**Date:** March 23, 2012

**To:** MRAM Members; FEC Coordinators; Payroll Coordinators; School of Medicine Administrators

**From:** UW Salary Cap Task Force

**Re: Best Practices for Complying with New NIH Salary Cap Requirements**

**Overview: Salary Cap Reduced in FY 2012 NIH and other HHS Budgets**

For federal FY2012, the Consolidated Appropriations Action, 2012 (Public Law 112-74) signed on December 23, 2011 lowered the salary cap from Executive Level I ($199,700) to Executive Level II ($179,700). Attachment 1 is NIH’s useful FAQ’s. As new grants are awarded or new funds are provided for existing grants, the lower salary cap must be applied. In addition other HHS agencies have also been affected by this change.

**Executive salary level II ($179,700) APPLIES to FY2012 selected HHS funds with an initial issue date on the Notice of Award that is on or after December 23, 2011.**

**Executive salary level II DOES NOT APPLY to FY2012 selected HHS funds with an initial issue date on the Notice of Award that is between October 1, 2011 and December 22, 2011, or to any previous year’s funds carried forward into FY2012.**

Awards from the following agencies are affected, as of this date:

* National Institutes of Health (NIH)
* Substance Abuse and Mental Health Services Administration (SAMHSA)
* Agency for Healthcare Research and Quality (AHRQ)
* Health Resources and Services Administration (HRSA)
* Centers for Disease Control (CDC)

No other federal agencies have been identified as using the reduced cap at this time.

This communication provides details on:

1. How the two salary caps are applied,
2. Useful tools to help ensure that payroll is set up properly and FEC reporting goes smoothly,
3. What SOM and/or UW are presently able to do to assist departments and programs managing grants, and
4. Steps UW will take in the immediate future to reduce the burden on departments and central offices responsible for administering this new compliance requirement.

**Impact on Awards**

Departments and investigators will need to carefully review agency communications to ensure compliance during the year or more of transition from old awards to new funds. NIH specifies that the **initial issue date** on the Notice of Award is used to determine which salary cap applies. See Attachment 1 for a matrix summarizing the application of the new salary cap, as described below.

1. **New awards with an Issue Date prior to** December 22, 2011 (based on initial issue date)  
   The Executive Level I cap ($199,700) will continue to apply, and current year funding will not be affected.  However, for new awards **with categorical budgets** (i.e., those with detailed budgets) future years funding will be adjusted to reflect Executive Level II ($179,700).
2. **New awards** funded on or afterDecember 23, 2011 (based on initial issue date)

The Executive Level II cap ($179,700) applies.  NIH and other HHS sponsors will reissue the awards and reduce budgets accordingly.

1. **Non-competing continuations/awards** funded on or afterDecember 23, 2011(based on initial issue date)Non-competing continuations/awards **will not be adjusted by HHS** agencies for the decrease in the salary limitation.  However salary charges are limited to Executive Level II ($179,700).  Unless otherwise restricted, any funds made available as a result of the lower cap may be **rebudgeted** to other costs.
2. **Competing continuations (Renewals)** **with categorical budgets** (i.e., those with detailed budgets) funded on or after December 23, 2011 (based on initial issue date)  
   Salaries at or above the new limit will be adjusted by the sponsor for the current and future years so that no funds are awarded or committed for salaries over the Executive Level II limit ($179,700).
3. **Competing awards** **with modular budgets**  
   Award amounts will not be reduced to the new salary limit, but may be adjusted by the PI based on the awarding Institute’s/Center’s (IC’s) funding principles. Rebudgeting is subject to individual agency implementation. NIH policy allows rebudgeting, consistent with overall NIH goals and the IC budget for FY 12.
4. **No-cost extensions**   
   No-cost extensions will continue to utilize the salary cap in place at the time the funds were originally awarded (initial issue date) to UW.
5. **Carry forward funds**   
   Carry forward funds will continue to utilize the salary cap in place at the time the funds were originally awarded (initial issue date) to UW. Options are presently being reviewed for managing dual salary caps when funds are carried forward in a budget that is also receiving new funds at the lower cap.
6. **Subcontracts**The executive salary level used in subcontracts administered at UW is determined by the issue date for the funds awarded to the parent institution. The issue date of the subcontract to UW or from UW to another institution is **not** the determining date. OSP will be contacting their sub-awardees to ensure they understand the new requirements. Any sub-awardees affected by the reduction will be receiving a modification. Incoming sub-awards from other organizations will also be affected by the changes.
7. **Use of HHS/NIH salary caps for consultant costs**  
   The salary limitation does NOT apply to payments made to consultants under an NIH grant or contract although, as with all costs, those payments must meet the test of reasonableness and be consistent with institutional policy.
8. **Multi-year awards**  
   The University has a small number of awards from affected agencies in which all funds are awarded to UW in the first year. For such awards, if the initial issue date is prior to December 23, 2011, then Executive Level I cap is applicable to all years of the multi-year award. If the initial issue date is on or after December 23rd, then Executive Level II salary cap will apply.

