

New York University

UNIVERSITY POLICIES

Title:	Salary Cap Administration Policy
Effective Date:	December 1, 2017
Supersedes:	September 1, 2013
Issuing Authority:	Sponsored Programs Administration
Responsible Officer:	Assistant Vice President for Post-Award Administration

Policy

It is the policy of New York University (NYU, “the 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 (PI) 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

Salary cap administration begins in pre-award during the proposal preparation and submission process. The proposal application will contain information concerning salary caps, if any and how to apply them. For example, for the National Institutes of Health (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 faculty Institutional Base Salary (IBS or employee annual base salary) by the appropriate percentage of effort, or person months, to be expended on the project. The IBS is the annual compensation that NYU pays a faculty employee, whether that individual's time is spent on teaching, research, service, or administrative duties. 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

Some sponsors (notably, the National Institutes of Health) impose a salary cap, which is defined as the **maximum annual salary** for the level of effort that can be charged to a sponsored award. It does not limit the amount of compensation paid to an employee, but does limit the amount that the funding agency will reimburse for that individual's effort on the project. Normally it is indexed to a specific government Executive pay level, which typically is adjusted January 1st of each calendar year.

Salary caps are annualized, meaning they are based on 12 months. However, faculty appointments may not be; many PIs often have 9-month appointments. Therefore 9-month salary must be annualized and converted to a 12-month salary for comparison.

To annualize a 9-month PIs salary, take the 9-month Institutional Base Salary (IBS), divide by 9 and multiply by 12.

- For example, a 9-month faculty with an IBS of \$150,000 would result in an annualized salary of \$200,000.

It's also important to understand how annual salary caps translate into monthly salary caps to ensure monthly salary charges do not exceed allowable levels. The annual salary cap should be divided by 12 to give you the monthly cap.

Where a sponsor specifies a maximum rate at which an individual is to be charged to that sponsor's awards, it is NYU's policy that the Principal Investigator (PI) will ensure that any salary paid above that rate will not be charged to the sponsor. Monitoring the monthly salary cap ensures consistency in spending and overall compliance with annual salary cap limits.

When an individual's salary exceeds the salary cap established by the sponsor, the difference between that individual's actual salary and the maximum amount allowed under the cap for that percent of effort, or person months, must NOT be charged to another Federally sponsored award. The difference must be charged to a non-sponsored chartfield. At NYU, this chartfield is called "a non-sponsored cost sharing account." Although this is in fact not formal cost sharing NYU treats it as

such for effort reporting purposes in order to capture total effort expended on a sponsored project. The salary over the cap is an unallowable cost and cannot be used to meet mandatory or voluntary committed cost sharing obligations.

Example: If 50% effort is charged to a sponsored project with an annual salary cap of \$185,100, then the 50% is applied against a monthly maximum rate of \$15,425. The maximum actual charge to the project account for that pay period would be \$7,713. The faculty member's IBS is \$200,000, or \$16,667 per month, multiplied by the effort percentage of 50% results in actual salary attributable to the project of \$8,334. In this case, you need to account for the over the cap difference of \$621 between the actual salary and allowable salary.

Properly accounting for the salary cap is essential for NYU effort reporting purposes. Specifically, to capture total effort expended on the sponsored project requires \$621 per month to be cost shared on a non-sponsored account. Again, although the salary over the cap is similar to voluntary committed cost sharing, it is an unallowable cost, is not reported to the sponsor, and cannot be used to meet mandatory or voluntary committed cost sharing obligations.

Example: If 25% effort is charged to a sponsored project with an annual salary cap of \$185,100, then the 25% is applied against a monthly maximum rate of \$15,425. The maximum actual charge to the project account for that pay period would be \$3,856. The faculty member's IBS is \$225,000, or \$25,000 per month, multiplied by the effort percentage of 25% results in actual salary attributable to the project of \$6,250. In this case, you need to account for the over the cap difference of \$2,394 between the actual salary and allowable salary.

Properly accounting for the salary cap is essential for NYU effort reporting purposes. Specifically, to capture total effort expended on the sponsored project requires \$2,394 per month to be cost shared on a non-sponsored account. Again, the salary over the cap is similar to voluntary committed cost sharing; it is an unallowable cost, is not reported to the sponsor, and cannot be used to meet mandatory or voluntary committed cost sharing obligations.

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), PI's may elect to re-budget awarded project dollars to pay salaries at the higher level. Generally, sponsors will not provide additional funds for this purpose. Any additional salary charged will also increase charges for fringe benefits and indirect costs as appropriate.

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 (DA):

- 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 PeopleSync actions to adjust salary over a cap and ensure that the excess over the cap is transferred to a cost share program;
- Notify Sponsored Programs Administration (SPA) to ensure they establish a cost share program chartfield in FAME;

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

Funding Limitation	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.
Salary Cap	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.
Salary Cap – Annual Rate	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.

Related Policies

- Cost Sharing Policy
<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>

Federal Regulations

- NIH Notice, Salary Limitation on Grants Cooperative Agreements, and Contracts
<https://grants.nih.gov/grants/guide/notice-files/not-od-16-045.html>