Salary Cap

Objectives & Key Roles

- **Objectives**
  - Define salary cap
  - How to apply the salary cap
  - Examples of using salary cap

- **Key Roles**
  - Grant Accounting Office (GAO)
  - Principal Investigator (PI)
  - Department Administrator

What Is the HHS Salary Cap?

- The HHS salary cap is a statutory limit on the *rate of pay* that can be charged to NIH (and other HHS) grants, cooperative agreements, and applicable contracts.
- The cap is tied to Executive Level II of the Federal Executive Pay Scale and is set each year in the appropriations act.
- It limits what can be ***charged to the award***, not what the institution may actually pay the individual.

Current Cap and Recent History

- The cap applies across NIH and other HHS agencies, such as CDC, AHRQ, SAMHSA, and any pass-through awards, including the State of Iowa.
- The current salary cap can be found here.
- The best practice is to use the current salary cap for active awards. This means the salary cap used on each award is adjusted on an annual basis.

How the Cap Is Applied in Budgets

- The cap is applied to the individual's Institutional Base Salary (IBS); only the portion up to the capped rate can be charged to NIH funds.
- The limitation is on the *salary rate* (annual or monthly), so effort charged to an NIH project is capped proportionally (e.g., 50% effort → 50% of the capped rate).
- Institutions may pay salary above the cap from institutional sources. An individual's salary cannot exceed the cap on an NIH-funded award.

Example Calculation for Budgets

- Assume a PI's IBS is $260,000 dollars/year and the current NIH cap is $228,000 dollars/year.
- The maximum annual salary that can be charged to NIH is $228,000 dollars; at 50% effort, the project can be charged up to $114,000 dollars/year for that person.
- The remaining "over-the-cap" portion (in this example, $16,000 dollars/year at 50% effort) must be covered by institutional funds.

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Post-Award Calculating the Salary Cap

Example 1:

PI with a 12-month appointment at an institutional base salary of $300,000 devoting 25% effort to grant (G/P number 11234500). Salary Cap is $228,000.

- Charge to funded grant g/p 11234500
  - $228,000 x 25% effort = $57,000
- Charge to salary cap account g/p 31111111
  - ($300,000 x 25% = $75,000) - $57,000 = $18,000

Post-Award Calculating the Salary Cap

Example 2:

PI with a 12-month appointment at an institutional base salary of $300,000 devoting 25% effort to grant g/p 11234500 and cost sharing 5% effort

- Charge to funded grant g/p 11234500
  - $228,000 x 25% effort = $57,000
- Charge to cost sharing g/p 31234500
  - $228,000 x 5% effort = $11,400
- Charge to salary cap account 31111111
  - ($300,000 x 30% = $90,000) – $57,000– $11,400 = $21,600

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Takeaways

- **Key takeaways:**
  - The cap constrains billable salary *rate* to HHS agencies, not total pay
  - “Over-the-cap” portions require non-federal support
  - The correct application is critical for compliant effort reporting.

- The cap changes periodically; always check the latest NIH Guide Notice when preparing proposals or rebudgeting.

References and additional information

- **GAO website**
  - gao.fo.uiowa.edu
    - DHHS Salary Cap
- **Contact us**
  - gao.fo.uiowa.edu/contact-us

gao.fo.uiowa.edu