



April 9, 2025

TO: Deans, Chairs, Directors, NIH Principal Investigators and Administrators

FROM: Anthony Beckman
Interim Associate Vice President for Research Administration
Office of Research and Project Administration (ORPA)

Caroline Burnicki
University Controller

RE: Revised NIH and AHRQ Salary Limitation

The purpose of this memo is to provide information on the University's implementation of the new NIH and AHRQ salary limitation, frequently referred to as the "salary cap". Effective January 1, 2025, the salary cap increased to \$225,700. The salary caps in place for the federal government's fiscal year 2025 (which began October 1, 2024) are summarized as follows:

FY 2025 awards with initial award date¹ on or after 10/1/2024 (Linked to Executive Level II)

October 1, 2024 until December 31, 2024	\$221,900
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FY 2025 awards with initial award date¹ on or after 1/01/2025 (Linked to New Executive Level II)

January 01, 2025 until further notice	\$225,700
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Additional information on the salary limitation, including a list of the salary caps in place since October 1, 1989, can be found at the following url:

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

PROPOSING SALARY COSTS

Modular Budget Proposals

Effective immediately (April 4, 2025), salary costs for the first proposed budget period for all new and competing modular proposals should reflect the current salary limitation of \$225,700 for all personnel whose institutional base salary is at or above \$225,700. Salary costs proposed for year two and subsequent budget periods ("out years") can be escalated by no more than 3% per year. Currently, the default IORA budgeting process does not allow an inflationary escalation of the salary cap for the out years of a modular budget. To implement an inflationary escalation in IORA, please use the IORA work around process found here:

<https://rochester.box.com/s/e3ftfjnlprjxgjpv5o9zrxlb8b3kjt7l>

¹ initial award date – the project period start date of the first competing or non-competing NIH Notice of Grant Award made with FY 25 funds.

To be consistent with NIH guidance, a statement indicating that the actual institutional base salary exceeds the current salary limitation must be included in the personnel budget justification for modular proposals for all personnel whose institutional base salary exceeds \$225,700.

Categorical, (Non-modular) Budget Proposals (R & R Budget)

Effective immediately, salary costs in budgets for all new and competing categorical, non-modular proposals submitted to NIH may be budgeted at the current salary cap of \$225,700 OR consistent with NIH guidance, may be budgeted at the full institutional base salary. NIH states that if categorical budgets are calculated at the full institutional base salary and the salary cap changes, NIH grants management staff will make necessary adjustments to requested salaries prior to issuing the new or competing award. Salary costs proposed for year two and subsequent budget periods (“out years”) should be escalated by no more than 3% per year. Currently, the default IORA budgeting process does not allow an inflationary escalation of the salary cap for the out years of a budget. To implement an inflationary escalation in IORA, please use the IORA work around process found here:

<https://rochester.box.com/s/e3ftfjnlprjxgjp5o9zrxlb8b3kjt7l>

IMPLEMENTING AND ACCOUNTING FOR THE SALARY LIMITATION

With the conversion to Workday HR and Payroll, the Salary Cap is now applied to payroll(s) based on the Salary Cap announcement date and remains in effect until the next announcement date. For example:

- If the Salary Cap is announced in late January and the monthly and semi-monthly payrolls have not “run” yet the Salary Cap released will be enacted and affect the January Monthly and Semi-Monthly payrolls.
- If the Salary Cap is announced in February or any successive month thereafter, with a January effective date, the previous payrolls will not be adjusted, nor recalculated.
- If the Salary Cap is announced on January 31, or any day that payroll is “in process”, the Salary Cap will be effective in Workday for the following payroll(s).

The updated Salary Cap was issued in April 2025, and therefore the Capped amounts for January through March 2025 will NOT be impacted by this change. Those financial transactions (payroll and fringe) have been recorded, reported, and in most instances, reimbursed by the Sponsors.

Re-budgeting

As in previous years, NIH has stated that no funding adjustments will be made to modular awards or to previously established commitment levels for non-competing grants issued with FY 2025 funds. Re-budgeting is allowable provided that funds are available. Departments should consider optimal strategies for re-budgeting, taking into consideration that PI effort should NOT be reduced to cover the costs of the increase in salary limitation. Principal Investigators who are unable to re-budget due to a lack of funds should contact their Department Chair or Dean’s Office for guidance.

Subawards

The salary limitation applies to subawards/subcontracts for substantive work under an NIH grant or contract. Effective immediately (April), the \$225,700 cap is implemented for all subcontracts under an NIH prime award, consistent with the previous sections of this memo.

Consultants

The salary limitation does not apply to payments made to consultants under an NIH grant or contract, although, those payments must meet the test of reasonableness and be consistent with institutional policy.

Should you have any questions with respect to the University's implementation of the salary cap, please do not hesitate to contact Brenda Kavanaugh at (Brenda.Kavanaugh@rochester.edu) in ORPA, or Jeff Sullivan at (jsullivan@finance.rochester.edu) in ORACS.