

**Procedure 1315 PR.03****Salaries above NIH, SAMHSA, and AHRQ Rate Cap***And Other Program Salary Limitations*

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**Purpose**

To describe the proper calculation and scheduling of an employee's salary in Oracle Labor Distribution when charging a sponsored award with a sponsor imposed salary rate cap or program limitation.

**Salary Rate Cap**

A salary rate cap imposed by a sponsor may be due to one of the following situations:

- As part of the budget appropriations of the National Institutes of Health (NIH), Substance Abuse and Mental Health Services Administration (SAMHSA), and Agency for Healthcare Research and Quality (AHRQ), the US Congress legislatively mandates a salary rate cap.
  - This salary rate cap applies to grants, cooperative agreements and contracts (with the exception of those that are clearly defined to be exempt from the cap).
  - On December 23, 2011, the cap was set at the Executive Level II of the Federal Pay schedule.
- Sponsors (federal and non-federal) other than the sponsors identified above may have a salary reimbursement limitation as a matter of policy; and
- Sponsors (federal or non-federal, including subawards or pass-thru awards made to Yale) may have a salary rate cap which may be program specific limiting the recovery of salary.

**It is important to note that the sponsor's funding announcement as well as the terms and conditions of an award must be carefully read in order to determine if a salary limitation exists.**

In the situations described above:

- The employee's institutional base salary (IBS) is not affected. However, the monthly rate of pay for a faculty member with an academic appointment may be impacted if paid during the summer.
  - Note:** IBS excludes bonuses, honoraria, and extra compensation.
- The University will pay an employee's IBS portion in excess of a salary rate cap with non-sponsored project funds.
- The amount of salary that can be charged to the award is calculated as follows:
  - Salary rate cap x % of effort [rather than, institutional base salary (IBS) x % of effort].

**Note:** Depending on the type of appointment, in any given month, no more than 1/12 of the salary rate cap amount may be charged to the award. (Examples of how to calculate and account for salary over the cap are provided below.)

Also, salary rate caps due to budget appropriations for current and previous years are located in the [Controller's Office Factsheet](#). For FAQs and calculations specific to the NIH consult: <http://grants.nih.gov/grants/guide/notice-files/NOT-OD-12-035.html>.

- Salary in excess of a sponsor imposed rate cap is considered by the Federal government and University to be an unallowable expense; however, it is treated as mandatory cost sharing.
- Federal regulations do not permit the use of **salary over a sponsor imposed salary cap to meet any cost sharing requirements of the sponsor**. At the time of award, a cost sharing account must be created by the Office of Grant and Contract Financial Administration (GCFA). Refer to Cost Sharing Procedure [1306 PR.01](#) in order to capture those dollars in excess of the salary cap.
- VA salary for faculty with a Yale/VA joint appointment and conducting research under a Yale award under a Memorandum of Understanding (MOU) is not included as part of the total compensation when calculating IBS and the applicability of the salary rate cap. Only the portion of salary paid by Yale is considered IBS when determining the salary rate cap requirements.
- Carefully read the terms and conditions of the award and the sponsor's funding opportunity announcement.
- Consult with the appropriate business support center or the Offices of Grant and Contract Administration (GCA) and/or Financial Administration (GCFA) for assistance.

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## Accounting for Salary Above a Rate Cap

The examples below are intended to assist in accounting for salaries over a sponsor imposed salary rate cap. (The examples below use the Executive Level II rate cap). Consult the [Controller's Office Factsheet](#) for the current NIH salary cap.)

To properly account for the effort of individuals with an IBS exceeding a sponsor imposed salary rate cap, it is necessary to link the non-sponsored source of funds [the 'A' in PTAO] on which the salary over the rate cap will be charged to the sponsored award's project number. This linkage provides a mechanism to properly classify and report the effort for certification purposes.

For additional information regarding the setup of cost sharing accounts, review Cost Sharing Procedure [1306 PR.01](#).

