



## **Salary Cap (OTC) Job Aid (Updated 03/12/2026)**

### **OVERVIEW**

The [United States Office of Personnel Management](#) establishes an Executive Salary Cap each calendar year – this rate usually increases 2-5% each year. Similarly, non-federal sponsors may impose application of the Executive Salary Cap within their policies and funding opportunities. Federal and non-federal sponsors can also impose other types of caps.

The salary cap limits the direct salary charged to externally funded sponsored projects. The direct salary (excluding fringe benefits and indirect costs) of any individual on the project cannot exceed the salary cap amount. If an individual's [Institutional Base Salary \(IBS\)](#) is higher than the salary cap, the excess must be paid from institutional funds.

The salary cap does not limit the total amount an individual may be paid. It limits the amount charged to a sponsored project. The portion up to the salary cap should be supported by the sponsor. The portion above the salary cap limit (referred to as “over the cap” or “OTC”) must be supported by the institution. This also applies to subrecipients supported under projects with salary caps limitations.

### **SALARY CAP REQUIREMENTS**

OTC salary and fringe benefits are unallowable. We cannot request for the sponsor to fund these costs, and we must segregate and track OTC salary and fringe benefits via OTC chartstring/s to document our compliance with the salary limitation requirement.

PI/Unit personnel are responsible for ensuring salary requests and salary charges align with the sponsor and OTC requirements. If it is determined that corrections are needed on proposal/award/expenditures, PI/Unit must take the appropriate corrective actions. PI/Unit are also responsible for working with their Decentralized Limited Signature Authority (DLSA) personnel and business manager to determine the appropriate institutional fund to support OTC.

### **CALCULATING AND APPLYING THE SALARY CAP**

#### **At the Proposal Stage:**

Carefully review the funding opportunity and sponsor requirements to identify if a salary cap is imposed. If you are uncertain whether a salary cap applies, please consult your unit's DLSA personnel or SPA Pre-Award Proposer. If a salary cap is imposed, assess each individual anticipated to be included in the proposal budget to determine if their IBS exceeds the salary cap. For each individual whose IBS exceeds the salary cap, utilize the [OTC Forecasting Tool](#) for Depts or [SPA Budget Tool](#) to appropriately calculate salary which should be supported by the sponsor, as well as the OTC which must be supported by the institution.

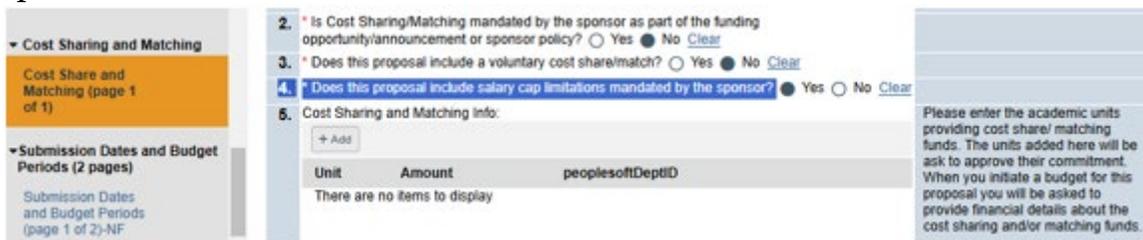
Benefits should be calculated on the OTC portion. Indirect Costs (IDC) should not be calculated on the OTC salary and OTC fringe benefits since OTC is exempt from IDC.

**Prior to Award Setup:**

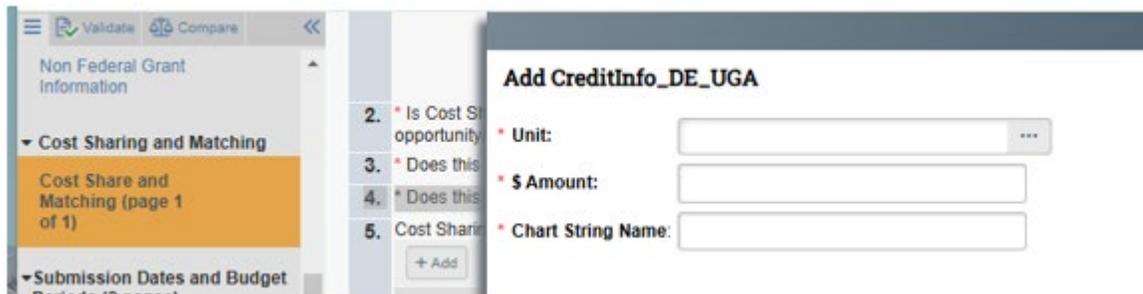
When an award is anticipated and the project anticipates OTC, log into the Grants Portal, open the associated proposal (FPXXXXXXXX) and go to:

**Cost Share and Matching Tab**

- Enter Yes on line 4. \* Does this proposal include salary cap limitations mandated by the sponsor?



