



Section 300: Proposal Development and Submission

OSR Policy 300.7 – Pro.2 — Working with Salary Caps

Corresponding with:

[OSR Policy 300.7](#) [Direct Costs: Personnel](#)

Procedure Statement

Salary caps, generally initiated by the National Institutes of Health (NIH), limit the amount of funding the agency will provide for an individual's salary. The [current NIH salary cap amount](#) is reviewed annually. When an individual's projected salary exceeds an agency-mandated salary cap, the administrating University department is responsible for funding the difference. Confirmation from an authorized department administrator on the RAMSeS eIPF indicates the department's commitment to provide such funds as part of its cost-sharing effort.

Estimating a person's salary can be accomplished in several ways, including calculations that may not appear in this procedure. There are minor differences between the results of 12- and 9-month appointments, but the basic formulas are the same. Salary calculations can be based on a percentage of effort (Percent Effort Model) or the number of months of effort (Person Months Model) dedicated to the sponsored project. Guidelines for both are listed below.

Summer salary (normally considered three (3) months) is added compensation to 9-month employees. Therefore it is calculated separately. Some sponsors limit the effort allowed for summer salaries, thus it is very important to **read the sponsor guidelines carefully**.

Note: Calculations for salary do not include fringe benefits. They are calculated separately, based on the salary cap, and should be identified in the proposed budget as a separate line item.

Forms/Instructions



[Research Administration Glossary at Carolina](#)

Annual Salary Estimations

I. Estimating Annual Salary with Cap Cost Sharing using the Percent Effort Model in four basic steps.

1. First, determine an employee's FTE (Full-Time Equivalency) on a project:



Multiply the number of months of effort divided by the length of the employee appointment.

For example: 2 months of effort for an employee with a 9-month appointment equates to $2 \div 9$.

$$2 \div 9 = .22$$

The result (in this case, .22) is the FTE.

2. Multiply the FTE times 100 to determine the percentage of effort. For example:

$$.22 \times 100 = 22 \%$$

3. Multiply this percentage of effort (22.2% here) times the employees Institutional Base Salary (IBS) minus the salary cap amount. For example, if the IBS is \$250,000 per year, and the NIH salary cap is \$191,300:

$$\begin{aligned} .22 \times (\$250,000.00 - \$191,300.00) = \\ .22 \times \$58,700.00 = \$12,914.00 \end{aligned}$$

The department would be responsible for \$12,914.00 of the employee's salary.

4. As for the sponsoring agency, multiply the percentage of effort times the salary cap amount to calculate the amount funded by the sponsoring agency. For example:

$$.22 \times \$191,300.00 = \$42,086.00$$

The resulting amount (here, \$42,086.00) is the amount the funding agency will provide for the individual's proposed annual salary for the estimated time spent on the project.

In total:

\$12,914.00	— cost shared by University
\$42,086.00	— cost shared by sponsoring agency
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\$54,000.00	of proposed annual salary (equal to 22% of \$191,300.00)

II. Estimating Annual Salary with Cap Cost Sharing using the Person Months Model.

1. First, determine the number of months of effort by multiplying the percentage of effort times the length of the employee appointment.

For example: 25% effort for an employee with a 12-month appointment would equate to $.25 \times 12$

$$.25 \times 12 = 3$$

The result (in this case, 3) is the number of months of effort.

2. Along with the individual's Institutional Base Salary (for our example we will use \$250,000.00) and the mandated salary cap (we will use \$191,300.00), you now have the information necessary to estimate the amount of project salary provided from the sponsor and the amount absorbed by the department. The entire equation is:

(Salary Cap Amount ÷ length of appointment) x percentage of effort = estimated salary provided by the sponsor

- a) Divide the amount of the salary cap by the length of the individual's appointment.

For example: $\$191,300.00 \div 12 = \$15,941.66$ or, rounded up (there is no set rule about rounding), $\$16,000.00$

- b) Then multiply that amount times the number of months of effort (here, 3):

$$\$16,000.00 \times 3 = \$48,000.00$$

The resulting amount (in this example, $\$48,000.00$) is the proposed annual salary amount provided by the sponsoring agency for the estimated time spent on the project.

3. As for the department's shared cost, subtract the Salary Cap amount from the IBS:

$$\$250,000.00 \text{ (IBS)} - \$191,300.00 \text{ (Salary Cap)} = \$58,700.00$$

- a) Divide the difference ($\$58,700.00$) by the length of the individual's appointment:

$$\$58,700.00 \div 12 = \$4,833, \text{ or rounded down, } \$4,800.00$$

- b) Multiply the number of months of effort times the result to calculate the amount funded by the department. For example:

$$3 \times \$4,800.00 = \$14,400.00$$

The resulting amount (here, $\$14,400.00$) is the amount the department contributes to the individual's proposed annual salary for the estimated time spent on the project.

