



## Extramural Funding Opportunities

### Frequently Asked Questions Regarding

The NCI "Cap" on Permissible Increase in Direct Costs of Renewal (Type 2) Applications  
NIH Guide Notice CA-08-026

REVISED August 2008

**Q1:** Why is NCI revising its allowable percent budget increase ("Cap") policy for Type 2 renewal R01, U01, and P01 grant applications?

**A1:** As stated in the NIH Guide Notice [CA-08-026](#) the Type 2 Cap policy to more closely align budget requests for Type 2 applications with actual funding levels.

**Q2:** Is this an unusual policy at NIH?

**A2:** No. Other NIH Institutes have had such limits for years.

**Q3:** If I intend to submit application that involves **non-modular budget**, how do I determine the maximum dollar amount that I can request for the first and each subsequent year of the project period?

**A3:** For most grant awards based on non-modular budgets, the last non-competing (type 5) award (i.e., for the last year of the prior project period) is the one with the largest budget. The maximum dollar amount allowed for the first year in Type 2 renewal application is simply equal to 110% of that last Type 5 award. (i.e., an allowable increase is up to a maximum of 10% over the direct costs of the last Type 5 award). The permissible direct costs that can be requested for the subsequent years of the proposed project may be increased only by the allowable inflation-linked cost-of-living factor. In each subsequent year of the proposed project period, the dollar amount calculated for the first year may be incremented by the permissible NIH inflation-linked cost-of-living adjustments as described below and in **Q6/A6**. The calculation should be explained in the budget request. The inflation-linked cost-of-living adjustment may not be applied to the first year of the Type 2 grant award. Prior to award, the NCI reserves the right to correct any errors in calculated caps that it may have provided.

**Example:** If the approved total direct cost on the last non-competing (Type 5) in the Notice of Grant Award (NoA) in the prior project period is \$300,000, permissible amount for the first year of Type 2 application (110%) would be \$330,000. At the time of this writing (August 2008) the allowable cost of living increment is 3% per year. Thus, respective permissible amounts for years 2-5 of the project are: \$339,900; \$350,097; \$360,600; and \$371,418.

**Q4:** If I intend to submit application that involves **modular budget**, how do I determine the maximum dollar amount that I can request?

**A4:** For renewal applications involving use of the modular budget format, the applicants may determine allowable direct costs by first calculating 110% of the last Type 5 award level and then rounding up the resulting dollar amount to the nearest "modular" amount.

**Example:** If the approved total direct cost on the last non-competing (Type 5) in the Notice of Grant Award (NoA) in the prior project period is \$200,000 (i.e., eight modules of \$25,000 each), 110% of that amount would be \$220,000. You may round up to the next module number, in this case \$225,000 (i.e., 9 modules of \$25,000 each). If you are requesting 5 years of support in the Type 2 renewal application, you would multiply that number times 5 to arrive at the maximum permissible level for the total project period (in this case  $\$225,000 \times 5 = \$1,125,000$ ).

**Q5:** Because of administrative reductions, the actual funding level of my current grant does not match

"whole" modules nor would a 10% increase of that amount add up to a round number of modules. How should I calculate permissible direct costs for the renewal application?

**A5:** Awardees operating within a modular budget format may round up their request to the next higher module in the first competing year, with no subsequent future year increases. See details in response to Question 4.

**Q6:** The nature of my research project requires the largest expenses in the middle years of a project period. Consequently, the **budget for the last year of the project period is NOT the largest one**. How do I calculate the maximum amount of direct cost increase allowed?

**A6:** In certain situations, NCI policies allow investigators to base the calculations of permissible budget increases for Type 2 applications on **average direct costs of all years in the prior award**. This average, increased by 10% cap, provides the nominal base for permissible costs in the first year on the renewal (Type 2) project. For subsequent years of Type 2 project, this base amount may be increased by the permissible NIH inflationary adjustment (cost-of-living factor, currently 3%). The sum of those nominal amounts represents the **maximum permissible direct costs for entire Type 2 project**. The requested budget for each of the years in the Type 2 application may be allocated as necessary for the research but must not exceed the maximum permissible level for the entire Type 2 project period.

