GUIDANCE FROM SPONSORED PROJECTS ADMINISTRATION (SPA):

In general, the rules regarding how the National Institutes of Health (NIH) salary cap is implemented and adhered to within our institution have not changed. However, any awards issued on or after 12/23/2011 are subject to the new salary limitation of $179,700. The following chart summarizes how the new salary limitation affects different types of awards, and how subsequent budget years will be affected:

<table>
<thead>
<tr>
<th>TYPE OF AWARD</th>
<th>CURRENT YEAR AWARD DATE</th>
<th>Executive Level</th>
<th>CAP AMOUNT</th>
<th>SUBSEQUENT AWARD YEARS*</th>
</tr>
</thead>
<tbody>
<tr>
<td>New</td>
<td>On or after 12/23/2011</td>
<td>II</td>
<td>$179,700</td>
<td>$179,700</td>
</tr>
<tr>
<td>Competing Renewal</td>
<td>On or after 12/23/2011</td>
<td>II</td>
<td>$179,700</td>
<td>$179,700</td>
</tr>
<tr>
<td>Non-Competing Continuation</td>
<td>On or after 12/23/2011</td>
<td>II</td>
<td>$179,700</td>
<td>$179,700</td>
</tr>
<tr>
<td>Supplemental</td>
<td>On or after 12/23/2011</td>
<td>II</td>
<td>$179,700</td>
<td>$179,700</td>
</tr>
<tr>
<td>Carryover Funds</td>
<td>Awards funded prior to 10/1/2011</td>
<td>I</td>
<td>$199,700</td>
<td>$199,700</td>
</tr>
<tr>
<td>New</td>
<td>Prior to 12/23/2011</td>
<td>I</td>
<td>$199,700</td>
<td>$199,700</td>
</tr>
<tr>
<td>Competing Renewal</td>
<td>Prior to 12/23/2011</td>
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</table>

*actual cap amounts subject to rates to be legislated in the future


Other U.S. Department of Health and Human Services Agencies (HHS):
HHS is comprised of 11 agencies (also known as Operating Divisions), including NIH, and is headed by the Secretary for Health and Human Services. All Operating Divisions within HHS are subject to the new salary cap of Executive Level II ($179,700) with the exception of the FDA (funded under the USDA appropriations bill) and the Indian Health Service (funded under the Department of Interior appropriations bill). For a full listing of all Operating Divisions, please go to: [http://www.hhs.gov/open/contacts/index.html#od](http://www.hhs.gov/open/contacts/index.html#od).

DETAILED GUIDANCE:

Proposal Preparation for New and Competing Proposals:
NIH Cap Guidance – there are two proposal budget formats to consider:

- **Detailed Budgets** – for grant mechanisms requiring detailed budgets (ex. P30, U54, etc.) there are two options:
  - **Option 1**: Provide the full actual Institutional Base Salary (IBS) and calculate the total budget based on the IBS. If awarded, NIH will cut the total award in accordance with
the NIH cap in effect at time of award, along with associated fringe benefits and Facilities & Administrative (F&A) costs, or

- **Option 2:** Create a budget based on the cap of $179,700 (in order to not display the actual IBS, should the investigator choose to do so), and explain the budget justification narrative that the actual institutional salary exceeds the current salary limitation. However, keep in mind that if the full IBS is not provided in the original proposal, NIH cannot adjust accordingly if the Executive Level salary cap changes in the future. Please follow the guidelines provided by your individual School and/or Department.

- **Modular Budgets** - applicants should use the current salary cap ($179,700) when estimating the number of modules requested

- **Inflation Guidance** – While NIH has indicated that they will not be providing inflationary increases (see NIH Guide Notice NOT-OD-12-036 “NIH Fiscal Policy for Grant Awards – FY 2012”), you should continue to budget for future salary increases and other cost of living increases for subsequent budget periods up to a 3% increase. For inbound subawards and subcontracts, please follow the guidance provided by the primary institution.

**Preparation of NIH Progress Reports Requiring Detailed Budgets:**

- **Budgeting for New NIH Cap and Commitments** - For progress reports not subject to eSNAP that require detailed budgets, SPA recommends that the total costs reflect the commitments made by NIH in previous Notices of Grant Awards (NGAs). However, salaries must reflect the Executive Level II ($179,700) salary cap. This means funds should be reallocated into other categories. NIH may still award the non-competitive continuation with reduced direct and F&A costs to reflect the salary decrease. Please refer to any additional guidance provided by your School and/or Department.

**Account Set Up:**

**Carryover within a competitive award segment**

- If funds are carried over from one budget period to another within a competitive award segment, and the “older” funds will be used for salaries, the Executive Level I ($199,700) cap may be applicable (if the funds were awarded prior to 12/23/11). The “newer” budget period, if awarded on or after 12/23/11, will be subject to the Executive Level II ($179,700) cap.

- It may be determined in SPA that a separate account is necessary in order to demonstrate compliance.

**Pre-award costs for awards subject to the Executive Level II ($179,700) cap**

- Although PIs and administrators would not have been able to predict a shift to the lower cap when establishing prespending for awards issued on or after 12/23/11, please note that those earlier salary expenditures are subject to the new cap of $179,700.

**Spending and Rebudgeting Guidelines:**

- **Charging Salaries** - Departments should charge salaries based on the new salary limitation for all competing and non-competing awards issued on or after December 23rd, 2011. For those
awards issued reflecting the same total costs as originally committed by NIH, departments can charge the difference of the old salary cap and the new salary cap to other line items.

- **Rebudgeting Defined** - The guidelines for rebudgeting have not changed as a result of the change in the salary limitation. The new salary should not warrant any request for rebudgeting through the SPA office. However, as always, if there is any cost related change that would result in a change of scope of the project, departments should communicate with their assigned SPA Project Officer.

**Inbound and Outbound Subawards/Subcontracts:**

- **Inbound Subawards** – please follow the guidelines per the awarding institution. If no budget guidance is provided, follow the guidelines as stated above for competing proposals and non-competing submissions.

- **Outbound Subawards** – PIs and administrators should be cognizant that the new salary cap of $179,700 is applicable to all outbound subawards included in awards. Note that the initial Issue Date on the Notice of Award to the primary PI determines the applicable salary cap that applied to the subaward; it is not the date of the consortium agreement. Therefore, if a new grant is issued from NIH on 12/15/2011 that includes a consortium to a subrecipient, but the consortium agreement isn’t finalized until 1/15/2012, the Executive level I ($199,700) cap applies.

**No Cost Extensions:**

- If awards are currently in a no cost extension (the last non-competing award was issued prior to 12/23/11) you can charge at the $199,700 cap. Recent requests for no–cost extensions can also be charged at the $199,700 cap.

- For future no cost extension requests for awards issued after 12/23/2011, you will have to charge the new cap of $179,700.