In total, considering rounded numbers:

$\$14,400.00$ — cost shared by University

$\$48,000.00$ — cost shared by sponsoring agency

$\$62,400.00$ of proposed annual salary (approximately equal to 25% of $\$250,000.00$)

Summer Salary Estimations

I. Estimating Summer Salary using the Percent Effort Model in three basic steps.

1. First, determine an employee's FTE (Full-Time Equivalency) on a project:

Multiply the number of summer months of effort divided by the length of the employee appointment.

For example: 2 months of summer effort for an employee with a 9-month appointment would equate to

$$2 \div 9.$$

$$2 \div 9 = .22$$



The result (in this case, .22) is the FTE.

2. Multiply the FTE times 100 to determine the percentage of effort. For example:

$$.22 \times 100 = 22\%$$

3. Calculate the department's cost-sharing amount by multiplying this percentage of effort (22.2% here) times the employee's Institutional Base Salary minus the salary cap amount. For example, if the IBS is \$200,000.00 per year, and the NIH salary cap is \$180,000.00:

$$\begin{aligned} .22 \times (\$200,000.00 - \$180,000.00) &= \\ .22 \times \$20,000 &= \$4,440.00 \end{aligned}$$

The department would be responsible for \$4,440.00 of the employee's summer effort.

4. Multiply the percentage of effort times the salary cap amount to calculate the amount funded by the sponsoring agency. Include this amount in the proposal. For example:

$$.22 \times \$180,000.00 = \$39,600.00$$

The result (here \$39,600.00) is the amount the funding agency provides for the two months of summer effort for an individual's estimated time on the project.

In total:

\$ 4,440.00	— cost shared by University
\$39,600.00	— cost shared by sponsoring agency
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\$44,040.00	— approximately 22% of IBS

II. Estimating Summer Salary using the *Person Months Model*.

1. Divide the mandated salary cap (here, \$180,000.00) by the length of appointment (in most cases, 9) to determine the monthly salary.

$$\text{For example: } \$180,000.00 \div 9 = \$20,000.00$$

The result is one month of salary, which would be applicable for each summer month of effort.

2. Next, multiply the number of summer months of effort times the one month of summer salary:

For example: The employee will dedicate two (2) summer months of effort to the project. The monthly salary has already been determined as \$20,000.00. Thus:

$$2 \times \$20,000.00 = \$40,000.00 \text{ (the total proposed summer salary)}$$

The resulting amount (here, \$40,000.00) is the proposed summer salary amount requested from the sponsoring agency for the estimated time spent on the project.

3. As for the department's shared cost, subtract the Salary Cap from the IBS:

$$\$200,000.00 \text{ (IBS)} - \$180,000.00 \text{ (Salary Cap)} = \$20,000.00$$



a) Divide the difference (\$20,000.00) by the length of the individual's appointment:

$$\$20,000 \div 9 = \$2,222.00$$

b) Multiply the number of months of effort times the result to calculate the amount funded by the department.

$$2 \times \$2,222.00 = \$4,444.00$$

The result (here, \$4,444.00) is the amount the department contributes to the individual's proposed summer salary for the estimated time spent on the project.

In total:

\$ 4,444.00 — cost shared by University

\$40,000.00 — cost shared by sponsoring agency

\$44,444.00 — approximately 22% of IBS

Factoring Salary Escalations

Once the proposed annual salary amount is calculated, apply the allowable escalation percent, which is generally set by the sponsor, to reflect inflationary and/or legislative increases in future years (commonly known as the Escalated Institutional Base Salary).

For example, if the annual projected salary of the project has been estimated at \$13,320 for the first year and a 3% increase is anticipated each year, the salary calculations for a 5-year project would be calculated as follows (rounded to the nearest dollar amount):

Year 1	Year 2	Year 3	Year 4	Year 5
\$13, 320	\$13,320 x 1.03 = \$13,719	\$13, 719 x 1.03 = \$14,131	\$14,131 x 1.03 = \$14,555	\$14,555 x 1.03 = \$14,992

Revision History

Prior Revisions:

The policies in the *Office of Sponsored Research Policies & Procedures Manual* supersede any OSR policies, procedures and appendices previously included in the *University Business Manual*, a publication of UNC Chapel Hill's [Division of Finance](#).