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### A. 12-Month Appointment Examples

For an employee whose salary exceeds the sponsor imposed cap, review the following example for assistance:

**1. Determine the employee's percentage of effort for each activity.**

Example: Dr. Smith has a 12 month appointment. In addition to teaching and performing other University activities, he works on two NIH awards as follows:	
Activity	Committed Effort Percentages
NIH Award #1	20%
NIH Award #2	30%
University Activities	50%

**2. Calculate the percentage of the employee's salary that can be charged to each NIH award.**

**Example:**

Dr. Smith's institutional base salary for 12 months is \$251,800, which exceeds the NIH rate cap of \$179,700. Although Dr. Smith spends 20% of his time on NIH Award #1, the percent charged to the NIH award is calculated against the NIH rate cap of \$179,700 rather than his IBS of \$251,800:

- ◆ 20% effort on NIH Award #1 x \$179,700/\$251,800 = 14% chargeable to NIH Award #1.
- ◆ The remaining 6% (20% - 14%) of Dr. Smith's salary representing his effort for this award must be charged to a cost sharing account containing the same Project number as the NIH Award number.
- ◆ Repeat the process above for NIH Award #2.

Project	Committed Effort %	% Salary to NIH Award	\$ Salary to NIH Award	% Salary to Non-Sponsored Funds (project linked to the sponsored award)	\$ Salary to Non-Sponsored Funds
NIH Award #1	20%	14%	\$35,940	6%	\$14,420
NIH Award #2	30%	21%	\$53,910	9%	\$21,630
University Activities	50%	0	0	0	\$125,900
Total Sponsored Salary			\$89,850	Total Non-Sponsored Salary	\$161,950
Total Salary					\$251,800

**Same example as above but calculated on the monthly rate of pay rather than the institutional base salary.**

**Example:**

Dr. Smith's institutional base salary per month is \$20,983, which exceeds the NIH rate cap of \$14,975.

Although Dr. Smith spends 20% of his time on NIH Award #1, the percent charged to the NIH award is calculated against the NIH rate cap of \$14,975 rather than his IBS of \$20,983.

- ◆ 20% effort on NIH Award #1 x \$14,975/\$20,983 = 14% chargeable to NIH Award #1.
- ◆ The remaining 6% (20% - 14%) of Dr. Smith's effort for this award must be charged to a cost sharing account containing the same Project number as the NIH Award number.
- ◆ Repeat the process above for NIH Award #2.

Project	Committed Effort %	% Salary to NIH Award	\$ Salary to NIH Award	% Salary to Non-Sponsored Funds (project linked to the sponsored award)	\$ Salary to Non-Sponsored Funds
NIH Award #1	20%	14%	\$2,995	6%	\$1,202
NIH Award #2	30%	21%	\$4,493	9%	\$1,802
University Activities	50%	0	0	0	\$10,492
Total Sponsored Salary			\$7,488	Total Non-Sponsored Salary	\$13,496
Total Salary					\$20,983

3. **Identify the source(s) that will be used to fund any remaining percentages of salary.** At the proposal stage or once the award is received, identify the appropriate source of funds to support the salary over the sponsor imposed rate cap.

**Example:** Sources of salary over the rate cap for Dr. Smith.

Project	Non-Sponsored Funding Source	% Salary	\$ Salary to Non-Sponsored Funds
NIH Award #1	Gift for Dr. Smith's general purposes	6%	\$14,420
NIH Award #2	GA	5%	\$12,113
	General purpose gift for Dr. Smith	4%	\$9,517

4. **Schedule the employee's labor distribution.** Review Labor [Distribution Procedure 1315 PR.01](#) or contact [GA.LD@Yale.edu](mailto:GA.LD@Yale.edu) for assistance.

