

DHHS Salary Cap Calculation

DHHS Salary Cap Calculation is a formula to determine the maximum amount of individual salary allowable to be charged to a grant. Any amount above this calculation must be cost shared to be compliant with the requirements of the DHHS regulations. The DHHS salary cap calculation is affected by the FTE of the employee on the grant as well as the contract period. **Note: Please be sure to use the current DHHS Salary Cap. A link to previous years is provided in the FAQs.**

Example A: Faculty member A is a 9-month 100% FTE faculty member paid on the grant. True annual salary is \$175,000 and effort on the DHHS award is 20% this month. What is the salary cap cost share required for this month?

	Annual Salary	Salary Cap
	\$ 175,000.00	\$ 142,200.00
Months	9	9
Monthly Salary	\$ 19,444.44	\$ 15,800.00
Effort Percentage on Award	20.00%	20.00%
Monthly Effort Salary	\$ 3,888.89	\$ 3,160.00
Allowable Monthly based on Salary Cap	\$ 3,160.00	
Amount to Be Cost Shared This Month	\$ 728.89	
Percentage Direct Charge	16.25%	
Percentage Cost Share	3.75%	

1. Current Salary cap is \$189,600 and needs to be adjusted to compare to true annual salary (Salary Cap divided by 12 months) *9= (189,600/12) * 9=\$142,200
2. Divide the Annual Salary and Salary Cap amount by 9 to get Monthly Salary
3. Multiply the Monthly Salary and Monthly Salary Cap by the effort percentage on the award.
4. The Salary Cap Effort Salary is the maximum allowable salary for this faculty member for this month on the grant.
5. Subtract the Allowable Monthly from the Monthly Effort Salary (\$3,888.89-3,160.00= \$728.89)
6. To determine the percentage effort to be Direct Charge divide the Allowable Monthly based on Salary Cap by Monthly Salary (\$3,160.00/\$19,444.44= 0.1625*100%= 16.25%)
7. To determine the percentage effort to be Cost Shared divide Amount to be Cost Shared this Month by the Monthly Salary (\$728.89/\$19,444.44= 0.0375*100%= 3.75%)
8. Please note that this calculation gets you as close as possible to the actual percentages. To be compliant, round the Percentage Direct Charge down by 0.01% and round up the Percentage Cost Share by 0.01%. When entering the cost distribution, enter Percentage Direct Charge as 16.24% and Percentage Cost Share as 3.76%.
9. For 9-month faculty, salary in August and May are half of the Monthly Salary and half of the Monthly Salary Cap, but the calculation remains the same.

Example B: There is a 10-month 100% FTE faculty member paid on the grant. True Annual Salary is \$210,000 and the effort on the DHHS award is 16.5%. What is the salary cap cost share required for November?

	Annual Salary	Salary Cap
	\$ 210,000.00	\$ 158,000.00
Months	10	10
Monthly Amount	\$ 21,000.00	\$ 15,800.00
Effort Percentage on Award	16.50%	16.50%
Total on Award Monthly	\$ 3,465.00	\$ 2,607.00
Allowable Monthly based on Salary Cap	\$ 2,607.00	
Amount to Be Cost Shared This Month	\$ 858.00	
Percentage Direct Charge	12.41%	
Percentage Cost Share	4.09%	

10. Salary cap is figured as $(\text{Salary Cap}/12) * 10 = (158,000/12) * 10 = \$158,000.00$
11. Divide the Annual Salary and Salary Cap amount by 10 to get Monthly Salary
12. Multiply the Monthly Salary and Monthly Salary Cap by the effort on the grant.
13. The Total on Award Monthly based on the salary cap is the maximum allowable on the grant.
14. Subtract the Monthly Allowable based on Salary Cap from the Total on Award Monthly salary ($\$3,465.00 - 2,607.00 = \858.00)
15. To determine the percentage effort to be Direct Charge divide the Allowable Monthly based on Salary Cap by Monthly Salary ($\$2,607.00 / \$21,000.00 = 0.1241 * 100\% = 12.41\%$)
16. To determine the percentage effort to be Cost Shared divide Amount to be Cost Shared this Month by the Monthly Salary ($\$858.00 / \$21,000.00 = 0.0409 * 100\% = 4.09\%$)
17. Please note that this calculation gets you as close as possible to the actual percentages. To be compliant, round the Percentage Direct Charge down by 0.01% and round up the Percentage Cost Share by 0.01%. When entering the cost distribution, enter Percentage Direct Charge as 12.40% and Percentage Cost Share as 4.10%.

Example C: There is a 12-month 25% FTE staff person who is being paid on the grant. True Annual Salary is \$60,000.00 and the effort on the award is 25%. What is the salary cap cost share required for October?

	Annual Salary	Salary Cap
	\$ 60,000.00	\$ 47,400.00
Months	12	12
Monthly Amount	\$ 5,000.00	\$ 3,950.00
Effort Percentage on Award	25.00%	25.00%
Total on Award Monthly	\$ 1,250.00	\$ 987.50
Allowable Monthly based on Salary Cap	\$ 987.50	
Amount to Be Cost Shared This Month	\$ 262.50	
Percentage Direct Charge	19.75%	
Percentage Cost Share	5.25%	

18. Salary cap is figured as (Salary Cap * FTE Percentage= \$189,600 * 25%=\$47,400.00
19. Divide the Annual Salary and Salary Cap amount by 12 to get Monthly Salary
20. Multiply the Monthly Salary and Monthly Salary Cap by the effort on the grant.
21. The Total on Award Monthly based on the salary cap is the maximum allowable on the grant.
22. Subtract the Monthly Allowable based on Salary Cap from the Total on Award Monthly salary (\$1,250.00-987.50= \$262.50)
23. To determine the percentage effort to be Direct Charge divide the Allowable Monthly based on Salary Cap by Monthly Salary (\$987.50/\$5,000.00= 0.1975*100%= 19.75%)
24. To determine the percentage effort to be Cost Shared divide Amount to be Cost Shared this Month by the Monthly Salary (\$262.50/\$5,000.00= 0.0525*100%= 5.25%)
25. Please note that this calculation gets you as close as possible to the actual percentages. To be compliant, round the Percentage Direct Charge down by 0.01% and round up the Percentage Cost Share by 0.01%. When entering the cost distribution, enter Percentage Direct Charge as 19.74% and Percentage Cost Share as 5.26%.

If you have any questions or concerns about calculating the DHHS Salary Cap, please contact Cherri Wallace at (859) 257-1747 or cherri.wallace@uky.edu.