Grant Budgeting for Salary Escalation and Salary Caps

Overview

This resource provides essential guidance on calculating and budgeting personnel costs for grant proposals, with a specific focus on navigating salary caps and salary escalation requirements. It explains how to apply mandated limits based on percentage of effort and project start dates while addressing sponsor-specific restrictions on cost-of-living adjustments.

Salary Escalation

Rutgers has a contractually mandated salary increase for employees covered by a collective negotiations agreement (aligned employees). It is university practice to provide the same salary increase to non-aligned employees (faculty and staff not represented by a union).

Budgeting Practice:

- Proposal budgets must reflect this same contractually mandated salary increase for all personnel, both aligned and non-aligned.
- The budget justification section of the proposal must clearly describe the salary escalation applied.
- Sponsor Restrictions on Escalation:
- Some sponsors, including many National Institutes of Health (NIH) Institutes and Centers, prohibit salary escalations that are estimated inflationary or cost-of-living adjustments.
- If a sponsor disallows escalation, they may remove those funds from the proposed budget before making an award.
- In cases where escalation is removed, the PI may be able to re-budget funds from other approved cost categories to cover salary increases after the award is made.
- Action Required: Always consult the specific funding opportunity announcement, sponsor proposal guidelines, or your RSP Grant Specialist to confirm if salary escalation is permitted.

Salary Caps

Certain sponsors—most notably the Department of Health and Human Services (DHHS)—have a legislatively mandated limit on the amount of salary that can be requested for an individual. This limit is known as the "salary cap."

Calculating Budgeted Salary with a Cap:

- For proposals submitted to sponsors with a salary cap, the budgeted salary must be calculated using the capped rate rather than the individual's actual institutional base salary.
- The calculation is based on the percentage of effort the individual will devote to the project.

NIH Salary Cap Example (FY25): NOT-OD-26-034

- Current Cap: The NIH salary cap for Fiscal Year 2026 is $228,000, corresponding to 100% effort over a 12-month period.

When Does the Cap Apply?

- It takes effect on different dates depending on the type of award:
- New and Competing Awards: The salary cap in effect on the Project Start Date applies. A competing award is one obtained through a competitive application process.
- Non-Competing Awards: The salary cap in effect on the Budget Start Date applies. These awards provide continued funding for the next budget period of an already approved project.