

January 20, 2009

To: Business Office Staff

From: Allison Harris

Re: Administration of NIH Salary Limitation at Purdue University

As of January 1, 2009, the NIH annual salary that an individual can receive from NIH funding has changed to \$196,700. This limit (salary cap) usually changes annually through the funds appropriation act for NIH. This memo addresses Purdue procedures for assuring compliance with this NIH requirement.

NEW, COMPETING RENEWAL AND CONTINUATION APPLICATIONS

For both traditional and modular format proposals, faculty salaries that exceed the salary cap are to be adjusted by the institution prior to submission of the proposal to NIH. Purdue must cap the salary at the NIH maximum and cost-share the difference between the actual and capped salary, at the designated percent effort, as well as the associated fringe benefits and F&A cost.

Proposals should include an internal budget that shows the sponsor budget for the project and the corresponding cost-sharing budget. The sponsor budget must show all salaries at no higher than the annual capped rate of \$196,700. **The proposal should indicate that the actual institutional base salary exceeds the current NIH salary limitation on the budget justification.** The cost-sharing budget shows the salary not covered by NIH for the level of effort devoted to the project, along with the associated fringe benefits and F&A.

In order to calculate these budgets it is recommended that one internal budget be run. The individuals with the salary exceeding the salary cap will each be run with 2 lines. (If they have an academic appointment with summer salary being requested this will be 4 lines.) The first will be the NIH budget request with the base adjusted to \$196,700. This line will use the person's normal job code. The second line will be the cost sharing. The base for this line should be adjusted to the difference between the actual salary and the salary cap. Coeus restricts the use of the job codes to one type per person. An additional job code will need to be used. This job code can be a fictitious code such as NIH1 or NIH2. The percent of effort for both lines should be the same. The first line will reflect the percent charged and percent effort matching. The second line will reflect the percent charged at 0% with the percent effort matching the first line. A standard University raise factor can be included as the salary cap usually increases each year by over 5%. The cost sharing is funded by University central cost-sharing reserves, thus a Form 32 is not needed. For non-competing continuations the data will be available from the original proposal budget.

The annual salary cap includes summer payments for staff on academic year appointments. If a staff member's annual salary goes over \$196,700 when summer salary is added it must be capped. The summer salary and academic year salary of a staff member, added together, cannot exceed \$196,700 if converted to 100% FTE.

Example:

Faculty member annual salary: \$200,000

Effort to be spent on the project: 1.2 (CY) person months (10% of a 12 month calendar appointment (12 x .10 = 1.2))

Line 1, NIH budget request: Adjust Base to - \$196,700 (salary cap) + fringe benefits and F&A. Percent charged 10.00/Percent Effort 10.00.

Line 2, Purdue cost sharing: Adjust Base to - \$3,300 (\$200,000 less salary cap \$196,700) + fringe benefits and F&A. Percent charged 00.00/Percent Effort 10.00.

AWARDS

When Purdue receives an award that includes salary support for a staff member earning over the NIH salary cap, SPS will contact the business office to verify the actual cost sharing required to fund the individual's salary. New data will need to be generated only if the staff salary is different from what was included in the proposal budget. In this case the business office will need to provide SPS with the cost-sharing budget required to fund the percent effort supported by the project. Currently this would require rerunning the program budget with the actual salary data included. SPS will then establish the project budget to support the full percent of effort funded in the project account. In all cases a staff member's annual salary cannot be budgeted from NIH funds over the salary cap rate at his funded percent FTE. The University will cost-share the difference between the capped rate and the actual salary rate along with the associated fringe benefits and F&A from central reserves.

University staff will be notified when the NIH salary cap changes.

Staff wishing to review the official notice from NIH should visit the following link:
<http://grants.nih.gov/grants/guide/notice-files/NOT-OD-09-037.html>

Additional information regarding the management of salary cap during the life of the project can be found at the following link: <http://www.purdue.edu/sps/sponsors/dhhs/scm.html>
Documentation is provided for award establishment, project life and closeout.

If you have questions regarding this procedure, please contact Jenny Siemers in SPS at jsiemers@purdue.edu or 496-9648, Allison Harris at alohr@purdue.edu or 494-1066 or Selena McNeal at selenamcneal@purdue.edu or 494-6367.