Salary Cap Payroll and Cost Sharing Calculations

SALARY CAP OVERVIEW

The U.S. Department of Health and Human Services (DHHS) imposes a base salary cap. Any individual whose total base salary exceeds this cap and works on DHHS sponsored projects must cost share the difference of his/her salary over the cap. An individual’s institutional total base salary is the annual compensation that the University pays for all of the appointments an individual holds at the University at one time, whether the individual’s time is spent on research, teaching, patient care, or other activities. It includes salary increments, augmentations, and paid overtime. It does not include nonservice payroll items such as awards and overload payments, nor does it include compensation for patient care activities provided through the University of Minnesota Physician (UMP) practice plan that are paid through the University’s payroll system.

For the purposes of this job aid, cost sharing is the costs not borne by the sponsor. These costs are required by regulation to be paid by the University of Minnesota. As a result of this regulation, the remainder over the salary cap must be paid (cost shared) by the department on a nonsponsored ChartField string(s). It is the department’s responsibility to identify individuals exceeding the salary cap, performing proper data entry, and reporting the cost sharing through effort certification. Failure to do so will cause the project to be out of compliance, jeopardizing the project’s and the University’s federal funding.

PROCESS OVERVIEW

In order to be in compliance, the following steps must be completed each effort period:

<table>
<thead>
<tr>
<th>Department identifies individuals exceeding salary cap.</th>
<th>Department determines amount to be cost shared.</th>
<th>Department identifies the cost share ChartField(s).</th>
<th>Combo code(s) is generated.</th>
<th>Department enters the cost sharing in HRMS.</th>
<th>Department self-reports any potential issues via ECRT.</th>
<th>REO provides oversight.</th>
</tr>
</thead>
</table>

- **Step 1: Partner with the departmental payroll administrator/accountant to verify which individuals exceed the salary cap.**

  It is critical that departments understand that it is likely an individual may have multiple employment records, each capturing different compensation amounts. This information can only be verified in HRMS. Work with the departmental payroll administrator/accountant to verify each employment record. All active, non-UMP-related employment records are used to calculate the total salary, regardless of the department that owns the employment record. In addition, the appropriateness of earnings codes and **Additional Pay** data in HRMS must be considered when calculating the total base salary. For a list of these earnings codes, visit www.ospa.umn.edu/effort and click <Earnings Codes Included in ECRT>.

  After verifying all of the individual’s employment data in HRMS, departments must calculate and determine the total base salary. Verify the individual’s total base salary exceeds the salary cap by accessing the annual rate and other information at grants.nih.gov/grants/policy/salcap_summary.htm.

*ECRT will round salary data. For example, 5.49% will be rounded down to 5%. It is acceptable to certify 5% but, when this occurs, make sure the salary being charged doesn’t exceed 5.49% of the current salary cap. If the salary exceeds the salary cap, it must be cost-shared or removed.
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- **Step 2**: Determine the effort percentage and dollar amount to be cost shared for individuals exceeding the salary cap.

After verifying the individual’s total annual base salary, departments must verify with the PI the percentage of effort he/she will expend on each DHHS project. Next, calculate the amount to be cost shared by using the Payroll and Cost Share Calculation Worksheet found in the Resources section of SFR’s website at www.finsys.umn.edu/sfr/sfrhome.html.

- **Step 3**: Identify the ChartField strings that will pay for the cost sharing.

Before any data entry can be performed in HRMS, the department payroll administrator must have a valid ChartField string to charge the cost sharing. Departments are responsible for communicating this cost-share-related ChartField string to the payroll administrator. This includes: Fund, DeptID, Program, PCBU, Project, Activity, and Cost Share ChartFields.

NOTE: If a valid cost share ChartField string has not been established, the department is responsible for initiating the process. A nonsponsored ChartField string must be approved by the department to use for the cost sharing. Once this ChartField string is identified, the department is responsible for working with the Certified Approver to create and activate the new cost share ChartField string in the financial system's Project module. From the budget setup, combo codes are generated via a nightly system process.

- **Step 4**: Enter the cost sharing into the HRMS earnings distribution.

Once the valid cost share ChartField(s) have been created and communicated, the department payroll administrator is responsible for changing the individual’s earnings distribution information in HRMS to reflect which ChartField(s) (combo codes) will pay for the cost sharing. If any past pay periods did not appropriately reflect the cost sharing, an Historical Salary Adjustment (HSA) must be made in HRMS by the departmental payroll administrator.

- **Step 5**: Department self-reports any potential salary cap issues via ECRT.

Any individual who is either flagged in ECRT as having a potential salary cap issue or that was identified in Step 1 must attach to their effort statement in ECRT a form that clearly illustrates the salary cap calculations. The self-report form located on the ECRT home page’s left navigation bar may be used to fulfill this requirement.

- **Step 6a**: Research Education and Oversight (REO) will provide oversight.

REO will provide ongoing oversight to ensure the University's NIH salary cap process is in compliance. REO will notify departments if the payroll charged on sponsored projects exceeds the NIH salary cap regulations. If so, the department must perform an HSA to remove any excess salary charges to the project(s). SFR will be notified and if the department does not remove the excess salary charges within 30 days of notification, it will be moved to the department’s uncollectible, nonsponsored Program by SFR. A service charge will be assessed if SFR processes the journal entry for the department.
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- **Step 6b: Queries and UM Reports for departments to verify an individual's salary charges.**

  If the department would like to verify that the payroll data is correct, run the following Data Warehouse queries or use the UM Report: Payroll Report: Salary Distribution at www.umreports.umn.edu. Keep in mind that not all earnings codes are effort certifiable (see Earning Codes included in Distribution at www.ospa.umn.edu/effort).

