



## Sponsored Projects Accounting

**TO:** Business Managers and Research Administrators

**FROM:** Joseph M. Gindhart, Associate Vice Chancellor for Finance & Sponsored Projects

**DATE:** February 2021

**SUBJECT:** NIH Salary Cap for Federal Fiscal Year 2021

The maximum compensation level for individuals working on grants and contracts from the National Institutes of Health (NIH) and all other Department of Health and Human Services (DHHS) Agencies (includes ACF, AHRQ, AoA, ATSDR, CDC, CMS, HRSA, HIS, NIH, NIS and SAMHSA) has been increased for Federal Fiscal Year (FFY) 2021 [per the NIH Guide Notice NOT-OD-21-057 issued on 1/29/2021](#). [The Consolidated Appropriations Act, 2021 \(Public Law 116-260\)](#) restricts the amount of direct salary of an individual under an NIH/DHHS grant, cooperative agreement or applicable contract to **Executive Level II** of the Federal Executive Pay Scale. Effective [January 3, 2021](#), the Executive Level II salary level is set at **\$199,300**.

Direct salary is exclusive of fringe benefits and facilities and administrative (F&A) expenses, also referred to as indirect costs. The appropriate salary cap rate must be applied to competing and non-competing awards based upon the award date on the Notice of Award (NOA).

- Competing and non-competing awards issued during the period 1/5/20 through 1/2/21 must use the Federal Fiscal Year 2020 Executive Level II rate (\$197,300).
- Competing and non-competing awards issued on or after 1/3/21 must use the Federal Fiscal Year 2021 **Executive Level II rate (\$199,300)**.

Effective [2/3/21](#), the University's Payroll System (HRMS) will apply the new **Executive Level II rate of \$199,300** to NIH grants funded from Federal Fiscal Year 2020 and 2021. The University's policies and procedures regarding the salary cap have been updated and included with this memo. This information will also be presented on Sponsored Projects Accounting's web page, see <https://financialservices.wustl.edu/wfin-topic/sponsored-projects-accounting/> and click on [Personnel Cost](#) section. The text of the FFY21 guidelines issued by the NIH can be found at <https://grants.nih.gov/grants/guide/notice-files/NOT-OD-21-057.html>

The Research Management System (RMS) will be updated with the new salary cap rates on [2/8/21](#).

If you have any questions or concerns about the NIH Salary Cap, please contact Molly Gianino at 314-935-5509 / [mgianino@wustl.edu](mailto:mgianino@wustl.edu), Meredith Fey at 314-935-7216 / [meredithfey@wustl.edu](mailto:meredithfey@wustl.edu) or me at 314-935-7089 / [jgindhart@wustl.edu](mailto:jgindhart@wustl.edu).

**Washington University**  
**NIH Salary Cap Policies and Procedures**  
**February 2021**

**Policies:**

The regulations issued by the National Institutes of Health (NIH) all other Department of Health and Human Services (DHHS) Agencies include a section covering direct salary limits for individuals charged to grants, cooperative agreements and contracts. Direct salary is exclusive of fringe benefits and facilities and administrative (F&A) expenses, also referred to as indirect costs. Compensation for individuals under awards from these three agencies cannot exceed a stipulated rate of pay per year or per academic appointment (see schedule noted below). The term “rate of pay “ can be further described as follows: the rate of salary or wages that an individual earns for services performed (weekly, bi-weekly, monthly). The appropriate salary cap rate must be applied to competing and non-competing awards based upon the federal fiscal year (FFY) (10/XX – 9/YY) in which the Notice of Grant Award was issued. For faculty members who receive a salary that exceeds the applicable rate, the amount of salary requested/charged to a NIH/DHHS award must be limited to their effort percentage multiplied by the salary cap rate. Faculty and administrative staff in the academic departments are responsible for applying the appropriate salary cap rate in all applicable proposals and existing awards.

**FFY 2019 Awards:** The award date on the NIH Notice of Award (competing and non-competing) is on or after 10/01/18, Executive Level II rates apply.