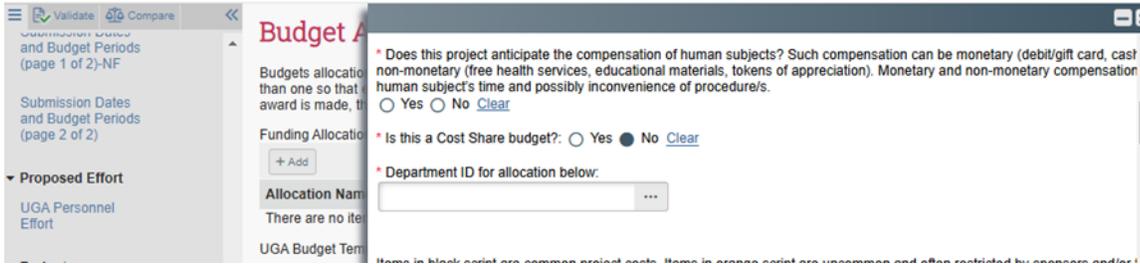
- Click Add and enter Unit Name/Dept ID, Amount to support the OTC (Salary + Benefits) and the Chartstring name.



- Repeat the above step for each chartstring needed to support the OTC. [If multiple individuals are over the cap yet all OTC will be charged to the same chartstring, only one entry is needed.]

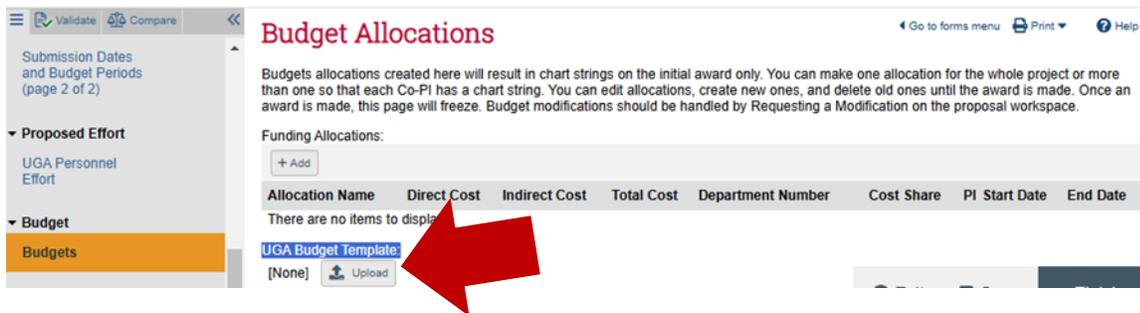
**Budget Tab**

- Do not identify OTC as a Cost Share budget. OTC is an unallowable cost; therefore, it is not recorded as cost share, but OTC must be segregated and tracked in chartstring/s. When requesting creation of OTC chartstrings, anticipate the OTC portion and the associated benefits. Although benefits are not included in OTC testing, benefits apply to all payroll distributions. If not accurately budgeted within the OTC chartstring/s, the OTC chartstring may become overspent, and financially impact Sponsor’s chartstring/funds based on Commitment Control logic.



- Create a Word, Excel, or pdf file with these details:
  - Requested Chartstring Name,
  - Department ID,
  - Fund,
  - Class,
  - Program,
  - amount for Salary 510000,
  - amount for Benefits 550000,
  - and Total

If OTC will be financially supported by varying department IDs/funds/classes/programs, within the same document, identify the need for multiple chartstrings by providing the above details for each. Update the Word, Excel or PDF file via the UPLOAD button shown adjacent to the red error below.



These program codes segregate OTC from general cost share entries in the UGA Financial Management System (FMS): 11114 For Education Agreements; 12114 for Research Agreements; or 13114 for Other Agreements.

Most popular OTC chartstrings using Program codes above include:

<u>Fund</u>		<u>Class</u>
10000	RI-State Appropriations	11200
10500	Tuition	11800 Tuition or 11805 RIAS

It is the PI/Unit responsibility to fund OTC at the department level. In the example above, provided the department funded the OTC from the department ledger, the PI/Unit will be able to spend on the OTC chart string.

**At the Award Management Stage:**



As PI/Unit initiate salary and fringe benefit encumbrances/expenses for those individuals impacted by OTC, they must encumber/charge to the Sponsor and OTC chartstrings as appropriate. Care should be taken to ensure encumbrances/expenses align with the OTC budget allocations. If the budgeted amount is insufficient (too high or too low), please consult with SPA to assess whether a modification is warranted. If it is determined that corrective actions are necessary, PI/Unit must initiate a budget adjustment or an Express Direct Retro (EDR) as appropriate.

### **Payroll Certification:**

The above-referenced [Compensation and Payroll Certification Policy](#) and [Compensation and Payroll Certification Job Aid](#) apply. Payroll Certification includes the salary to perform the associated work – including sponsor, Cost Share and OTC portions. [OTC portion will be shown in the Payroll Certification Cost Share column.] PI is certifying that the cumulative amount is reasonable with respect to the work performed, allocable to the project, and consistent with the terms and conditions of the award, inclusive of the Uniform Guidance. Payroll Certification does not include fringe benefits, extra service pay (supplements), reimbursed expenses, external consulting and indirect costs.

### **Over the Cap Testing**

For every individual who exceeds the salary cap, by Calendar Year, Post Award consistently tests salary to ensure salary conforms to OTC requirements.

**Why is the OTC calculation based on 10 months instead of 9 academic months?** Since most 9-month faculty are paid over ten pay periods (late August – early May), it is essential to use all ten pay periods when calculating OTC. This ensures each pay period's encumbrance and expense accurately reflect the allocations for the sponsored project and OTC chartstrings and aligns with OTC testing methodology.