

Procedure 1315 PR.03**Salaries above NIH, SAMHSA, and AHRQ Rate Cap**Revision 08/20/08

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A. NIH, SAMHSA, and AHRQ Salary Rate Cap Facts

- 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. The 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). Since 2001, the cap has been set at the Executive Level 1 of the Federal Executive Pay schedule.
 - A University employee's base salary is not affected by the above requirement. However, the salary cap limits the rate of annual salary that may be charged to NIH, SAMHSA, and AHRQ awards. The University may pay an employee's salary amount in excess of the salary rate cap with non-sponsored project funds.
 - When an employee's rate of pay in a given period exceeds the salary rate cap, 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: 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.)
 - The salary rate cap for current and previous years may be found in the [Controller's Office Factsheet](#).
 - Institutional base salary excludes clinical bonuses, extra compensation and payments received as a VA employee.

Note: Faculty working at the University under a Memorandum of Understanding (MOU) between Yale and the VA do not include the salary received from the VA (as a VA employee) as part of the total compensation when calculating IBS and applicability of the salary rate cap. Only the portion of salary paid by the University under the MOU is considered IBS when determining the salary rate cap requirements.
 - Salary in excess of a sponsor imposed rate cap is considered by the University to be mandatory cost sharing. At the time of award a cost sharing account must be created by Grant and Contract Administration (GCA). Refer to Cost Sharing Procedure [1306 PR.01](#).
 - Other sponsors (federal or non-federal, including subawards or pass-thru awards made to Yale) may have a salary rate cap. Carefully read the terms and conditions of the award.
 - Consult with the appropriate business support center or Grant and Contract Financial Administration (GCFA) and GCA for assistance.
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B. Accounting for Salary Over A Rate Cap

The procedures and examples below are intended to assist in accounting for salaries over a sponsor imposed salary rate cap. (The example below uses the 2008 NIH salary rate cap level. Consult the [Controller's Office Factsheet](#) for the current NIH salary cap.)

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: Prof. 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: Prof. Smith's institutional base salary for 12 months is \$251,800, which exceeds the NIH rate cap of \$191,300.
Although Prof. 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 \$191,300 rather than his IBS of \$251,800:
<ul style="list-style-type: none"> ♦ 20% effort on NIH Award #1 x \$191,300/\$251,800 = 15.2% chargeable to NIH Award #1. ♦ The remaining 4.8% (20% - 15.2%) of Prof. 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 Percentages	% Salary Charged to NIH Award	\$ Salary Charged to NIH Award	% Salary Charged to Non-sponsored Project Source	\$ Salary Charged to Non-sponsored Project Source
NIH Award #1	20%	15.2%	\$38,274	4.8%	\$12,086
NIH Award #2	30%	22.8%	\$57,410	7.2%	\$18,130
University Activities	50%	0	0	0	\$125,900
Total Sponsored Salary			\$95,684	Total Non-Sponsored Salary	\$156,116
Total Salary					\$251,800

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

Example: Prof. Smith's institutional base salary per month is \$20, 983, which exceeds the NIH rate cap of \$15,942.
Although Prof. 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 \$15,942 rather than his IBS of \$20,983:
<ul style="list-style-type: none"> ♦ 20% effort on NIH Award #1 x \$15,942/\$20,983 = 15.2% chargeable to NIH Award #1. ♦ The remaining 4.8% (20% - 15.2%) of Prof. 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 Percentages	% Salary Charged to NIH Award	\$ Salary Charged to NIH Award	% Salary Charged to Non-sponsored Project Source	\$ Salary Charged to Non-sponsored Project Source
NIH Award #1	20%	15.2%	\$3,189	4.8%	\$1,007
NIH Award #2	30%	22.8%	\$4784	7.2%	\$1,511
University Activities	50%	0	0	0	\$10492
Total Sponsored Salary			\$7,973	Total Non-Sponsored Salary	\$13010
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. Consult with GCA if you have questions about appropriate sources.

Consult with Funds Management if you have questions about a specific gift or endowment sources.

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

Project	Non-sponsored Award Source	Award	% Salary	\$ Salary Charged to Non-sponsored Award
NIH Award #1	Gift for Prof. Smith's general purposes	X	4.8%	\$12,086
NIH Award #2	GA	Y	5%	\$12,590
	General purpose gift for Prof. Smith	X	2.2%	\$5,540

4. To properly account for the effort, it is necessary to link the Award (cost sharing account) on which the salary over the NIH rate cap will be charged to the NIH Project number.

This linkage provides a mechanism to properly classify and certify the effort as well as provide documentation for audit purposes.

Review Cost Sharing Procedure 1306 PR.01(forthcoming) for further information. GCA is responsible to create the appropriate cost sharing account at the time of award set-up. The creation of the cost sharing account will be based on the information provided by the department to GCA.

5. Schedule the employee's labor accordingly. See Labor [Distribution Procedure 1315 PR.01](#) or contact GA.LD@Yale.edu for assistance.

Example: Prof. Smith's assignment-level labor schedule will be:

Project	Award	%
NIH Award #1	NIH Award #1	15.2%
	Gift X	4.8%
NIH Award #2	NIH Award #2	22.8%
	GA Y	5%
	Gift X	2.2%
Other Activity	0001AM (for example)	50%
Total %		100%

C. Accounting for Summer Salary Over A Rate Cap

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.