<u>Budget Period</u>	<u>Max Salary Rate (ann.)</u>	<u>Max Salary Rate (monthly)</u>
01/07/18 – 01/05/19	\$189,600	\$15,800
01/06/19 – 01/04/20	\$192,300	\$16,025
01/05/20 – 01/02/21	\$197,300	\$16,442
<b>01/03/21 and beyond</b>	<b>\$199,300</b>	<b>\$16,608</b>

**FFY 2020 Awards:** The award date on the NIH Notice of Award (competing and non-competing) is on or after 10/01/19, Executive Level II rates apply.

<u>Budget Period</u>	<u>Max Salary Rate (ann.)</u>	<u>Max Salary Rate (monthly)</u>
01/06/19 – 01/04/20	\$192,300	\$16,025
01/05/20 – 01/02/21	\$197,300	\$16,442
<b>01/03/21 and beyond</b>	<b>\$199,300</b>	<b>\$16,608</b>

**FFY 2021 Awards:** The award date on the NIH Notice of Award (competing and non-competing) is on or after 10/01/20, Executive Level II rates apply.

<u>Budget Period</u>	<u>Max Salary Rate (ann.)</u>	<u>Max Salary Rate (monthly)</u>
01/06/19 – 01/04/20	\$192,300	\$16,025
01/05/20 – 01/02/21	\$197,300	\$16,442
<b>01/03/21 and beyond</b>	<b>\$199,300</b>	<b>\$16,608</b>

**Subawards:**

Subawards issued **to** Washington University in St. Louis (WashU) by another institution/entity that has received an NIH prime grant, cooperative agreement or contract (i.e., incoming subaward) continue to be subject to the salary cap guidelines. The application of the Level II cap rates is based upon the initial NOA date of the Prime award.

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Subawards issued **by** WashU to another institution/entity based upon an NIH prime grant, cooperative agreement or contract (i.e., outgoing subawards) continue to be subject to the salary cap guidelines. The application of the Level II cap rates is based upon the initial NOA date of WashU's Prime award.

Annual (ann.) vs. Academic Appointments:

The NIH guidelines state that the amount charged to a grant cannot exceed a stipulated annual rate of pay. Since some faculty have academic year (nine month) appointments, the applicable salary cap for those individuals calculates to 75% of the annual salary cap rate. Accordingly, faculty members with annual (twelve month) appointments that are paid in excess of the applicable NIH rate and faculty members with academic appointment that are paid in excess 75% of the NIH annual rate per year must follow the procedures noted above if they are contributing effort and charging salary to an NIH project.

Summer Salary:

The summer salary charged to NIH projects by faculty with academic appointments must also follow the above noted policy and procedures.

Rebudgeting:

The NIH will not provide additional funding for awards issued under the previous salary cap rate(s), however, they have stated that a PI can rebudget funds to allow for the increase in rates. Accordingly, the amount of salary charged to the project can be increased to the new rate, if there are sufficient remaining funds in the project to cover the additional salary and fringe benefit costs.

Frequently Ask Questions:

The most current version of NIH's Frequently Asked Questions (FAQs) are provided in the 2016 Notice, see <https://grants.nih.gov/grants/guide/notice-files/NOT-OD-16-045.html>.

**Procedures:**

Payroll Edits:

- The HRMS Payroll System (HRMS) contains a specific edit related to the NIH salary cap. During the process of sourcing an employee to an account/fund in which the prime source of funding is the NIH/DHHS, the system will compare the individual's actual salary rate to the applicable cap rate, based upon the federal fiscal year in which the funds were awarded. The account/fund profile contains a field which indicates the federal fiscal year that the Notice of Award (NOA) was issued. The edit calculates the mandatory cost sharing (X account /allocation) and limits the maximum allowable amount charged to the grant. The HRMS edit message will also display the applicable cap rate that was utilized in the calculation. Please Note: HRMS will only allow the mandatory cost sharing to be posted to an X account/allocation.

Payroll Cost Transfers:

- The new NIH salary cap rates were published in **January 2021**. For the period **01/03/2021 through 02/03/2021**, a Payroll Cost Transfer form which reallocates dollars from the mandatory cost sharing account/allocation (X) to the NIH funded account based upon the new FY 2021 rate may be submitted. It **is not** a requirement to adjust salaries related to this specific period, however, the NIH does afford the Principal Investigator and/or the department this option.

