New York University
UNIVERSITY POLICIES

Title: Salary Cap Administration Policy
Effective Date: September 1, 2013
Supersedes: N/A
Issuing Authority: Sponsored Programs Administration
Responsible Officer: Assistant Vice President for Post-Award Administration

Policy

It is the policy of New York University (“University”) to comply with sponsor-imposed limitation on salaries charged to sponsored programs. Where a sponsor specifies a maximum rate at which an individual is to be paid from that sponsor's funds, the Principal Investigator will ensure that any salary paid above that rate will not be charged to the sponsor.

Purpose of this Policy

The purpose of this policy is to provide guidance for complying with requirements of a Sponsor’s Salary Cap.

Scope of this Policy

This Policy is applicable to all schools, departments, units and personnel of the University involved in administering sponsored awards.

Procedures for Implementation

NYU's proposal submission process has been designed to comply with policies and guidelines established by sponsoring agencies.

a. Submitting Proposals

The sponsoring agencies’ application instructions will contain information concerning salary caps, if any and how to apply them. For example, for NIH, applicants request the uncapped salary and NIH will adjust these amounts to reflect a Salary Cap at the time of an award.

Salary amounts requested from the sponsor are calculated by multiplying the institutional base salary of the individuals proposed to work on the project by the appropriate percentage of effort to be expended on the project. When submitting Modular Grants or other grants that limit total direct costs, or when submitting non-competing continuation proposals, if a proposed
individual’s rate of pay exceeds the allowable (capped) rate, NYU will incorporate the applicable salary cap into the proposed salary budget.

b. Administering Awards

NYU’s procedures in administering awards involving a salary cap will be consistent throughout the University. The salary cap is used to compute the maximum allowed rate for an individual pay period.

In the examples below, the salary cap is hypothetical. Salary caps in place when funds are awarded are applicable.

To calculate amount of salary to be requested: multiply person months x monthly base salary.

- 9 month appointments
  - Divide 9 month base salary by 9, then multiply by the # of person months devoted to project \{formula \((9\text{mos BS}/9)\times\# \text{person MOS devoted to project}\}\}

- 11 month appointments
  - Divide 11 month salary by 11, then multiply by the # of person months devoted to project \{formula \((11\text{mos BS}/11)\times\# \text{person MOS devoted to project}\}\}

- 12 month appointments
  - Divide 12 month salary by 12, then multiply by the # of person months devoted to project \{formula \((12\text{mos BS}/12)\times\# \text{person MOS devoted to project}\}\}

Example: A salary cap of $100,000.00 per year is equivalent to a maximum rate of $8,333.33 per pay period ($100,000.00 divided by 12 pay periods).

The percentage of effort charged to a sponsored project where a salary cap is applicable cannot exceed the maximum rate for the pay period, regardless of the salary earned.

Example: If 50% effort is charged to a sponsored project with an annual salary cap of $100,000, then the 50% is applied against a maximum rate of $8,333.33. The maximum actual charge to the project account for that pay period would be $4,166.66.

If the salary cap increases during the life of a competitive award (i.e., subsequent non-competing funding is awarded during a Government Fiscal Year in which the cap is higher), Principal Investigators may elect to re-budget awarded project dollars to pay salaries at the higher level.

Example: If a project is initially awarded with a salary cap of $100,000 ($8,333.33 per pay period) and subsequent non-competing funding is awarded during a Sponsor Cap Period in which the salary cap is $120,000 ($10,000.00 per pay period), the PI may re-budget existing project funds to charge salaries at the higher level. No
additional funds will be provided by the sponsor for this purpose. Any additional salary charged will also increase charges for fringe benefits and indirect costs as appropriate.

When an individual's salary exceeds the salary cap established by the funding sponsor, the difference between that individual's actual salary and the maximum amount allowed under the cap for that percent of effort must NOT be charged to another Federal award. The difference must be charged to a non-sponsored account. At NYU, this account is called “a non-sponsored cost sharing account” although this is in fact not formal cost sharing. The salary that is over the cap may not be used to meet mandatory or voluntary committed cost sharing obligations.

c. Roles & Responsibilities:

Principal Investigators (PI):

- Manage project funds in compliance with sponsor requirements;

- Submit competing and non-competing proposals budgets that comply with salary limitation imposed by the sponsor;

- If a project is awarded with a funding limitation and subsequent funding is awarded such that a higher level of salary charges becomes possible, a determination should be made as to whether or not to re-budget available funds;

- When certifying effort, make sure that the certification data correctly reflects total effort to the project(s). This means that both direct charges and cost sharing are correctly represented.

Department Administrators:

- Work with PI to ensure that the salaries are appropriate for competing and non-competing proposals being submitted to agencies reflecting salary caps as applicable;

- Accurately charge salaries to projects and related cost sharing accounts reflecting no more than the percentage Full-Time Equivalent (FTE) identified by the Principal Investigator on the project multiplied by the applicable salary cap;

- Ensure compliance with the 95% direct charging of academic year and summer salary as referenced in the Effort Reporting Policy;

- Process appropriate PASS and/or xPASS forms to adjust salary over a cap and ensure that the excess over the cap is transferred to a cost share program;

- Notify SPA to ensure they establish a cost share program chartfield in PeopleSoft.
Sponsored Programs Administration (SPA):

- Ensure that the department has identified any salary charges that are over the cap as unallowable costs and ensure that such costs are transferred to a cost share program;
- Include the capped amount in the applicable Modified Total Direct Cost Base for Facilities and Administrative (F&A) rate calculation purposes.

Office of Sponsored Programs (OSP):

- Monitor sponsor salary cap limitations and notify University departments of any changes;
- During the proposal review and approval process, ensure amounts budgeted for salary complies with sponsor limitations.

Policy Definitions

<table>
<thead>
<tr>
<th>Funding Limitation</th>
<th>The limitation on the annual rate of NYU salary for full-time effort that the sponsor provides for an award. This limit is usually established at the time of a competitive award based on the salary cap in effect at that time. However, if, after a competitive award is made, the sponsor announces an increased Salary Cap, the sponsor may allow Principal Investigators to re-budget awarded funds, in that or future years, to charge the higher salary level. NIH has not historically provided additional funds as a result of an increase in the Salary Cap.</th>
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</thead>
<tbody>
<tr>
<td>Salary Cap</td>
<td>The maximum annual rate of NYU Salary for the level of effort that can be charged to a sponsored award. Normally it is indexed to a specific government Executive Pay Level.</td>
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<tr>
<td>Salary Cap – Annual Rate</td>
<td>The amount of pay an individual would receive from NYU for a 12-month period. For 9-month faculty, take the 9-month base, divide by 9 and multiply by 12.</td>
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</tbody>
</table>
Related Policies

- **Cost Sharing Policy**
  - [http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/cost-sharing-policy.html](http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/cost-sharing-policy.html)

- **Effort Reporting Policy for Sponsored Programs**
  - [http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/effort-reporting-policy-for-sponsored-programs.html](http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/effort-reporting-policy-for-sponsored-programs.html)

Federal Regulations

- NIH Notice, Salary Limitation on Grants Cooperative Agreements, and Contracts