Example: Prof. Jones is paid \$20,000/month exceeding the monthly NIH rate cap of \$15,942 (annual NIH salary cap of \$191,3600 divided by 12 months). (This example is using the NIH salary rate cap for 2008. Consult the [Controller's Office Factsheet](#) for the current NIH salary rate cap.)

- 60% effort on the NIH Award x \$15,942 (monthly NIH cap) ÷ by \$20,000 (total monthly compensation) = 47.8% charged to the NIH Award.
- 12.2% (the remaining percentage 60% - 47.8% = 12.2%) 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 x \$15,942 (monthly NIH rate cap) ÷ \$20,000 (total monthly compensation) = 31.9% charged to the University of Chicago subaward. The remaining percentage (40% - 31.9% = 8.1%) 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. If you have questions about appropriate sources, consult with GCA . Consult with Funds Management if you have questions regarding specific gift or endowment sources.

Project	Effort Percentages	% Salary Charged to NIH Award	\$ Salary Charged to NIH Award	% Salary Charged to Non-sponsored Project	\$ Salary Charged to Non-sponsored Project
NIH Award	60%	47.8%	\$9,560	12.2%	\$2,440
U Chicago Subaward	40%	31.9%	\$6,380	8.1%	\$1,620
Total Sponsored Salary			\$15,940	Total Non-Sponsored Salary	\$4,060
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 Award Source	Award	% Salary	\$ Salary Charged to Non-sponsored Award
NIH Award	Endowed Professorship	X	12.2%	\$2,440
U Chicago Award	Start-up Funds	Y	8.1%	\$1,620

4. To properly account for the effort, it is necessary to link the Award (cost sharing account) on which the salary over the rate cap will be charged to the NIH and NIH Subaward Project numbers. This linkage provides a mechanism to properly classify and certify the effort and to provide documentation for audit purposes.

Review [1306 PR.01](#) for further information. It is the responsibility of GCA to create the appropriate cost sharing account at the time of award set-up. The creation of the cost sharing account will be based on the information provided by the department to GCA at the proposal stage.

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

Example: Prof. Jones' assignment-level labor schedule will be:		
Project	Award	%
NIH Award	NIH Award	47.8%
	Endowed Professorship	12.2%
U Chicago Subaward	U Chicago Subaward	31.9%
	Start-up Funds	8.1%
Total %		100%

D. Accounting for Joint Veterans Administration Appointment Salary Over the NIH Rate Cap

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. The MOU must be signed by appropriate officials at Yale and the VAMC, and must be updated with each significant change of the investigator's responsibilities or

distribution of effort. Even if there is no change, the MOU must be reviewed and signed annually. An investigator's joint VAMC-Yale appointment constitutes 100 percent of his or her total professional responsibilities. (The percent paid by Yale represents 100% of the Yale effort.) NIH will recognize such a joint appointment only when a university and an affiliated VA hospital are the parties involved.

A grant application from the University may request the University's share of an investigator's salary in proportion to the effort devoted to the research project. The institutional base salary as contained in the individual's University appointment determines the base for computing that request.

An authorized University signature certifies that:

- The individual whose salary is included in the application serves under a joint appointment documented in a formal MOU between the university and the VA, and
- There is no possibility of dual compensation for the same work or of an actual or apparent conflict of interest.

Under the arrangement described above, there is no involvement of a VA-affiliated non-profit research corporation (which is eligible to apply for and receive NIH grants in its own right as a non-profit organization). Limitations on the payment of salaries with federal funds, including salary over the NIH cap, apply.

The procedure and example below are intended as a guide. (The example below uses the 2008 NIH rate cap. Consult the [Controller's Office Factsheet](#) for the current NIH salary rate cap.)

For any employee who works on one or more projects funded by NIH awards, who 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.

Example: 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.

Example: 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, ONLY the portion paid by Yale can be considered when calculating applicability of a salary rate cap.
<ul style="list-style-type: none"> ♦ 100% (represents the 80% in the MOU) effort on a NIH award x \$15,942 / \$20,000 = 79.7% chargeable to NIH research. ♦ The remaining 20.3% 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.

Project	Effort Percentages	% Salary Charged to NIH Award	\$ Salary Charged to NIH Award	% Salary Charged to Non-sponsored Award	\$ Salary Charged to Non-sponsored Award
NIH Award	100%	79.7%	\$15,942	20.3%	\$4,060

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. Consult with GCA if you have questions about appropriate sources.

Consult with Funds Management if you have questions about a specific gift or endowment sources.

4. To properly account for the effort, it is necessary to link the Award (cost sharing account) on which the salary over the rate cap will be charged to the NIH Project number. This linkage provides a mechanism to properly classify and certify the effort and to provide documentation for audit purposes.

Review 1306 PR.01 for further information. It is the responsibility of GCA to create the appropriate cost sharing account at the time of award set-up. The creation of the cost sharing account will be based on the information provided by the department to GCA.

5. Schedule the employee's Yale labor accordingly.

Example: Dr. Bass' assignment-level labor schedule will be:

Project	Award	%
NIH Award	NIH Award	79.7%
	Non-sponsored project fund	20.3%
Total % of Yale Salary		100%

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