Labor Schedule Example: Dr. Smith's assignment-level labor schedule will be:

Project	Award	%
NIH Award #1	NIH Award #1	14%
	Gift	6%
NIH Award #2	NIH Award #2	21%
	GA	5%
	Gift	4%
Other Activity	0001AM (for example)	50%
Total %		100%

## B. Summer Salary Example

For an employee who charges summer compensation to one or more projects funded by NIH awards, and whose salary exceeds the imposed cap, review the following example for assistance:

1. Determine the employee's percentage of effort for each activity.

**Example:**  
 Prof. Jones has a 9-month faculty appointment. Her 9-month academic institutional base salary is \$180,000 (if annualized her institutional base salary would be \$240,000) charged to a General Appropriations account during the academic year. During the summer, Prof. Jones' monthly rate of pay is \$20,000. During the month of July, Prof. Jones will devote effort to the following projects:

Activity	Effort Percentages
NIH Award	60%
University of Chicago Subaward (NIH Prime)	40%

2. Calculate the percentage of the employee's July compensation that can be charged to each award.

Prof. Jones is paid \$20,000/month exceeding the monthly NIH rate cap of \$14,975 (annual NIH salary cap of \$179,700 divided by 12 months).  $60\% \text{ effort on the NIH award} \times \$14,975 \text{ (monthly NIH cap)} \div \$20,000 \text{ (total monthly compensation)} = 45\%$  charged to the NIH award.

- 15% (the remaining percentage  $60\% - 45\% = 15\%$ ) must be charged to a non-sponsored award and not the University of Chicago subaward (see **Note** below).
- 40% effort on the University of Chicago subaward  $\times \$14,975 \text{ (monthly NIH rate cap)} \div \$20,000 \text{ (total monthly compensation)} = 30\%$  charged to the University of Chicago subaward. The remaining percentage ( $40\% - 30\% = 10\%$ ) must be charged to a non-sponsored Award.

**Note:** In general, faculty with a 9-month appointment and receiving summer compensation from a sponsored project are not compensated by Yale for salary over a sponsor imposed rate cap.

Salary for a 9-month appointment reflects the academic year salary only (even when paid out over 12 months) with no obligation to provide summer salary support. If the Provost's Office grants an exception to support the salary over a sponsor imposed rate cap, an appropriate source of funds must be identified when submitting a proposal.

Project	Committed Effort %	% Salary to NIH Award	\$ Salary to NIH Award	% Salary to Non-Sponsored Project (Project linked to the sponsored award)	\$ Salary to Non-Sponsored Project
NIH Award	60%	45%	\$8,985	15%	\$3,015
U Chicago Subaward	40%	30%	\$5,990	10%	\$2,010
Total Sponsored Salary			\$14,975	Total Non-Sponsored Salary	\$5,025
Total Monthly Salary					\$20,000

3. Identify the source(s) *if any* that will be used to fund any remaining percentages of salary.

**Example:** Sources of salary over the NIH rate cap for Prof. Jones.

Project	Non-Sponsored Funding Source	% Salary	\$ Salary Charged to Non-Sponsored Funds
NIH Award	Endowed Professorship	15%	\$3,015
U Chicago Award	Start-up Funds	10%	\$2,010

4. Schedule the employee's Yale labor distribution. See [Labor Distribution Procedure 1315 PR.01](#) or contact [GA.LD@Yale.edu](mailto:GA.LD@Yale.edu) for help.

Labor Schedule Example: Prof. Jones' assignment-level labor schedule will be:

Project	Award	%
NIH Award	NIH Award	45%
	Endowed Professorship	15%
U Chicago Subaward	U Chicago Subaward	30%
	Start-up Funds	10%
Total %		100%

**C. Joint Veterans Administration Appointment Example**

The Veterans Administration Medical Center and the University must establish a Memorandum of Understanding (MOU) specifying the investigator’s title, responsibilities (both at Yale and the VAMC) and the percentage of effort available for research at the University. For detailed information about joint VA and Yale appointments, consult [Guide 1411 GD.01 – Memorandum of Understanding Requirements: Faculty with Both a Veterans Administration Medical Center and Yale University Joint Appointment.](#)

