Guidance on Implementing the NIH Salary Cap

Office of Grant and Contract Financial Administration
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Tracy Walters
Director, Grant and Contract Financial Administration
tracy.walters@yale.edu
(203) 737-5837
Background

- This legislation reduced the salary cap from Executive Level I, $199,700 to Exec Level II, $179,700
- NIH issued NOT-OD-12-035, Notice of Salary Limitation on Grants, Cooperative Agreements, and Contracts on Friday, January 20, 2012.
NIH Notice: *NOT-OD-12-035*

- For awards (competing and non-competing) with an initial Issue Date on/before December 22, 2011, the salary limitation is Executive Level I of the Federal Pay Scale, $199,700.

- Effective with grant awards with an initial Issue Date on/after December 23, 2011, the salary limitation is limited to Executive Level II of the Federal Pay Scale, $179,700.
• NIH **competing** grant awards with categorical budgets reflecting salary levels at or above the new limit that have an initial Issue Date on/after December 23, 2011 **will** reflect adjustments to the current and all future years so that no funds are awarded or committed for salaries over the limitation.

• NIH **non**-competing awards will **not** be recalculated to adjust for this decrease in the salary limitation. For grants now limited to Executive Level II, unless otherwise restricted grantees may rebudget any funds freed as a result of the lower cap.
• Any grants awarded in previous fiscal years (e.g., FY 2011, FY 2010, etc.) are not impacted by the FY 2012 salary limitation.

• If the President signs a Continuing Resolution for any part of Fiscal Year 2013, unless legislative language provides otherwise, the salary limitation provided in the Consolidated Appropriations Act, 2012 (Executive Level II) will apply regardless of what level applied in FY2012.
Options Considered

- Use of a Separate Project
- Use of Task
- Set up new installment, but not fund it (pending depletion of prior year carryover funds) – Original decision

✓ Implement Executive Level II cap rate on all new FY12 awards and Installments - Current Decision
Quick Facts

• University-Wide
  – The overall reduction in the NIH salary cap will cost the institution approximately 2 million annually as additional cost share. This represents both direct and flow through awards.
  – We originally anticipated approximately 300-350 awards would be affected with faculty over the cap and carryover.
Quick Facts (Continued)

- Medical School
  - 283 Individuals over the cap.
  - 126 PI’s were projected to have carryover balances
  - 225 affected awards
  - Estimated $163,200 salary difference
Quick Facts (Continued)

• Central Campus
  – 71 Individuals over the cap.
  – 8 PI’s were projected to have carryover balances
  – 12 affected awards
  – Estimated $28,100 in salary difference
Where are we Today?

- 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.
Are Adjustments Required?

- Retroactive Cost Transfers – No, 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.

- Cost Transfers – Yes
  - if Budget Begin date was prior to December 23, 2011, no carryover of funds exist and NOA was issued after December 23, 2011
  - if NOA was issued after December 23, 2011, no carryover of funds exist and salaries are charged above the Executive Level II rate.
  - if pre-award spending of FY12 funds occurred prior to December 23, 2011, and the NOA was not received until after December 23, 2011 (applicable to both new and continuations)
Are Adjustments Required?

- **Budgeting** - 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.
- **The salary reduction does NOT apply to payments made to consultants under an NIH grant or contract although, as with all costs, those payments must meet the test of reasonableness and be consistent with institutional policy** – The reduced salary cap does apply to Subaward agreements.
A. Established new Special Terms and Conditions in OGM for Executive level II Salary Cap condition.

B. 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

C. 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”.
A. 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.

B. Labor schedules need to be adjusted immediately (for the March payroll and going forward) for FY12 awards and installments, inclusive of carryover, and include or increase the cost sharing account percentage.
Questions