

July 28, 2023

To: Contract & Grant Officers

Subject: Forecasting Wage Escalation for Multi-Year Sponsored Projects

Purpose

The purpose of this Memo is to recommend an objective wage escalation rate as a guide for developing proposal budgets for extramurally-funded sponsored projects when allowed by the project's sponsor.

Background

Sponsored project proposals regularly include multi-year wage projections for project personnel. Often, these projects are multi-year and end several years after the proposal's submission. Due to the dynamic cost-of-living impacts experienced over the past few years, campuses requested a standardized, objective wage escalation rate to adequately project increased wage costs on multi-year proposals.

Application

This wage escalation rate guidance applies to all future sponsored project proposals. "Wage escalation rate" means the percentage by which the University reasonably forecasts an employee's wage to increase on an annual basis. "Sponsored project" has the same meaning as the "major functions of an institution" defined in [2 CFR 200, App. III.A.1](#), which are, generally: instruction, organized research, other sponsored activities, and other institutional activities.

Guidance

When allowable, standardized wage escalation adjustments for personnel should be included in sponsored project proposals to ensure the University can reasonably project potential wage obligations over the span of the project.¹ The wage escalation rate to be used for a proposal is based on the project's proposed end date and remains constant throughout the entire project budget, as shown in the following table:

¹ The wage escalation applies to hourly and salary wage calculations but does not apply to composite fringe benefit rates. Composite benefit rates must follow the applicable current or provisional rate found in the campus's federally-negotiated rate agreement.

Project End Date	Escalation Rate
By or on December 31, 2023	4.9%
Between January 1, 2024 through December 31, 2024	4.3%
Between January 1, 2025 through December 31, 2025	4.0%
Between January 1, 2026 through December 31, 2026	3.8%
Between January 1, 2027 through December 31, 2027	3.6%
After December 31, 2027	3.5%

When preparing a budget proposal for a sponsored project, the wage escalation rate would be applied after the end of the known salary scale² or reasonably anticipated end of the wage³ for the budgeted position on a compounding basis. See enclosed Addendum 1 for examples of how the wage escalation rate would be applied for sample sponsored project budgets.

The formula and the resulting wage escalation rates are for sponsored project proposal budget forecasting purposes only and are based on the most recent 10-Year Economic Projections issued by the Congressional Budget Office as of the date of this letter (the “Projections”).⁴ The formula is not an institutional guarantee, representation, or reflection of future budgetary decisions, nor does it represent a decision with respect to any future budgetary decisions. It is provided solely as a planning tool for *extramural* funding proposals. The formula for calculating the wage escalation rates is included in Addendum 2.

Additional Information

To the extent that this Memo conflicts with [RPAC Memo 11-01](#), this Memo takes precedence. The Research Policy Analysis & Coordination department intends to revise and publish this Memo on an annual basis to reflect revised economic projections. A Frequently Asked Questions document is included as Addendum 3.

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² “Known salary scale” refers to salary scales provided by the [Office of the President](#) or [local campuses](#).

³ “Reasonably-anticipated end of the wage” refers to wage on a project budget where the personnel’s wage is known and there is a reasonable basis for anticipating an increased wage, such as a general salary increase or a higher Step based on years of service.

⁴ See the [Congressional Budget Office’s February 2023 10-Year Economic Projections and its supplemental July 2023 10-Year Economic Projections](#).