# Washington University

## NIH Salary Cap Policies and Procedures

### February 2021

#### Grant / Cost Share Calculation Methodology:

- HRMS will automatically calculate the applicable grant and cost share amounts based upon the salary amount figure entered on the job source page (earnings code = REG). Initially, the system will calculate the allowable grant salary percentage and the corresponding cost sharing percentage based on the applicable NIH Cap rate (Step #1). These percentages will then be applied to the applicable salary amount for the project and the system will present the grant and cost share amounts (Step #2). Please refer to the example noted below.

#### Example – HRMS Grant / Cost Share Calculation

##### Step #1:

The PI has an annual salary of \$222,000 and works full time on one NIH grant. The NIH salary cap rate is **\$199,300** for this project.

Actual Monthly Salary = <b>18,500</b>	(= 222,000 / 12 mo.)
NIH Cap Monthly Limit (Level II) = <b>16,608</b>	(= 199,300 / 12 mo.)
Allowable Grant Salary Percent (based on NIH Cap) = <b>89.77%</b>	(= (16,608 / 18,500) * 100)
Cost Sharing Percentage = <b>10.23%</b>	(= 100% - 89.77)

##### Step #2:

Monthly Amount of Grant Cost = <b>16,608</b>	(= 18,500 * 89.77%)
Monthly Amount of Cost Sharing = 1,892	(= 18,500 * 10.23%)

A more detailed explanation of cost sharing methodology, allocations and examples is provided in [Appendix A](#).

#### Salary Sourcing Issues:

- The salary cap limits implemented in HRMS will continue to effect existing and future payroll sourcing. Salaries for individuals currently paid from NIH/DHHS funded projects will continue to post to the account/fund and the cost sharing account/allocation based upon the NIH Salary Cap rates in effect at that time he/she was originally sourced.
- Subsequent to the implementation of the new rates in HRMS (**2/3/21**), **initiating any** sourcing document for an individual who is **currently paid** on a grant which is funded from FFY **2019, 2020 and 2021** NIH/DHHS dollars (date of initial award is on or after 10/01/18) will cause the system to recalculate the mandatory cost sharing amount (X account/allocation) and prompt the user to adjust the sourcing (even if there was no intention of modifying the grant source). If sufficient funds are not available on the grant to charge up to the appropriate salary limit, then a V account/allocation (voluntary cost sharing) must be used to charge the difference.  
Please Note: HRMS will not recognize other cost sharing allocations (U, W...) for the voluntary portion.
- The NIH Salary Cap limits must be incorporated **for all new sourcing** during the remainder of the University's FY 2021 and for all grants sourced in FY 2022. The hard edit in HRMS requires implementation of the caps. If sufficient funds are not available on the grant to charge up to the appropriate salary limit, then a V (voluntary cost sharing) account/allocation must be used to charge the difference.

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Please Note: HRMS will not recognize other cost sharing allocations (U, W...) for the voluntary portion.

- Since the implementation of HRMS (January 2003), the following practice has been recommended for managing situations when one department (the PI's primary department) is paying for the NIH salary cap cost sharing on grant activity performed in another (secondary) department. To record the effort on the grant in the proper department, the cost sharing account/allocation should be maintained by the department in which the grant activity is occurring. That is, the X account/allocation should be maintained in the same department as the regular grant account. Accordingly, the corresponding Debit account for the X account/allocation in the secondary department would be provided by the primary department.

<b>Primary Department</b>	<b>Fund Type</b>
22-3444-1120-5555#	Grant Account/Fund
22-3444-1120-5555#X	Cost Sharing Allocation
12-3444-50-9####	Debit Account
<b>Secondary Department</b>	<b>Fund Type</b>
22-4333-1120-5432#	Grant Account/Fund
22-4333-1120-5432#X	Cost Sharing Allocation
12-3444-50-9####	Debit Account

Under this account set-up method, the primary department would request a new X/V account/allocation in the secondary department from the Office of Sponsored Research Services (OSRS) via a Cost Sharing Account Request Form (see link in [Appendix A](#)). The primary department must provide the Debit account and sign/authorize the form. Manual entry of a journal document (utilize BUOB 50) may be necessary if the charges to a single cost sharing (X) account should be spread to multiple debit accounts (which may be in different departments).

