dec 23, 2011
- Setup reports previously issued with the term ‘FY12 Funding on hold for salary cap provision’ will be redistributed with the new term ‘Executive Level II salary cap starts in FY12’.

This guidance is applicable to all sponsors that limit salary to the Federal Executive Level Pay scale, including but not limited to NIH, SAMHSA and AHRQ.

For additional information about the salary cap change, join GCFA on March 8 in Winslow Auditorium (60 College Street) for the brown bag lunch, Guidance on the NIH Salary Cap Change. Registration is available through TMS:

www.yale.edu/training > Grant and Contract Training > GCA and GCFA Training > Brown Bag Luncheon Series.

For information and guidance related to the use of the NIH cap in proposal budget preparation, please refer to the G&CAalert issued on February 2, 2012 at the following link: http://www.yale.edu/grants/gcalert/pdf/2012vol1-iss1.pdf

* Fiscal Year referenced in this section is that of the Federal Government (October through September). Awards with an initial Issue Date in previous fiscal years, other than FY12, are not impacted. Setup reports will not be revised.