

Salary Cap Guidance

[Executive Order 14368](#)

Salary cap = \$228,000 (effective 1/1/2026)

This Salary Cap applies to all DHHS agencies (including NIH, FDA, CDC, HRSA and others). Other sponsors may impose a salary cap so it is important to read the solicitation carefully to determine if your sponsor has a salary cap. The following list contains other sponsors who impose salary caps. It is not exhaustive.

*AICR (American Institute for Cancer Research)
Anesthesia Safety Foundation
Juvenile Diabetes Research Foundation
National Multiple Sclerosis Society
Ovarian Cancer Research Fund
PCORI (Patient-Centered Outcomes Research Institute)
Progeria Research Foundation
Rheumatology Research Foundation
Susan G. Komen
Thrasher Research Fund*

The DHHS Salary Cap is a legislatively-mandated limit on the direct salary for individuals working on DHHS grants, cooperative agreements, and extramural research and development contracts. The salary limitation rate applies to any individual whose salary is charged directly to an award (note that this does not include consultants).

The rate is set by Congress as part of the annual federal budget appropriations process and is based on Executive Level II of the Federal Executive pay scale. The Federal Executive Pay scale changes in January of each calendar year.

The Salary Cap establishes a maximum annual rate of pay at which an individual's full time effort over a 12-month period can be charged to federal awards. ***It is calculated and applied on a monthly basis.*** The cap is not intended to limit the actual salary paid by AU; institutional salary may be supplemented with non-federal funds. Salary above the cap is considered mandatory cost share and must be tracked and certified; however, it is not reported to the sponsor. Other mandatory cost share (required as a condition of the award) is expended, tracked, and reported separately from the salary cap cost share.

National Institutes of Health (NIH) examples

NIH application instructions for competing proposals indicate that the proposals should reflect the actual institution base salary multiplied by the percentage of effort to be expended on the project. NIH will adjust these amounts to reflect the Salary Cap.

Modular budgets must use the current Salary Cap when estimating the number of modules.

When a new award is received and includes individuals whose salary is over the Salary Cap, the responsible department should request an over-the-cap (OC) cost share FOP to be established for each award. Additionally, if salaries increase during the life of the award and exceed the cap after initial fund establishment, the responsible department should monitor for changes and request an OC CS FOP when necessary. The amount assignable to the NIH FOP and the OC cost share FOP (if required) should be determined.

A sample calculation is below:

STEP 1		
Salary Cap (Updated every calendar year effective January)	\$ 228,000.00	*Set by OPM January 2026
Months in a year	12	
Capped monthly salary (Salary cap/ 12 months)	\$ 19,000.00	
AU base salary (for period of appointment)	\$ 230,000.00	Enter academic year salary
Months in appointment	12	
AU monthly salary (AU salary / months in appointment)	\$ 19,166.67	

STEP 2		
Total project effort % during period	20%	Enter total effort here
Salary chargeable to project (capped monthly * direct charged effort %)	\$ 3,800.00	
Salary chargeable to project (AU monthly * direct charged effort %)	\$ 3,833.33	
Salary over the cap (must be cost shared)	\$ 33.33	
		Distribution for ePAF
Salary chargeable to project	\$ 3,800.00	19.826%
Salary chargeable to project cost share (salary over the cap)	\$ 33.33	0.174%
Total Salary Charge to project and cost share FOP	\$ 3,833.33	20.000%

Once an award is received and a Fund established, the labor distribution will need to be updated in Banner (via an ePAF) so that the appropriate amounts are recorded on each FOP.

SEMI-MONTHLY PAY PERIODS		
Salary chargeable to project (capped monthly * direct charged effort %)	\$ 1,900.00	
Salary chargeable to project (AU monthly * direct charged effort %)	\$ 2,555.56	
Salary over the cap (must be cost shared)	\$ 655.56	
		Distribution for ePAF
Salary chargeable to project	\$ 1,900.00	7.435%
Salary chargeable to project cost share (salary over the cap)	\$ 655.56	2.565%
Total Salary Charge to project and cost share FOP	\$ 2,555.56	10.000%

Budget to cover the amount over the Salary Cap should be transferred from departmental sources to the cost share FOP via an SSB Budget Transfer.

Spreadsheet calculators are available to use for determining the amount over the cap, as well as for determining percentages for labor distributions in Banner.

For questions, please contact:

[Office of Sponsored Programs](#) or [Proposal Services and Faculty Support](#): 4-5954 – Tony Ventimiglia, Assistant Vice President for Research Administration (ventiaf@auburn.edu)

[Contracts and Grants Accounting](#): 4-4847 – Gina Bailey, Director (bailerh@auburn.edu)
Bill Pearce, Associate Director (pearcwg@auburn.edu)

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