



February 8, 2021

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

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

Elizabeth Milavec
Associate Vice President for Financial Operations and 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 3, 2020, the salary cap increased to \$199,300. The salary caps in place for the federal government's fiscal year 2021 (which began October 1, 2020) are summarized as follows:

FY 2021 awards with initial award date¹ on or after 10/1/2020 (Linked to Executive Level II)

October 1, 2020 until January 3, 2021 \$197,300

FY 2021 awards with initial award date¹ on or after 1/03/2021 (Linked to New Executive Level II)

January 03, 2021 until further notice \$199,300

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, salary costs for the first proposed budget period for all new and competing modular proposals should reflect the current salary limitation of \$199,300 for all personnel whose institutional base salary is at or above \$199,300. 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 modular budget. To implement an inflationary escalation in IORA, please use the IORA work around process found here:

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

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 \$199,300.

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 \$199,300 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

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. The examples follow:

- If the start date of the award or anniversary date was prior to 1/03/21, the salary cap assessed will be \$197,300. This level will be retained until the next anniversary date of the grant. At that time, the salary cap will be assessed at \$199,300
- Any award with a start date or anniversary date of 1/03/21 or after will be assessed the salary cap of \$199,300. 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 2021 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, which cap to apply depends on whether the prime award is before 1/03/21 or is on or after 1/03/21, 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 (jpsullivan@finance.rochester.edu) in ORACS.