UWM Sponsored Project Federal Salary Cap Guidance

Several federal and non-federal funding agencies impose a salary cap on their awards, setting an upper limit on the direct salary charges allowed for individuals budgeted on an applicable grant or agreement. The federal DHHS salary cap is the most common and includes agencies such as NIH, CDC, FDA, HRSA, AHRQ, SAMHSA. Non-Federal sponsors may also have a salary cap, examples include the Susan B. Komen Foundation and the National Multiple Sclerosis Society. Non-federal salary caps are handled on a case-by-case basis as generalized guidance may be inapplicable.

Federal Sponsor Salary Caps

Federal salary cap refers to a mandated limit on the amount of direct salary that can be charged to a grant, cooperative agreement, or contract. With salary caps, compliance can be a moving target. The caps are subject to change; for example, federal DHHS salary cap rates are adjusted annually. Furthermore, not all sponsors impose salary caps, and those that do may have different cap levels or varying salary limitations. For such reasons, it is important to consider the potential for salary limitations from the start of the award lifecycle. Early identification of salary cap limitations can help manage the process in the long run.

Salary cap limitations should be considered throughout the lifecycle of the award, and particularly when: 1) reviewing 'Requests for Proposals' (RFP) or other award opportunity notices; 2) setting up the budget; 3) charging salary to a sponsored project; and 4) reviewing and certifying project payroll (Effort Reporting).

> *For example, if salary caps are identified during the RFP stage, proposed budgets can be developed which will accurately reflect any salary cap limitations. Then, if the grant or contract is awarded, salary setup will be informed by the awarded budget which has accounted for salary cap limitations. Throughout the remainder of the award, salary will be charged as budgeted, and adjusted if needed, to remain at or below the sponsor's salary cap. Finally, as salary is being charged, project payroll certification, informed by the awarded budget, will be a straightforward process and salary cap compliance can be properly documented.*

Salary Rates

To determine an individual's annual salary rate, Institutional Base Salary (IBS) is used. For purposes of federal compensation compliance (2 CFR 200.430), IBS is defined as the annual compensation paid by UWM for an individual's appointment/s, whether that individual's time is spent on research, instruction, administration, or other activities.

- IBS includes regular salary as well as temporary base adjustments (TBAs). TBAs impact the employee's base rate of pay and must be included in annual compensation paid (IBS).
- IBS typically excludes any income earned by an individual outside of their duties performed for UWM, as well as bonuses, and lump-sum or one-time payments as they are typically not tied to earn dates and are often exempt from payroll certification requirements.
- IBS for 9-month appointments and part-time appointees requires conversion to a full-time annual rate. This is known as the Full-Time Equivalent (FTE) Rate. Conversions from 9-month and part-time salary to the FTE Rate are as follows:
    - Divide 9-month paid salary total by 9, then multiply by 12 (e.g. a $150,000 rate equals $200,000 FTE Rate salary (150,000 / 9 x 12))
    - Divide Part-time paid salary total by part-time appointment percentage (e.g. 0.50 FTE employee earning $100,000 in salary equals $200,000 FTE Rate salary (100,000 / 0.50))

Salary Budgeting and Expenditure

Once IBS is determined it can be compared to any salary limitations required by the sponsor. If IBS is over a salary cap, the employee may only charge the base rate allowed by the sponsor. Payment for the remainder of the employee's sponsored project salary must be covered by UWM non-sponsored funds, available within the same Payroll Certification Period of Performance. This amount is referred to as 'over-the-cap cost share.' Together, the sponsor-charged salary plus UWM's over-the-cap salary equals an individual's IBS, ensuring they are paid their full salary while only charging the sponsor at the applicable cap rate.

The following calculations and examples demonstrate allowable sponsor charged salary and required UWM over-the-cap salary for an annual award period (Budget Year 1):

- Annual Project Compensation
  - Annual project effort budgeted at the IBS rate, *e.g. $10,000 annual PI salary on project*
- Allowable Sponsor Charged Salary
  - (Salary Cap / IBS) x (Annual Project Compensation) e.g. $200,000 / $250,000 x $10,000 = $8000
- Required UWM Over-the-Cap Cost Share = (Annual Project Compensation) – (Allowable Sponsor Charged Salary) e.g. $10,000 - $8000 = $2000

Sponsored Project Payroll Certification

Once charged, sponsor-paid salary and UWM over-the-cap cost share are certified bi-annually.

The ECC System is used to certify and document sponsored project payroll. This includes any 'over-the-cap cost share' covered by UWM. Prior to the opening of the Sponsored Project Payroll Certification Periods, the Office of Research conducts a review of personnel with an IBS over the salary cap who are paid on federally sponsored projects. To ensure compliance with salary caps, the Office of Research loads over-the-cap cost share to ECC for inclusion in certification.

To properly display IBS for certification purposes ECC mirrors what is in SFS/WISER (UWM source systems) with the exception of lump sum salary codes, which are excluded and do not appear as part of total compensation (IBS) for certification purposes.

Responsibilities

Responsibilities for identifying and managing sponsor salary caps are shared across campus and include PIs, Departmental and Divisional and campus-wide personnel involved in the payroll process, the assigned Compensation Compliance Coordinator (CCC), the Office of Sponsored Programs, and the Office of Research.

Resources

Additional information about payroll certification may be found in the Guidelines for Effort Commitments and Payroll Certification .

The Office of Research is also available to assist campus in determining applicable salary caps, budgeting, payroll and over-the-cap cost share. You may contact the Office of Research at: or-osp-effortreporting@uwm.edu