I. Background

The "NIH salary cap," as it is commonly referred to, is a statutory limitation imposed by Congress on an individual's rate of pay directly chargeable to grants, cooperative agreements, and contracts issued by the National Institutes of Health (NIH). The salary cap limits the rate of pay chargeable to NIH awards to a maximum tied to the Federal Executive Pay Scale and the year of the award. The capped rates of pay apply equally to academic year and fiscal year employees.

Maximum Rates for FY 2026		
	FY 2026 NIH Federal Fiscal Year (paid over 12 months)	
*Award Issue Date	10/01/25 – 12/31/25	**01/01/26 – 09/30/26**
Maximum Annual Salary Rate (AY)	$169,275.00	**$171,000.00**
Monthly (1/12) Maximum Pay Rate at 1.0 FTE (AY)	$14,106.25	**$14,250.00**
Monthly (1/9) Maximum Pay Rate at 1.0 FTE (AY)	$18,808.33	**$19,000.00**
Maximum NIH Summer Compensation (AY)	$56,425.00	**$57,000.00**
Maximum Annual Salary Rate (FY)	$225,700.00	**$228,000.00**
Monthly (1/12) Maximum Pay Rate at 1.0 FTE (FY)	$18,808.33	**$19,000.00**

For salary cap summary FY 1990 - present, visit https://grants.nih.gov/grants/policy/salcap_summary.htm

Effective 10/1/2024, the Department of Health and Human Services (HHS) has updated its salary rate limit (SRL) to apply to both direct and indirect salaries. The policy applies to all HHS awards made on or after October 1, 2024. *NOT-OD-25-025: Guidance on Salary Limitation for Grants and Cooperative Agreements FY2025. NOT-OD-26-034: Guidance on Salary Limitation for Grants and Cooperative Agreements FY 2026, along with NOT-OD-26-038: Correction to Guidance on Salary Limitation for Grants and Cooperative Agreements FY 2026, establish that effective January 1, 2026, the salary limitation for Executive Level II is $228,000.

**The policy change applies to new, competing renewals, and non-competing continuations issued on or after October 1, 2024. Recipients may not draw down funds, whether direct or indirect costs, to pay salaries above the salary rate limitation, and recipients must have established policies and procedures that are consistently applied regardless of the source of funds. This update will be reflected in the FY26 NIH Grants Policy Statement.*

UC RIVERSIDE
Academic Personnel Office

II. *Salary Cap and Compliance*

Compliance with the salary cap requires comparing a University employee's rate of pay with the maximum rate of pay established by Congress for the NIH award. An employee's rate of pay is defined as the salary in dollars, payable to the employee per unit of time worked at 1.0 Full Time Equivalent (FTE). For example, a fiscal year employee who is paid $120,000 per year for full time work has a monthly rate of pay of $10,000 per full time month worked. A fiscal year employee who is paid $60,000 per half time work also has a rate of pay of $10,000 per full time month worked. An academic year employee who is paid $120,000 for full time effort during the academic year has a rate of pay of $13,333.33 per full time month worked, because the annual salary is divided by nine months of effort, not twelve. The rate of pay is unaffected by whether the employee receives pay in nine- or twelve-monthly pay checks. The timing of paychecks does not determine the rate of pay for salary cap purposes. The NIH salary cap only affects employees whose rate of pay is above the defined rates, and who charge some or all of their salary to awards and/or sub-awards from NIH. The NIH salary cap has no effect on employees whose rate of pay is less than the defined rates, or whose salary is not charged to sponsored projects originating from NIH.

III. *Types of Pay to Determine the NIH Rate of Pay*

Not all pay is included in determining whether an employee's rate of pay exceeds the cap. Only categories of pay charged to sponsored projects are counted in an employee's rate of pay for comparison with the salary cap. Administrative stipends, honoraria, outside consulting fees and supplemental compensation for incidental services to University Extension are not included in the rate of pay determination. These types of pay should not be charged to NIH. For employees covered by a Health Sciences Compensation Plan (HSCP), both the UC Health Sciences Salary Scale base salary, or "X" component of salary, and the negotiated additional compensation, or "Y" component of salary, are included in determining the employee's rate of pay. If the combined rate of pay (including both X and Y) exceeds the capped rate, the maximum amount chargeable to the NIH award is the capped rate multiplied by the employee's effort on each award. However, any incentive/bonus compensation under a Health Sciences Compensation Plan, also known as the "Z" component, is not included in the employee's rate of pay, and is not an allowable charge to the NIH award.

IV. *Fund Sources for Supplementation Above the Salary Cap*

Salary "supplementation" is the difference between what the employee would have earned at full pay and the maximum amount allowed under the cap based on their FTE. Or simply put, it is the excess amount of the employee's rate of pay over and above the salary cap rate. This excess amount over the salary cap may not be charged to another federal award. It may, however, be charged to a privately sponsored award only when specifically allowed by the private sponsor. Additionally, University policy prohibits the use of State appropriations, including 19900 funds, to pay the salary above the capped level. Unrestricted funds, including gift funds and HSCP funds, can be used to make up amounts not chargeable to NIH due to the salary cap.

Supplementation is subject to the availability of funds and is not an entitlement. Supplementation above the capped rate must be pre-authorized by the department chair or equivalent administrative officer.