**Note:** All applicants wishing to use this alternative calculation scheme MUST contact NCI and obtain permission prior to submitting their Type 2 renewal application. If you choose to use this option, you should confirm with your Program Director that it is acceptable for your application, and you must explain the calculation clearly in the application. If the application does not include this calculation and the application is selected for funding, NCI staff may adjust the budget to the standard calculation of the cap (i.e., 10% over the direct cost level for the last year of the prior project period).

**Example:** Suppose that your current funded project period consists of 3 years with direct cost awards of: \$350,000; \$500,000; and \$250,000. You are requesting additional 4 years of support in the Type 2 application. The maximum level of direct costs that you could request is calculated as follows:

**Total for current competitive segment (\$350,000 + \$500,000 + \$250,000) = \$1,100,000**

**Average level of direct costs for current project period per year (AVG<sub>PRIOR</sub>) = \$366,667**

"Nominal Base Level" for renewal application: = 110% x AVG<sub>PRIOR</sub> = \$403,334

Base + Inflationary adjustments (3%\*): Year 1 - \$ 403,334

Year 2 - \$ 415,434 (\$415,434 x 3%)

Year 3 - \$ 427,8976 (\$453,200 x 3%)

Year 4 - \$ 440,734 (\$427,8976 x 3%)

**TOTAL \$ 1,840,796**

**Maximum Permissible Direct Costs for Entire Type 2 Project = \$1,687,398**

\* As of this writing (August 2008)

The maximum level that can be requested for the competitive segment can be allocated as needed for the project, without regard to the average level per year; however, the level for all for years cannot exceed the \$1,687,398.

**Q7:** Who at the NCI is responsible for making the determination of what constitutes the cap for my competing continuation?

**A7:** Your NCI Grants Management Specialist, in consultation with the NCI Program Director (Program

Official), both of whom are identified on the Notice of Award, is responsible.

**Q8:** *I really need to expand the scope of my research to take advantage of a great scientific opportunity or exciting new technology. Is there an exception mechanism to the cap?*

**A8:** If the intended increase in the scope of work is so great that it adds new specific aims and makes it virtually a new project, you first should consider one of two options. You may either:

1. Submit two R01 applications: one as a renewal application and another one as a new application for a new project. In this case the new R01 would not count against the cap for the renewal application.

or

2. If the intended project is so extensively modified that it represents a virtually new topic/direction, consider submitting the application as new (i.e., Type 1) application. In this case, you could request whatever budget would be required to do the work (you would also have to change the title to reflect the new scope). You should be advised, however, that the study section would consider such new application without reference to the previous summary statement(s) or review history. In addition, past data indicate that Type 2 (renewal) R01 applications reviewed by the CSR (Center for Scientific Review) tend to have greater chances to be ultimately funded than Type 1 (new) applications.

If these options are not appropriate and/or possible, then **you may request an exception from the cap** (in writing) from your Program Director (Program Official identified in the Notice of Award), prior to submitting the renewal application. The NCI will consider your request but be aware that such exceptions are expected to be rare. If the exception is approved, you must include the written authorization document (exception/cap waiver) in a cover letter for your renewal application.

**Q9:** *I submitted my application, then I realized that it is over budget. What should I do? What happens?*

**A9:** Noncompliant applications may be returned to applicants for revisions so the budgets fall within the cap. For any such application, this situation may result in a delay of one round in the application review, especially when the required reduction of the budget request would also require a reduction in the scope of the proposed research (which is typical). Administrative interim adjustments will not be made to cover any possible funding hiatus caused by a review delayed for this reason. Even if reviewed as submitted, the budget of a cap-noncompliant application will be reduced prior to award, should the application fall within the payline. First, the full-dollar value difference between the correct cap direct cost level and the requested amount will be adjusted downward, then any peer review recommended cuts will be taken, then the appropriate NCI administrative reduction for R01s will be applied. If the non-compliant application is not awarded, the subsequent resubmission (amended) application must be compliant with the cap policy.

**Q10:** *I submitted a renewal application prior to this policy with a budget request that was permissible then, but which is now over the current cap. The application was beyond the payline and I need to submit a resubmission (amended) application. Must I now adjust the budget for the resubmission (amended) application?*

**A10:** Yes. All renewal applications submitted on and after October 1, 2008, regardless of whether new or resubmitted (amended), must conform to the current cap.