The maintenance of the salary sources on both accounts will be simplified under this method. Additionally, the compensation on the faculty member's job in HRMS will represent the total effort on the grant in that department. That compensation will not need to change if the salary cap changes (only the split between the grant sources and the cost sharing sources will change). The utilization of dollar amounts rather than percentages is recommended because it will simplify the entry of salary sources when cost sharing is necessary.

- The HRMS Team and SPA have developed a set of slides that provide a more detailed explanation of the sourcing issues. This data can be found at: [https://financialservices.wustl.edu/wp-content/uploads/2016/03/SPA\\_WP\\_RT\\_nihscalcap\\_hrms.pdf](https://financialservices.wustl.edu/wp-content/uploads/2016/03/SPA_WP_RT_nihscalcap_hrms.pdf).

**Multiple Cost Share Funding Sources Issue:**

- As noted above, the cost sharing amounts associated with the NIH salary cap are charged to the corresponding X/V accounts/allocations. In some instances, there may be multiple faculty members within the same department/division working on a project and the associated cost sharing for these individuals will all post to the related X/V accounts/allocations via the HRMS edits. Some faculty members may choose to fund their cost sharing from accounts/sources which are different from the debit account(s) assigned to the department's X/V accounts/allocations. In these situations, the academic department is responsible for reallocating these amounts on the department's X/V accounts/allocations to the individual faculty member's funding account/source via journal entries (utilize BUOB 50).

## Cost Sharing Methodology, Allocations & Examples

### **Mandatory Cost Sharing Account/Fund (“X”):**

Cost sharing obligations mandated by the NIH Salary Cap policy will be maintained and monitored in allocations that end in “X”. The first five digits of the fund number will correspond to the sponsored account/fund, but the sixth digit will be an “X”. The PI and/or their designee will source the applicable amounts/percentages related to the effective Salary Cap Rate charge to this fund/allocation. HRMS contains edits that will automatically calculate the applicable cost sharing figures. See Calculation Methodology below.

Example:	Sponsored Fund –	54321
	Mandatory Cost Sharing Fund –	54321X

### **Voluntary Cost Sharing Account/Fund (“V”):**

In some instances, the NIH project does not contain sufficient funds to charge up to the appropriate NIH Salary Cap limit, so a V (voluntary cost sharing) account/allocation can be used to charge the difference.

Example:	Sponsored Fund –	54321
	Mandatory Cost Sharing Fund –	54321X
	Voluntary Cost Sharing Fund –	54321V

### **Cost Sharing Debit Account:**

The cost sharing Debit account is the actual source of funds for the obligation. The PI and/or the department should provide the Debit account number on the appropriate OSRS forms (see above). The Debit account should meet one of the following criteria:

- An unrestricted ledger class (LC) 12 account, excluding clinical practice accounts.
- An unrestricted LC 22 account, usually a gift or endowment account.
- A non-federal career development award (LC 22)
- The Debit account is entered in profile field #258 and can be viewed on Account Inquiry.
- The Debit account number can be different for the X and V accounts on the same project.
- The department number on the Debit account can differ from the department number utilized on the X and V funds.

### **Month End Process:**

Although cost sharing expenditures (salaries and fringe benefits) associated with the NIH Salary cap are posted directly to the X and/or V accounts, the academic department absorbs these costs via the corresponding Debit account. As part of the monthly general ledger closing process, the FIS system automatically calculates and posts transactions to the X, V and Debit accounts. These transactions are identified in BUOB 50 (salaries and fringe benefits). On a monthly basis, the system will post a credit (negative) entry to the X/V account in an amount equal to the expenditures incurred that month. Similarly, the system will post a debit (positive) entry to the Debit account for the same amount. Accordingly, the X/V account will have a net zero expenditure balance at month end and the Debit account’s expenses will increase by the amounts incurred for cost sharing obligations. The PI and/or his designee should review their X/V accounts and contact SPA if an account does not have a net zero balance at month end.

The Cost Sharing Request Form is maintained on the OSRS website, see <https://research.wustl.edu/allocation-request-form/>.