PURPOSE

Under the terms and conditions of certain awards sponsors may impose salary limitations for a particular award. These salary limitations (also referred to as salary caps) must be adhered to and documented properly. While any sponsor may impose a salary cap it is most notable that since 1990 Congress has mandated a salary limitation on any awards made by the National Institutes of Health (NIH), the Agency for Healthcare Research and Quality (AHRQ) and the Substance Abuse and Mental Health Services Administration (SAMSHA). This procedure is provided to clarify how OHSU ensures that individuals are not receiving compensation in excess of any sponsor imposed cap from. Any amount above this cap is considered cost sharing and should be charged to the appropriate non-sponsored account.

DEFINITIONS

A. Institutional Base Salary (IBS)

As defined by National Institutes of Health (NIH), Institutional Base Salary (IBS) is “the annual compensation that the applicant organization pays for an employee’s appointment, whether that individual’s time is spent on research, teaching, and patient care, or other activities. Base salary excludes any income that an individual may be permitted to earn outside of duties to the applicant organization. Base salary may not be increased as a result of replacing institutional salary funds with grant funds.” [Source: Application for a Public Health Service Grant (PHS398)]

RESPONSIBILITIES

A. Unit Head (Dean/ Director/ Department Chair/ Division Head)

- Ensure that administrators, investigators, and employees in their units, as well as themselves, know, understand and abide by sponsor terms and conditions and this procedure, and the consequences for not following them.
- Ensure that faculty with IBS over any salary cap have sufficient non-sponsored funding to cover the cost sharing on applicable grants

B. Principal Investigator (PI)

- Principal Investigators are responsible for understanding and abiding by sponsor terms and conditions and this procedure, and the consequences for not following them.
- PI’s are responsible for ensuring that charges to grants for salary on an individual grant basis do not exceed the salary cap on applicable grants. PI’s must ensure that any salary over the salary cap is cost shared to a non-sponsored account.
- PI’s are responsible for ensuring that subcontractors on their applicable grants adhere to any salary cap.

C. Department Effort Coordinator (DEC)

- The DEC is responsible for ensuring that cost sharing associated with the salary cap is appropriately reflected on the Effort Certification Statement, if applicable.
D. Department LD Adjustor

- The Department LD Adjustor is responsible for ensuring that LD schedule is set up appropriately, utilizing unrestricted funds for the portion of salary support not allowed on the grant.

Research Grants and Contracts (RGC)

- RGC is responsible for ensuring that salary over the cap is appropriately addressed in applicable grant applications.

Sponsored Projects Administration (SPA)

- SPA is responsible for providing education and resources regarding the application of the salary cap regulations.

REQUIREMENTS

Any amount above the salary cap is considered cost sharing and should be charged to the appropriate unrestricted account and should be reflected as committed cost sharing on the Effort Certification Statement (ECS). For example, if the salary cap is $191,300, annually ($7,358 bi-weekly) and a PI had an annual salary of $225,000 ($ 8,654 biweekly) and expended 50% effort on a salary capped grant over a two week period, the maximum amount that can be charged to the grant for that period is $ 3,679 (50% of $ 7,358) not $4,327 (50% of $ 8,654). The difference of $648 must be charged to an unrestricted account.

OHSU's Effort Certification Procedure states “OMB Circular A-21 allows institutions to base salary and wage payments on estimated initial labor charges, provided that such charges are promptly adjusted if activity records indicate significant differences. A significant difference is a change in a specific project's labor distribution of greater than ±5% over the entire certification period.” Due to the specific nature of the salary cap regulations this “5% rule” should not be used for consideration of reflecting cost sharing associated with the cap, (i.e., if the cost sharing is less than 5% on any particular project it still needs to be reflected on the ECS).

For the NIH salary cap, if adequate funds are available in an active award, and if the salary cap increase is consistent with the individual's institutional base salary, rebudgeting to accommodate the current salary cap is allowable. However, no additional funds will be provided to the prior year grant awards and the total estimated cost of the award will not be modified.

The NIH salary cap limitation also applies to OHSU's subcontractors on applicable grants.

The individual's Labor Schedule in Oracle should be set up to automatically distribute the cost sharing to an unrestricted department account, utilizing the appropriate cost share mission code (e.g., 24 for Cost Sharing on Externally Sponsored Research). Cost sharing associated with the NIH salary cap is tracked using the mission code for use in the calculation of the negotiated F&A rates.

It is the responsibility of the PI, department administrator and DEC to ensure that the proper amounts, calculated on an individual grant basis, are cost shared. It is important to note that the NIH salary limit changes annually. Please refer to the Federal Salary Cap Webpage for the Federal Salary Limitations. Departments are responsible for providing a worksheet that calculates the necessary salary cap cost share amounts. This worksheet must be attached to the individual's effort statement.

Particular care should be taken when the individual's home org is not the grant owning org.

RELATED DOCUMENTS

Effort Certification ~ Policy No. 04-90-010 http://www.ohsu.edu/research/rda/spa/docs/policy.pdf
Effort Reporting Procedure http://www.ohsu.edu/research/rda/spa/docs/effortcertproc.pdf
Cost Sharing Procedure http://www.ohsu.edu/research/rda/spa/docs/cost_share_proc.pdf
Institutional Base Salary Procedure


REVISION HISTORY

Original draft of procedure approved March 2008.
08/30/2010 Language changes and revisions to requirements section. Added requirement for backup documentation of salary cap calculations.