**Q11:** *I received a competitive supplement (Type 3) award for my current grant or cooperative agreement. Do the additional funds count in calculating the cap for my next competing award?*

**A11:** All funded competing supplement (Type 3) awards may be "folded into" the competing renewal (Type 2) application for the "parent" grant or cooperative agreement if the research supported by the supplemental funding continues in the competing renewal project period. Then, the total combined value of

the parent award and the supplement award in the last type 5 year may be used in calculating the maximum cap-compliant dollar value of the budget request in the first and subsequent Type 2 years. However, this provision applies only if the work funded by the supplement will continue in the new project period.

**Q12:** *If my renewal (Type 2) application is awarded, am I eligible for supplements?*

**A12:** Yes, this cap policy limits only the direct costs of the renewal requests and does not extend to any potential supplements in the future, after a competing award has been issued. (However, you may NOT request supplemental funding simply to restore funds cut by peer review or because of administrative reductions.) If the requested supplemental funds would cause the budget to exceed the maximal direct costs permissible under the 10% cap policy, written prior approval is required for submission of a competing supplement (revised application). Any such request should be submitted to the responsible NCI Program Director (Program Official identified in the Notice of Award). NCI Minority supplement programs are exempt from this requirement. Administrative supplements that result in a budget in excess of the cap may also be requested. However, NCI approval of such requests will most likely be rare. Any request for an administrative supplement, whether within or in excess of the cap, should be submitted to the NCI Grants Management Specialist, with a copy to the Program Director (Program Official) identified in the Notice of Award.

From time to time, NCI may announce special supplement programs with individual eligibility requirements. Such announcements will clearly state whether prior approval is needed for specific budgetary requests. Awardees responding to such announcements should clearly state what the requested dollar amount would be relative to their current cap, but do not need to seek separate prior approval if a blanket waiver is contained in the announcement.

From time to time, NCI may announce special supplement programs of various sorts, which will clearly state whether prior approval is needed for specific budgetary request levels. Applicants responding to such requests should clearly state what the requested dollar amount would be relative to their current cap, but do not need separate prior approval if a blanket waiver is contained in the announcement.

**Q13:** *How does this cap policy relate to whether my award will be subjected to further "administrative reductions" by the NCI?*

**A13:** It is hoped that this policy will help mitigate the need for such cuts. The necessity for these adjustments depends on the level of the NCI appropriation for a given fiscal year, so there is no guarantee that some further reductions will not have to be made. However, NCI makes it a priority to ensure that if peer review has recommended funding increase for a Type 2 renewal application, the actual award (after all the administrative reductions) should NOT fall below a level of the current last noncompeting award.

**Q14:** *My application is to be awarded, but the cut from requested budget is 25% or greater. What can I do?*

**A14:** You may discuss with your NCI Program Director removing one or more specific aims from the awarded project and incorporating these studies, as appropriate, into another application(s) for research project grant(s). In adjusting the scope of the project prior to award, be aware that you will not be permitted to eliminate those specific aims that have been identified as central to the project.

**Q15:** *Do requests for nonrecurring high cost budget items (e.g., equipment) count against the cap?*

**A15:** Yes, generally, such items must be included in budgetary requests that comply with the cap policy. In exceptional situations, you may seek NCI approval to exclude such items from cap constraints. An exception might be granted if: (i) the high cost non-recurring item is critical to the conduct of the proposed research and (ii) it cannot be absorbed in the budget that complies with cap policy. The request must be submitted to the NCI Program Director in writing, and approved by the NCI prior to submission of the application. Documentation of the NCI's approval of the exception request must be included in the

application. However, approvals of such exception requests will most likely be rare.

**Q16:** *Can funds that I am carrying over to the last year of my project be added to the direct cost level on the last year's Notice of Grant Award (NoA) for purposes of calculating the maximum level that I can request?*

**A16:** No. For the purpose of the cap policy, those funds are considered direct costs for the year in which they were awarded.

**Q17:** *Whom should I contact if I am still uncertain about the cap calculations and/or other related issues?*

**A17:** You should communicate (well in advance of submitting a Type 2 renewal application) with the NCI Program Director (Program Official) and the NCI Grants Management Specialist assigned to your current award (in the Notice of Award).