

SALARY LIMITATION ON VARIOUS FEDERAL AGENCY GRANTS AND CONTRACTS

As you are probably aware, several Federal agencies have had a requirement for a number of years, which places a salary limitation on their grants and contracts. When a Notice of Grant Award is received, the additional terms and conditions attachment page usually includes a statement similar to the following. "No funds appropriated...shall be used to pay the salary of an individual, through a grant, cooperative agreement or contract, at a rate in excess of the current salary cap". The salary cap in effect for the 2026 year is \$228,000.

The salary cap now ties the maximum salary rates to be paid on various Federal agency grants to the Executive Salary Schedule. In addition, there are various private agencies that have adopted the cap into their policies. These include the Juvenile Diabetes Foundation (JDF), the American Cancer Society (ACS), and the Susan G. Komen Breast Cancer Foundation (SGKBCF) and National Multiple Sclerosis Society (NMSS). Please note that this listing is not all inclusive. There could be various other agencies that have adopted the salary cap. So, please be aware of sponsor policies when submitting grant proposals. Another Sponsor we have that enforces a salary cap is Patient Centered Outcomes Research Institute (PCORI). They use an annual capped rate of \$200,000. Therefore, when setting up pay on a PCORI award that is the cap that will apply.

Rates for the current year and all prior years can be found at the website located at: [Salary Cap Summary \(FY 1990 - Present\) | grants.nih.gov](#)

You can also find a full version of the policy in the NIH Guide at: <https://grants.nih.gov/grants/guide/notice-files/NOT-OD-26-034.html>

I HAVE AN INDIVIDUAL ABOVE THE CAP WITH FUNDING FROM A SPONSOR THAT USES THE CAP... NOW WHAT?

You will need to make sure that the funding distribution is set up correctly to account for the cap. Your department will need to provide **cost share** for a portion of the salary that is dedicated as effort to the sponsored project. In order to do this, please use the formula below.

Sample Data

Employee: John Smith

Annual Salary Rate: \$258,000

Annual Salary Cap Amount: \$228,000

Proposed Effort Percentage: 50%

Funding Distribution Percentage

To determine the Payroll Allowable, you must first calculate the Effective Rate %

Annual Salary Cap / Annual Salary Rate = Effective Rate %

Using the Sample Data Above:

$\$228,000/258,000 = \underline{88.3\%}$

To Calculate Payroll Distribution = Effective Rate % x Effort Percentage = Percentage of Pay

$88.3\% \times 50\% = .44$ or 44% (Round to the nearest percentage)

50% effort = 44% paid by sponsor + 6% paid by department (**cost share**)

The max percentage of pay this employee can receive from the sponsored project is 44%, this is the percentage funding distribution should be set up for. The remaining 6% (proposed effort less sponsored Paid percentage) is treated like **cost share** and should be set up to be paid from a departmental Speedtype.

ePER Effort Percentage

The ePER will reverse that calculation to determine the effort required.

Pay Percentage Divided by Effective Rate % or (Annual Salary Cap / Annual Salary Rate)

Using the Sample Data Above

$44\% / (228,000/258,000) = .497$ or 50% Effort

The ePER screen would appear as follows based on the example above:

| <u>Payroll Distribution %</u> | Pay with Cost Share Effort | <u>Actual Effort % to report</u> |
|-------------------------------|----------------------------|----------------------------------|
| 44 | <u>/NIH Cap</u> 50 | 50 |

If the employee is unable to report that level of effort. They should contact their payroll liaison and determine the correct level of pay for the effort they provided, and a PET will need to be done to correct the pay distributions.

Please contact Ginger Acierno in Grants & Contracts at 303-724-0258 or by email at ginger.acierno@cuanschutz.edu , if you have questions or comments.