V. *Post Audit for Compliance*

The Academic Personnel Office will annually announce the updated NIH Salary Cap rate on the Academic Personnel web site https://academicpersonnel.ucr.edu/compensation/during the winter quarter or spring quarter (based on when the information from the NIH is available). *Department Financial Managers are responsible for ensuring appropriate salary rates are entered in UCPath.* It is important for departments to understand the appropriate use of the chart above. For questions related to rates of pay, send an email to academicpersonnel@ucr.edu. *Each Dean's Office will be responsible for ensuring compliance with the NIH Salary Cap for employees in their organization by conducting periodic reviews of compensation rates charged to NIH funding sources. These reviews should occur quarterly and errors must be resolved promptly. All errors must be corrected by fiscal year-end.* Any salary rate above the maximum capped rate charged to a non-allowable fund source (i.e., state or federal funds) must be reversed. The department chair or equivalent administrative officer is responsible to provide funding for the excess amount from a non-state or non-federal funding source, or repayment of any overpayment shall be required from the employee.

VI. Academic Year Employees (e.g., Course Buyout during AY)

Most academic year employees receive their academic year salary over twelve monthly pay periods for service rendered over a nine-month period.

Example 1 – Monthly salary <u>above</u> salary cap

Professor Jones has a full-time academic year appointment and an academic year salary of $180,000 in the 2025-2026 academic year. Professor Jones receives payment for nine months of service over twelve months (9/12), and receives twelve monthly paychecks of $15,000.00. The Professor received an NIH grant and was paid from that grant. The NIH salary cap for grants awarded for the period was **$14,250.00**.

Consequently, the excess salary of $750.00 per month ($15,000.00-$14,250.00) of Professor Jones' compensation may not be charged to the NIH award. If Professor Jones received a merit increase or an off-scale salary adjustment effective 07/01/26, the NIH grant could be charged up to **$14,250.00** per month, but not more than that amount until a new salary cap figure is available.

Example 2 – Monthly salary <u>below</u> salary cap

Professor Smith has a full-time academic year appointment and an academic year salary of $120,000 in the 2025-2026 academic year. Professor Smith receives payment for nine months of service over twelve months (9/12), and receives twelve monthly paychecks of $10,000. The Professor received an NIH grant and was paid from that grant. The NIH salary cap for grants awarded for the period was **$14,250.00**. The entire $10,000 monthly salary for Professor Smith may be charged to the NIH grant. If Professor Smith received a merit increase or an off-scale salary adjustment effective 07/01/26 the NIH grant could be charged up to **$14,250.00** per month, but not more than that amount until a new salary cap figure is available.

VII. Summer Salary-Research

Academic year appointees may receive NIH sponsored funds for "Summer Salary" for research during the summer service period or during the vacation period (in the case of fiscal-year appointees).

Example 1- Summer salary <u>above</u> salary cap

Professor Johnson has a full-time academic year appointment and an academic year salary of $190,000 in the 2025-2026 academic year. Professor Johnson receives summer salary monthly rate of 1/9th $21,111.11 ($190,000 AY Salary/9 months= $21,111.11 monthly rate). The NIH salary cap is **$19,000.00** based on 1/9th rate (Note: Maximum NIH Summer Compensation (AY) **$57,000.00**)

The excess salary of $2,111.11 ($21,111.11 - $19,000.00) of Professor Johnson's summer salary compensation may not be charged to the NIH award. If Professor Johnson received a merit increase or an off-scale adjustment effective 7/1/26 the NIH grant could be charged up to **$19,000.00** per month, but not more than the amount until a new salary cap figure is available.

Example 2 – Summer salary <u>below</u> salary cap
Professor Moore has a full-time academic year appointment and an academic year salary of $105,000 in the 2025-2026 academic year. Professor Moore receives summer salary monthly rate of 1/9th $11,666.67 ($105,000 AY Salary/9months= $11,666.67). The NIH salary cap is **$19,000.00** based on 1/9th rate (Note: Maximum NIH Summer Compensation (AY) **$57,000.00**)

The entire $11,666.67 monthly summer salary for Professor Moore may be charged to the NIH grant. If Professor Moore received a merit increase or an off-scale salary adjustment effective 07/01/26 the NIH grant could be charged up to **$19,000.00** per month, but not more than that amount until a new salary cap figure is available.

Please refer to the *Summer Salary Guidelines* and *STEP-by-STEP PayPath Instructions for Summer Compensation in UCPath* for additional guidance found on the Academic Personnel Office/Local Compensation Policy and Guidelines site. https://academicpersonnel.ucr.edu/compensation#local_compensation_policy_and_guidelines

VIII. Contact Information

- For questions on this guidance, please contact academicpersonnel@ucr.edu
- For questions related to the NIH policy, please contact the Office of Research and Economic Development
- For questions related to UC Path Payroll, please contact your Shared Services Center

IX. Additional Sources of Information

- **NIH Guide for Grants and Contracts**, https://grants.nih.gov/funding/index.htm
- **Notice of Fiscal Policies in Effect for FY 2026**, https://grants.nih.gov/grants/guide/notice-files/NOT-OD-26-034.html and https://grants.nih.gov/grants/guide/notice-files/NOT-OD-26-038.html
- **Funding Opportunities and Notices**, https://grants.nih.gov/grants/guide/search_results.htm?year=active&scope=not