For any employee who works on one or more projects funded by NIH awards, has a joint appointment at Yale and the Veteran’s Administration Hospital, and whose Yale salary exceeds the NIH salary rate cap, the calculation is as follows:

**1. Determine the employee's percentage of effort for each activity.**

<b>Example:</b>	
According to the MOU between Yale and the VA, Dr. Bass works 20% of his professional effort at the VA and works 80% of his professional effort doing research at Yale. The 80% effort devoted to Yale research is considered 100% of his Yale compensated effort.	
Activity	Effort Percentages
Clinical work at VA	20% Not included in salary rate cap calculation
NIH Award	80% = 100% Yale effort

**2. Calculate the percentage of the employee's salary that can be charged to the NIH Award.**

Dr. Bass is paid \$20,000 in monthly salary by Yale and \$5,000 in monthly salary by the VA for combined monthly professional compensation of \$25,000. However, <b>ONLY the portion paid by Yale can be considered when calculating applicability of a salary rate cap.</b>
<ul style="list-style-type: none"> <li>100% (represents the 80% in the MOU) effort on an NIH award x \$14,975 / \$20,000 = 75% chargeable to NIH research.</li> <li>The remaining 25% of Dr. Bass’ effort for this Project must be charged to other non-sponsored Award source containing the same Project number as the NIH Award number.</li> </ul>

Project	Committed Effort %	% Salary to NIH Award	\$ Salary to NIH Award	% Salary to Non-sponsored Funds	\$ Salary to Non-sponsored Funds
NIH Award	100%	75%	\$14,975	25%	\$5,025

**3. Identify the source or sources that will be used to fund any remaining percentages of salary.** At the proposal stage or once the award is received, identify the appropriate source of funds to support the salary over the sponsored imposed cap.

**4. Schedule the employee's Yale labor distribution.**

Labor Schedule Example: Dr. Bass’ assignment-level labor schedule will be:		
Project	Award	%
NIH Award	NIH Award	75%
	Non-sponsored funds	25%
Total % of Yale Salary		100%

## Program Limitations

Some sponsors may limit the maximum salary that can be charged directly to an award while identifying the minimum required effort. For individuals whose salary associated with the minimum required effort exceeds the maximum salary limit, the salary amount exceeding the maximum salary permitted must be charged to a GA account. For example, NIH Career Development Awards have a maximum salary limit that can be charged to an award with a required percent of effort. The portion of the institutional base salary greater than the maximum allowed by the sponsor is not considered institutional cost sharing and must be charged to a GA account. Refer to University [Policy 1316](#) regarding proposing effort in the form of voluntary cost sharing for programs that have salary limits but do not have minimum effort requirements.

In order to confirm that the required effort is met, the salary in excess of the program’s limit and supporting the percent effort, is normally charged to a linked\* University source of funds. Refer to Procedure [1306 PR.01](#) – Cost Sharing for information about establishing a linked account.

The table below provides an example of a program limitation for a NIH career development award.

PI's IBS	Career Program Salary Limitation	Minimum Effort Required	Payroll % - K Award	Payroll % - Unrestricted
\$130,000	\$90,000	75%	69%	6%
\$125,000	\$90,000	75%	72%	3%
\$90,000	\$90,000	75%	75%	0%

Where a linked account **cannot** be achieved (e.g., the CMHC staffing contract), a note can be entered in the effort report’s **Notes** box reflecting the percent effort being supported by unrestricted funds.

Illustrative Notes box language: “The PI’s salary representing the 75% effort commitment to the K award exceeds the amount supported by the sponsor. The amount exceeding the sponsor’s limit is funded by the CMHC staffing contract. Therefore, only 69% of the PI’s salary is directly charged to the K award and the remaining 6%, fulfilling the 75% commitment, is funded by XXXXX account.”

- For NIH Career Development Awards, refer to the FAQs found in [Procedure 1315 PR.04](#) – Effort Reporting Using the Effort Reporting System (ERS).

\*The sponsored project associated with the award is linked to a non-sponsored source of funds.

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