

ADDENDUM 1 - EXAMPLE SPONSORED PROJECT BUDGETS

The following two pages show **example** project budgets for fictional sponsored projects and how to apply the recommended wage escalation rate using known salaries or salary scales.⁵ In situations where a salary increase is reasonably anticipated to take place due to a known metric, such as a salary Step based on years of service, those metrics should be accounted for in project budgeting. For academic employees subject to a collective bargaining agreement, the same formula and application would apply for the future years **not** covered by their collective bargaining agreement.

Since fringe benefits and indirect cost recovery flow from salary expenses, ensuring more accurate salary projections will lead to more accurate projections for these downstream expenses.

⁵ The examples are for illustration purposes only and do not represent any institutional warranties or compensation decisions. Consult the most current published salary scales for complete figures.

Example 1.

Scenario: A four-year project following calendar year budget periods with an end date of June 30, 2026. The only salary requested on the project is for a policy-covered⁶ Specialist because the project’s Principal Investigator will cost-share their time. The Specialist is yet to be named and is anticipated to be a Specialist at Step 1, Year 2. The Specialist’s projected salary would follow the current salary scales for the position and the appropriate escalation, which can be found in Table 24A.

Escalation Rate: 3.6% annually, since the project ends in calendar year 2027.

	Current Salary or Salary Scale	% of FTE Committed to Project	Year 1 (7/1/23 – 6/30/24)	Year 2 (7/1/24 – 6/30/25)	Year 3 (7/1/25 – 6/30/26)	Year 4 (7/1/26 – 6/30/27)
Specialist	\$87,800.00	50%	\$43,900*	\$45,480**	\$47,117	\$53,651***

*Since the Table 24A 2023-24 salary scales are published as of the date of this guidance, the 2023-24 salary scale of \$87,800.00 is used *without escalation* for Project Year 1 for the Specialist since the Project Year 1 dates mirror the dates for the 23-24 salary scales. The budgeted wage is 50% of the annual wage since the anticipated FTE commitment is 50%.

**Since the Specialist began the project at Step 1, Year 1, and the Step is three years, Project Year 2 would see one escalation applied to the Specialist’s anticipated wages. The escalation basis for the wages begins with the salary scale for a Specialist at Step 1, which is \$87,800. Here’s a breakdown of how the appropriate amount is calculated for the Specialist for Project Year 2:

1. **Wage Escalation Project Year 1:** No escalation since Project Year 1 follows the published salary scale for FY 23-24. = **\$87,800.00**
2. **Wage Escalation Project Year 2:** $\$87,800.00 * 1.036 = \$90,960.80$
3. **Adjust Salary based on Commitment:** $\$90,960.80 * .50 = \$45,480.40$

***Since the Specialist began the project at Step 1, Year 1, and the Step is three years, it is reasonable to presume in Project Year 4 the Specialist would move to Step 2. Therefore, the escalation basis for Project Year 4 for the Specialist would begin with the salary scale for a Specialist at Step 2, Year 1, which is \$96,500, and then three escalations would be applied:

1. **Wage Escalation Project Year 1:** No escalation since Year 1 follows the published salary scale for FY 23-24. = **\$96,500.00**
2. **Wage Escalation Project Year 2:** $\$96,500.00 * 1.036 = \$99,974.00$
3. **Wage Escalation Project Year 3:** $\$99,974.00 * 1.036 = \$103,573.06$
4. **Wage Escalation Project Year 4:** $\$103,573.06 * 1.036 = \$107,301.69$
5. **Adjust Salary based on Commitment:** $(\$107,301.69 * .50) = \$53,650.85$

⁶ “Policy covered” employees are those non-represented employees to which the Academic Personnel Manual applies. Consult UCOP Academic Personnel and Programs for any questions related to “policy covered” status.

Example 2.

Scenario: A four-year project following calendar year budget periods with an end date of December 31, 2027. The Principal Investigator, a faculty member, has a current known salary of \$150,000 per calendar year and they will commit 10% of their time to the project. The project also involves a yet-to-be-named policy-covered Specialist. The Specialist is anticipated to be a new policy-covered Specialist at Step 1, Year 1, meaning their projected salary will follow current salary scales for the position and the appropriate escalation (Table 24A).

Escalation Rate: 3.6%, since the project ends in calendar year 2027.

	Current Salary or Salary Scale	% of FTE Committed to Project	Year 1 (1/1/24 – 12/31/24)	Year 2 (1/1/25 – 12/31/25)	Year 3 (1/1/26 – 12/31/26)	Year 4 (1/1/27 – 12/31/27)
Principal Investigator	\$150,000	10%	\$15,679*	\$16,244	\$16,829	\$17,434
Specialist	\$87,800	50%	\$44,690**	\$46,299	\$47,965	\$54,617***

*For the Principal Investigator, since faculty annual general increases usually occur in October, the PI's annual increase should be projected as a reasonably-expected increase. In this case, the first annual increase would occur in October 2023; therefore, the first 9 months of the Principal Investigator's Year 1 salary is subject to one escalation, and the final 3 months' salary for Year 1 is subject to two escalations.

1. **Wage Escalation Project Year 1:** $((\$150,000 * 1.036) * .75) + (((\$150,000 * (1.036^2)) * .25) = \mathbf{\$156,798.60}$.
2. **Adjust Salary based on Commitment:** $(\$156,798.60 * .10) = \mathbf{\$15,679.86}$

This same escalation would continue for each year of the project.

**For the Specialist, the salary scales for FY 23-24 are already published, so the first escalation would occur in July 2024; therefore, the first 6 months of the Specialist's Project Year 1 salary is not subject to any escalation, and the final 6 months' salary for Project Year 1 is subject to one escalation.

1. **Wage Escalation Project Year 1:** $((\$87,800 * .5) + ((\$87,800 * 1.036) * .5) = \mathbf{\$89,380.40}$
2. **Adjust Salary based on Commitment:** $(\$89,380.40 * .5) = \mathbf{\$44,690.20}$

***For the Specialist in Year 4, they are presumed to advance to Specialist Step 2 at the beginning of Project Year 4, so their projected salary is based on the first 6 months of salary being subject to the Specialist Step 2, Year 1 salary at three escalations, and the second 6 months of salary being subject to the Specialist Step 2, Year 1 salary at four escalations.

1. **Wage Escalation Project Year 4:** $(((((\$96,500 * (1.036^3)) * .5) + (((((\$96,500 * 1.036^4)) * .5) = \mathbf{\$109,233.12}$
2. **Adjust Salary based on Commitment:** $(\$109,233.12 * .5) = \mathbf{\$54,616.56}$