

<b>System-wide Policy:</b>	
<b>FI0208 - Sponsored Projects - Federal Salary Rate Limitation</b>	
<b>Version: 1</b>	<b>Effective Date: 10/01/2017</b>

## FI0208 – Sponsored Projects – Federal Salary Rate Limitation

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### Objective:

To provide guidance regarding the salary rate limitation of federal projects.

### Policy:

#### Purpose

Each year, Congress legislatively mandates a limit on the direct salary that an individual may receive under certain designated federal projects. The salary restriction applies to grants, cooperative agreements, and subawards/subcontracts that perform substantive work under some federal awards. The issue date of the Notice of Award determines the applicable salary cap which should be used. The salary cap is normally updated effective January 1. Information on the salary cap can be found on the federal agency's website.

#### Proposals

Refer to the applicable agency guidelines when preparing proposals. Some federal agencies have recommended that actual salaries be used in proposals, and the agencies will apply the cap when the award is made. In cases where it is beneficial to

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use the capped salaries, the budget justification should include a statement indicating that the salaries are capped.

Salary in excess of the federal salary limitation should be identified during the creation of the proposal budget.

### Award

The Principal Investigator and/or Department are responsible for ensuring compliance with any salary limitations on sponsored project awards which may be imposed by sponsors. Salary in excess of the federal salary limitation is considered unallowable cost. Institutional base salary (IBS) for purposes of calculating the salary cap is exclusive of fringe benefits and facilities and administrative (F&A) expenses, also referred to as indirect costs. The Department will pay an employee's salary amount in excess of the salary cap from a non-sponsored source.

The following general principles must be considered when preparing an award budget:

- The federal salary rate is based on a 12-month appointment. If the actual faculty appointment is for less than 12 months, the equivalent pro-rata salary cap must be used.
- The salary limitation applies to the total IBS for an individual.
- For example, if an individual spends 50% time on a federal project and his/her IBS is greater than the cap; the salary charged is 50% of the cap amount- not the full salary.

The monthly salary amount charged to the award during the budget year cannot exceed the federal monthly salary cap rate multiplied by the percentage of effort. An individual's salary in excess of the salary cap is considered an unallowable cost and must be charged to a non-sponsored account. Departments are responsible for ensuring that salary charges do not exceed the salary cap on applicable projects. The salary that is over the cap may not be used to meet mandatory cost sharing obligations on the award.

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Each Department is required to track the salary amount that cannot be directly charged to federal grants, subawards and contracts. If it is determined that corrections are needed, a pay funding change and effort certification must be completed to remove the unallowable amount and place it on a non-sponsored account. An excel template is available to calculate the actual salary caps and salary charges (see FORMS below).

### **Effort Reporting**

The Effort Reporting System must also appropriately reflect any changes to the salary distribution. When completing effort reports, the reported percentage of effort for an individual over the federal salary cap must represent a reasonable estimate of effort expended on the project, NOT the percentage of salary charged. A variance code should be used to capture the percentage not charged to the award. Under no circumstances, whether or not an employee is working on grants or contracts that are subject to the NIH cap, can the percent of full-time salary charged to the grant or contract exceed the level of full-time effort devoted to the project.

### **PROCEDURES:**

To view links to campus policies and procedures, click here:

<https://policy.tennessee.edu/campus-policies-procedures/>

### **FORMS:**

- [UTHSC NIH Salary Cap Worksheet - Example 1](#)
- [UTHSC NIH Salary Cap Worksheet - Example 2](#)

### **FOR MORE INFORMATION:**

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