

ADDENDUM 3 – FREQUENTLY ASKED QUESTIONS

1. Is the Office of the President requiring campuses to use the wage escalation rates?

No. The rates are provided as guidance in response to campus requests for such guidance. The rates are provided for multiple reasons, foremost so that sponsored project proposal budgets align with likely future economic realities. Additionally, the rates are provided to ensure that applicable university proposals comply with 48 CFR 15.403 for certified costing data.

2. May our campus use a different wage escalation rate?

Yes. This guidance provides recommended rates based on an objective forecasting methodology. In some cases, campuses may elect to exercise local autonomy and use a different rate that is more responsive to their local budget and economic realities. Campuses are encouraged to document their methodology for a local rate to ensure compliance with 48 CFR 15.403 for certified costing data.

3. Don't NIH and NSF prohibit cost-of-living adjustments in proposals?

No. NIH and NSF, on an agency-wide basis, have not prohibited or required cost-of-living adjustments in proposal budgets. Both agencies allow their individual programs, institutes, and centers to promulgate cost-of-living adjustment requirements.

4. Should the wage escalation rate be applied to other cost categories, like tuition remission, supplies, and fringe benefits?

Maybe, except for fringe benefit rates. Although the wage escalation rate is based on objective criteria to anticipate future economic realities related to wage growth, campuses may choose to apply the rate to other direct cost budget categories except for composite fringe benefit rates, which must follow the applicable current or provisional rate found in the campus's federally-negotiated rate agreement. Note that the wage escalation rate includes an additional 1% above projected inflation to anticipate wage growth.

5. I am submitting an NIH proposal with a modular budget, should I use the wage escalation rate?

Yes and no. NIH modular budgets generally do not require detailed salary information and calculations. In those instances, if the academic department maintains an internal budget to develop data and projections for modular budgets, we recommended using the wage escalation rates in campus internal budgets only.

6. What if a research team's actual wage costs are higher or lower than the projections?

Actual costs may vary from projections. The wage escalation projections are recommended to minimize any variation between actual costs and projected costs. Any variation between actual costs and projections would need to be addressed under the terms and conditions of the particular award.