**UW Implementation of Multiple Salary Caps**

**Salary calculation tool.** The [FEC website](http://f2.washington.edu/fm/maa/fec/fectools) provides updated calculation tools to assist in making payroll and FEC adjustments for faculty under either or both salary caps. For awards requiring the Executive Level II salary cap ($179,700), please make sure that you have calculated the effort distribution and salary cap on the budget as appropriate. Note that this tool has been revised to make it easier to calculate salaries for faculty appointed at less than 100% time.

Please pay close attention as your new awards come in. A small number of awards have come in with the wrong salary cap noted and the agency issued a revision. Even when a revision is issued the implementation is based on the original issue date.

**Identifying affected budgets and personnel.** Management Accounting and Analysis (MAA) will be providing periodic listings of faculty who exceed the Executive Level II salary cap ($179,700) with potential qualifying budgets. Additionally, MAA is working with the Finance and Facilities’ Decision Support Center on a new campus facing salary cap report that will be available soon as a tool departments can use to monitor compliance with salary cap limitations.

**How to handle salary on awards with initial issue date between Dec. 23rd and Dec. 31st.** A very small number of awards were issued between December 23rd and December 31st. As a result, a very small number of individuals were paid on these awards using the Executive Level I salary cap for the last week of December. The impact of this has been reviewed by the University to determine whether departments must retroactively change salary sources and retroactively adjust Faculty Effort Certifications (FEC’s). What follows is the official University guidance:

* **Calendar Year Schools (Dentistry, Medicine, Pharmacy, Public Health):** Considering the amount of the funds involved for this period are so small, the University has determined it to be “immaterial”. As a result departments ***will not need to*** adjust payroll distributions for the last week of December 2011. As a result there will be no changes to the FEC’s for the period July 1, 2011 to December 31, 2011 resulting from Executive Level II salary cap adjustments. Departments ***will be required*** to make necessary changes in salary distributions for grants subject to Executive Level II salary limitations effective January 1, 2012.
* **Academic Schools/Colleges (All others except as noted above):** Since the new salary cap will cover more than half of the FEC period (12/23/11-3/15/12), schools/colleges ***will need to*** adjust payroll distributions effective 12/23/2011 and forward, for grants subject to the new Executive Level II salary cap. As a result it will also be necessary to adjust the salary cap cost sharing for FEC’s for this time period (12/23/11-3/15/12).

**Long-term approach.** A UW-wide task force has been formed to work on an implementation process that will allow the University to remain in compliance with the NIH and other HHS requirements while at the same time limiting the impact on investigators and administrators. Attachment 2 lists the current membership of the task force. This taskforce is:

1. evaluating options for matching the correct salary cap with funds and budgets,
2. reviewing and enhancing tools for calculating the salary cap,
3. evaluating approaches to faculty effort reviews and certifications, and
4. partnering with UW system owners to assess the impact on effort reporting and make recommendations.

**Additional Resources**

FY2012 NIH Guide Notice NOT-OD-12-035:

<http://grants.nih.gov/grants/guide/notice-files/NOT-OD-12-035.html>

Salary Cap Summary Webpage:

<http://grants.nih.gov/grants/policy/salcap_summary.html>

List of FY2012 Grants subject to Executive Level I in NIH RePORT:

<http://report.nih.gov/FileLink.aspx?rid=824>

Salary Cap – FY2012 Frequently Asked Questions:

<http://grants.nih.gov/grants/policy/fy2012_salary_cap_faqs.html>

Slides, Society of Research Administrators Webinar on NIH Salary Cap:

See Attachment 3

**Questions?**

* Salary cap calculations/tools: [efecs@uw.edu](mailto:efecs@uw.edu)
* Reports/data for identifying affected budgets and personnel impacted: [efecs@uw.edu](mailto:efecs@uw.edu)
* Other federal agencies’ relation to these salary caps: Agency websites and announcements, [OSPhelp@uw.edu](mailto:OSPhelp@uw.edu)

**Attachments**

Attachment 1: SOM Matrix for applying NIH Salary Cap

Attachment 2: UW NIH Salary Cap Task Force membership

Attachment 3: Salary Cap Overview by Society of Research Administrators (February 2012 webinar)