

To: Deans, Department Heads & Directors

From: Mitra Dutta, PhD
Interim Vice Chancellor for Research

Re: NIH Salary Cap Reduction - Guidance

Date: February 8, 2012

NIH recently released FY12 [salary cap guidance](#) describing how it will implement the salary cap included in the FY 2012 appropriations bill. We encourage you to read the notice carefully. Please see below for a high level summary.

Summary of Regulatory Change:

- For FY 2012 the Consolidated Appropriations Act, 2012 (Public Law 112-74) signed into law on December 23, 2011, restricts the amount of direct salary to Executive Level II of the Federal Executive Pay scale. **The Executive Level II salary is \$179,700.**

NIH Implementation Guidance:

- Executive salary level II (\$179,700) APPLIES to FY2012 NIH funds awarded on or after December 23, 2011.
- Executive salary level II DOES NOT APPLY to FY2012 NIH funds awarded between October 1, 2011 and December 22, 2011, or to any previous year's funds carried forward into FY2012.
- Any grants awarded in previous fiscal years (e.g., FY 2011, FY 2010, etc.) are not impacted by the FY 2012 salary limitation. Carrying over previous years' funds to support salaries will remain at the salary limitation levels in effect at the time those awards were issued.
- Competing grant applications and contract proposals that include a categorical breakdown in the budget figures/business proposal should continue to reflect the actual institutional base salary of all individuals for whom reimbursement is requested. In lieu of actual base salary, however, applicants may elect to provide an explanation indicating that actual institutional base salary exceeds the current salary limitation. When this information is provided, NIH staff will make necessary adjustments to requested salaries prior to award.
- The salary limitation does NOT apply to payments made to consultants under an NIH grant or contract although, as with all costs, those payments must meet the test of reasonableness and be consistent with institutional policy.
- The salary limitation provision DOES apply to subawards/subcontracts for substantive work under an NIH grant or contract.

Impact on Awards

1. For awards (competing and non-competing) with an ***initial Issue Date on/after December 23, 2011***, the salary cap is limited to Executive Level II of the Federal Pay Scale, \$179,700. Competing awards with categorical budgets that include salaries at or above the new limit will be adjusted for the current and future years so that no funds are awarded or committed for salaries over the Level II limit.
2. For awards (competing and non-competing) with an ***initial Issue Date on/before December 22, 2011***, the salary cap is limited to Executive Level I of the Federal Pay Scale, \$199,700. However, for new awards with categorical budgets future years funding will be adjusted to reflect Executive Level II.

Other changes resulting from NIH Fiscal Policy for FY2012

- Non-competing awards will be issued without cost of living/inflationary adjustments in FY 2012; however adjustments for special needs (such as equipment and added personnel) will continue to be accommodated. This policy applies to all grants (research and non-research) when applicable.
- Inflationary increases for future year commitments will be discontinued for all competing and non-competing research grant awards issued in FY 2012, however adjustments for special needs (such as equipment and added personnel) will continue to be accommodated. FY 2012 awards that have already been issued will be revised to adjust the award level and future year commitments in accordance with these principles.
- The NIH will implement a two percent increase at all NRSA stipend levels.

A matrix summarizing the implementation of the NIH FY12 Salary Cap on Awards is also available on our website at

http://research.uic.edu/proposals/budgets/NIH_FY12_sc_matrix.pdf.

Resources for FY 2012:

- Notice of Salary Limitation on Grants, Cooperative Agreements, and Contracts: [Notice Number: NOT-OD-12-035](#)
- NIH Fiscal Policy for Grant Awards – FY 2012: [Notice Number: NOT-OD-12-036](#)
- Ruth L. Kirschstein National Research Service Awards (NRSA): [Notice Number: NOT-OD-12-035](#)
- Notice of Legislative Mandates in Effect for FY 2012: [Notice Number: NOT-OD-12-034](#)

If you have any questions regarding this change, please contact Amneh Kiswani via email akiswani@uic.edu or phone 312-996-9406.