On December 23, 2011, President Obama signed into law the Consolidated Appropriations Act, 2012 (Public Law 112-74) restricting the amount of direct salary to Executive Level II of the Federal Executive Pay scale. The Executive Level II salary is $179,700. This law is applicable to operating agencies under the U. S. Department of Health & Human Services (DHHS). Currently the National Institutes of Health (NIH) are the only DHHS agencies that we have dealt with which impose salary caps. Under this new legislation, we may encounter caps on projects funded through other DHHS agencies such as the Centers for Disease Control and Prevention (CDC) and Food and Drug Administration (FDA).

NIH Notice of Salary Limitation on Grants, Cooperative Agreements and Contracts, NOT-OD-12-035 can be found at http://grants.nih.gov/grants/guide/notice-files/NOT-OD-12-035.html. Below is a summary of how NIH will administer this law.

New awards

- **For FY 2012 awards issued on or before December 22, 2011**, the effective salary limitation remains at Executive Level I, $199,700.
- **Initial issue date on or after December 23, 2011**, regardless of proposed budget NIH will adjust current and all future years to reflect the salary limitation of Executive Level II, $179,700.

Non-Competing Awards - A financial assistance request (in the form of an application or progress report) or resulting award for a subsequent budget period within a previously approved project period for which a recipient does not have to compete with other applicants.

- Will not be recalculated to adjust for this decrease in the salary limitation. However, the level to charge on non-competing grants is dependent upon the Issue Date of the initial FY 2012 award.
  - **Initial Issue Dates on or before December 22, 2011**, the applicable salary limitation is Executive Level I.
  - **Initial Issue Dates on or after December 23, 2011**, the applicable salary limitation is Executive Level II. Unless otherwise restricted grantees may rebudget any funds freed as a result of the lower cap.
- Carrying over previous years’ funds to support salaries will remain at the salary limitation levels in effect at the time those awards were issued.

Competing Awards - A request for (or the award of) additional funds during a current project period to support new or additional activities which are not identified in the current award that reflect an expansion of the scope of the grant-approved activities. Competitive revisions require peer review.

- **Initial Issue date on or before December 22, 2011** with categorical budgets reflecting salary levels at or above the new limit may continue to apply the Executive Level I salary levels for the FY 2012 award period.
  - No adjustments are required. However, future years for these awards will be adjusted to reflect Executive Level II.
- **Initial Issue date on or after December 23, 2011**, NIH will adjust current and all future year funding to reflect the salary limitation of Executive Level II.