January 7, 2016

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

FROM: Gunta Liders
Associate Vice President for Research Administration
Office of Research and Project Administration (ORPA)

Douglas W. Wylie
University Controller
Office of Research Accounting and Costing Standards (ORACS)

RE: Revised National Institutes of Health (NIH) Salary Limitation

The purpose of this memo is to provide information on the University’s implementation of the new NIH salary limitation, frequently referred to as the “salary cap”. Effective January 10, 2016, the salary cap will increase to $185,100. The salary caps in place for the federal government’s fiscal year 2016 (which begins October 1) are summarized as follows:

**FY 2016 awards with initial award date¹ on or after 10/1/2015 (Linked to Executive Level II)**
- October 1, 2015 until January 09, 2016 $183,300

**FY 2016 awards with initial award date² on or after 1/10/16 (Linked to New Executive Level II)**
- January 10, 2016 until further notice $185,100

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](http://grants.nih.gov/grants/policy/salcap_summary.htm).

**PROPOSING SALARY COSTS**

**Modular Budget Proposals**

Effective immediately, salary costs for the first proposed budget period on internal budgets, for all new and competing modular proposals should reflect the current salary limitation of $185,100 for all personnel whose institutional base salary is at or above $185,100. Salary costs proposed for year two and subsequent budget periods on internal budgets prepared for modular proposals may be escalated by no more than 3% per year. 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 $185,100.

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¹ Initial award date – the “Issue Date” of the first competing or non-competing NIH Notice of Grant Award made with FY 2016 funds.
**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 $185,100 OR consistent with NIH guidance, may be budgeted at the full institutional base salary. Salary costs proposed for year two and subsequent budget periods may be escalated by no more than 3% per year. 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.

**IMPLEMENTING AND ACCOUNTING FOR THE SALARY LIMITATION**

In order to minimize the administrative burden associated with implementing and accounting for the various salary caps and to afford Principal Investigators sufficient time to plan for the increased cap, the University will assess the increased salary cap at the beginning of each grant budget year (anniversary date). In other words, the University will assess the applicable salary limitation upon the budget start date for each continuation year. In those instances where two caps could be assessed in one budget year, the University will assess the lower cap. The University will assess the higher cap level only when the department initiates a change through the salary cap calculation procedure. This will allow departments to utilize the cap levels in a manner that is most beneficial to each individual project. Please use this as an opportunity to review those individuals for which this applies. Reminder: When the new salary cap is charged, a new “HHS Salary Cap Reallocation Calculation Form” will have to be completed. That form can be found in HRMS by those individuals authorized to access personnel forms under “UR Reports and Interfaces,” then “Labor Distribution” and must be completed on-line. No retroactive cap adjustments will be done unless it is necessary to bring the project into compliance with the NIH salary cap guidelines. The internal Notice of Award issued by ORPA will list the current salary cap that is applicable to the award.

The examples follow:

- If the start date of the award or anniversary date was prior to 1/10/16, the salary cap assessed will be $183,300. This level will be retained until the next anniversary date of the grant. At that time, the salary cap will be assessed at $185,100
- Any award with a start date or anniversary date of 1/10/16 or after will be assessed the salary cap of $185,100. It is expected that departments will re-budget grant funds from other categories, if necessary. (See section below).

**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 2016 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 does apply to subawards/subcontracts for substantive work under an NIH grant or contract. In general, when to apply the lower salary cap depends on whether the award was issued on or before 1/09/16 or was awarded on or after 1/10/16, 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.

Carry forward of unexpended funds from prior fiscal year to the next fiscal year

Except in unusual circumstances, for funds carried forward from a previous fiscal year (FY14, FY15, etc.) into fiscal year 2016, the University will assess the lower salary cap of $183,300, regardless of the salary cap amount assessed during the previous year.

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 X5-1504 (Brenda.Kavanaugh@rochester.edu) in ORPA, or Jeff Sullivan at X5-1648 (jpsullivan@finance.rochester.edu) in ORACS.