**PAYROLL QUERY:**

```sql
```

**PAYROLL ADJUSTMENTS (HSA) QUERY:**

```sql
```

**NOTE:** The above values in bold/red require the unique data below in order to successfully run the query:

- a. Payroll table: The correct PS DWPY PAY FRNG table MUST be used.
- b. EMPLID: The unique seven-digit EMPLID value must be entered for the individual and surrounded by quotation marks.
- c. Fiscal Year: The unique fiscal year in which the query's data will retrieve.
- d. Pay Periods: Include the specific pay periods that pertain to the effort period in which the query will be verifying.

**PAYROLL ADJUSTMENTS (HSA) QUERY:**

```sql
```

**NOTE:** The above values in bold/red require the unique data below in order to successfully run the query:

- a. HSA table: The correct PS DWPY HSA table MUST be used.** If there were HSAs that where processed after the fiscal year closed, you will need to run this query twice (BOTH FISCAL YEARS) to capture HSAs processed before and after the fiscal year closed.
- b. EMPLID: The unique seven-digit EMPLID value must be entered for the individual and surrounded by quotation marks.
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c. Affective Fiscal Year: The unique fiscal year in which the query’s data will retrieve HSAs that pertain to the effort period in which query will be verifying.

d. Affective Pay Periods: Include the specific pay periods that pertain to the effort period in which the query will be verifying.

Following are examples of the FY12 Effort Period 3 salary cap calculations.

EXAMPLE 1

Individual with full-time appointment and 20% effort (salary plus cost-share) on a sponsored project that is a competing award with an issue date of 12/23/11:

* Effort is based on a salary cap limitation of $179,700; budget period 2/1/11 - 1/31/12.

Calculations:

Direct salary – restricted to a Rate of $179,700.00
Divided by 26 pay periods multiplied by 11 pay periods $76,026.92
Multiple by 0.20 (20% effort) – allowable salary for FY12 Effort Period 3 $15,205.38

EXAMPLE 2

Individual with full-time appointment and 5.2% effort (salary plus cost-share) on a sponsored project that is a non-competing yr 2 award with an issue date of 1/27/12:

* Year 1 is based on a salary cap limitation of $199,700; budget period 2/1/11 - 1/31/12.

** Year 2 is based on a salary cap limitation of $179,700; budget period 2/1/12 - 1/31/13.

A) Year 1 calculations:

Direct salary – restricted to a Rate of $199,700.00
Divided by 26 pay periods multiplied by 1.14 pay periods (1/16/12 - 1/31/12) $8,756.08
Multiple by 0.052 (5.2% effort) - allowable salary for FY12 Effort Period 3 $455.32

B) Year 2 calculations:

Direct salary – restricted to a Rate of $179,700.00
Divided by 26 pay periods multiplied by 9.86 pay periods (2/1/12 - 6/17/12) $68,147.77
Multiple by 0.052 (5.2% effort) - allowable salary for FY12 Effort Period 3 $3,543.68

Total Salary A + B: $3,999.00
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**EXAMPLE 3**

Individual with eighty percent (80%) appointment and 20% effort (salary plus cost-share) on a sponsored project that is a competing award with an issue date of 12/23/11:

* Effort is based on a salary cap limitation of $179,700; budget period 2/1/11 - 1/31/12.

Calculations:

- Direct salary – restricted to a Rate of an 80% appointment
- (multiple $179,700 * .80)
- Divided by 26 pay periods multiplied by 11 pay periods
- Multiple by 0.20 (20% effort) – allowable salary for FY12 Effort Period 3

\[
\text{Direct salary} = \frac{179,700 \times 0.80}{26 \times 11} \times 0.20 = \frac{143,760.00}{60,821.54} = 12,164.31
\]

**EXAMPLE 4**

Individual with eighty percent (80%) appointment and 5.2% effort (salary plus cost-share) on a sponsored project that is a non-competing yr 2 award with an issue date of 1/27/12:

* Year 1 is based on a salary cap limitation of $199,700; budget period 2/1/11 - 1/31/12.

** Year 2 is based on a salary cap limitation of $179,700; budget period 2/1/12 - 1/31/13.

A) Year 1 calculations:

- Direct salary – restricted to a Rate of
- (multiple $199,700 * .80)
- Divided by 26 pay periods multiplied by 1.14 pay periods (1/16/12 - 1/31/12)
- Multiple by 0.052 (5.2% effort) - allowable salary for FY12 Effort Period 3

\[
\text{Direct salary} = \frac{199,700 \times 0.80}{26 \times 1.14} \times 0.052 = \frac{159,760.00}{7,004.86} = 364.25
\]

B) Year 2 calculations:

- Direct salary – restricted to a Rate of
- (multiple $179,700 * .80)
- Divided by 26 pay periods multiplied by 9.86 pay periods (2/1/12 - 6/17/12)
- Multiple by 0.052 (5.2% effort) – allowable salary for FY12 Effort Period 3

\[
\text{Direct salary} = \frac{179,700 \times 0.80}{26 \times 9.86} \times 0.052 = \frac{143,760.00}{54,518.22} = 2,834.95
\]

Total Salary A + B:

\[
\text{Total Salary} = 3,199.20
\]