Attachment 1:

FY27 Budget Process Expense Growth Methodology

UC Berkeley

Overview of the Expense Growth Methodology (EGM) for FY 2026-27

A key component of our deficit reduction strategy remains slowing the growth in divisional expenses. For the coming year, divisional expense growth will again be limited to 3.6% campus-wide. Rather than implementing an across-the-board cap, we have calculated divisional expense growth limits using targeted spending levels that vary by expense category.

Expense Category	Targeted Spending Levels*	Rationale
Academic Salaries & Benefits Staff Salaries & Benefits	4.0% 4.0%	Mandated salary increases next year are anticipated to be in the range of 3%. Recognizing the importance of Berkeley's faculty and staff, a targeted 4% spending level on these expenses would enable units to cover these cost increases. **Spending for new Senate faculty (compensation and start-up) coming on board in FY27 will be excluded from the cap.**
Scholarships & Fellowships	4.00%	Scholarships and fellowships, including fee remissions, are critical to the success of Berkeley students, particularly low-income students, and ensuring the academic excellence of the institution. Hence, this spending level has been set with an eye toward keeping pace with tuition increases, compensation increases, and other inflationary cost increases experienced by students.
Supplies & Materials Other Operating Expenses	2.0% 2.0%	Lower spending levels have been set for supplies & materials and other operating expenses to encourage units to control costs to the greatest extent possible in areas that, while important, often have less impact on the core campus mission (e.g., travel & entertainment, consultants & temporary labor).

**Growth in spending in FY 2026-27 over forecast expenses in FY26.*

Calculating the Divisional Caps on Growth in Expenses

- The cap for each division is calculated by multiplying the projected FY26 expenses in each expense category by the targeted spending level percentage and then summing to a total.

- The total divisional cap is the equivalent of a weighted average, depending on the level of spending in each category. Therefore, the caps for some divisions will be higher than the 3.6% campus-wide cap, while the caps for other divisions will be lower.

Hypothetical Academic Division

Dollars in thousands	FY26 Forecast Expenses	Targeted Spending Levels		FY27 Budgeted Expenses
		%	$	
Academic Salaries & Benefits	$105,000	4.0%	$4,200	Determined by the division during the budget process
Staff Salaries & Benefits	52,000	4.0%	2,080	
Scholarships & Fellowships	28,000	4.0%	1,120	
Supplies & Materials	11,000	2.0%	220	
Other Operating Expenses	17,000	2.0%	340	
Total/Expense Growth Cap	**$213,000**	**3.7%**	**$7,960**	**$220,960**

Hypothetical Administrative Division

Dollars in thousands	FY26 Forecast Expenses	Targeted Spending Levels		FY27 Budgeted Expenses
		%	$	
Academic Salaries & Benefits	$0	4.0%	$0	Determined by the division during the budget process
Staff Salaries & Benefits	22,000	4.0%	880	
Scholarships & Fellowships	0	4.0%	0	
Supplies & Materials	500	2.0%	10	
Other Operating Expenses	10,000	2.0%	200	
Total/Expense Growth Cap	**$32,500**	**3.4%**	**$1,090**	**$33,590**

Important Points about Planning for the EGM Target

- As was the case last year, divisions have discretion to spend at different levels across expense categories to meet the total divisional EGM cap. For example, a division may plan for growth above the targeted level for scholarships and fellowships and offset that increase through lower growth in other operating expenses.

- However, in an effort to exercise tighter control over growing compensation expenses, divisions must plan to a 4% cap in compensation and an exception request for compensation increases beyond 4% will not be considered unless:

    - There is a specific, discrete increase to a funding source to cover the expense and therefore not increase a deficit;
    - The funding source is a faculty gift fund; or
    - Compensation is for Senate faculty beginning on July 1, 2026

- Divisions that exceed their overall assigned EGM growth target in their CalPlanning submission must submit an Expense Growth Cap Exception Form. In addition, divisions that exceed the 4% cap on compensation growth, must complete the Compensation Cap Action Plan and identify potential actions they would take to achieve the 4% cap on compensation.

- Caps only apply at the divisional level. How a division achieves its target within its component units is at the discretion of the division head. In other words, the cap doesn't have to be applied across the board to the L4 units within the division.

FY 2026-27 Divisional EGM Targets

(data in thousands of dollars)	FY26 Forecast	FY27 EGM	Delta	
Campus Units	**Total Expenses**	**Total Expenses**	**$**	**%**
1_COL1S - L&S Core	$7,548	$7,850	$302	4.0%
1_LS1BS - L&S Biological Sciences	$105,799	$109,697	$3,897	3.7%
1_LS1HU - L&S Arts & Humanities	$131,221	$136,324	$5,103	3.9%
1_LS1PS - L&S Math & Physical Sci	$86,987	$90,274	$3,288	3.8%
1_LS1SS - L&S Social Sciences	$175,611	$182,461	$6,850	3.9%
1_LS1UI - L&S Undergraduate Division	$24,875	$25,854	$979	3.9%
1_COLLS - Letters & Science	**$532,040**	**$552,459**	**$20,419**	**3.8%**
1_CENVD - Col of Environmental Design	$41,611	$43,165	$1,554	3.7%
1_CO1NR - College of Natural Resources	$73,128	$75,886	$2,758	3.8%
1_COCDS - Computing, Data Sci, Society	$42,961	$44,602	$1,641	3.8%
1_COCHM - College of Chemistry	$70,984	$73,589	$2,605	3.7%
1_COENG - College of Engineering	$247,186	$256,362	$9,176	3.7%
1_COLLE - Colleges	**$475,870**	**$493,604**	**$17,735**	**3.7%**
1_GSCPP - Goldman Sch of Public Policy	$31,114	$32,269	$1,155	3.7%
1_HAAS3 - Haas School of Business	$187,599	$194,449	$6,850	3.7%
1_SC1PH - School of Public Health	$60,497	$62,762	$2,265	3.7%
1_SCEDU - Berkeley School of Education	$27,220	$28,275	$1,055	3.9%
1_SCHSW - School of Social Welfare	$12,972	$13,461	$490	3.8%
1_SCJOU - School of Journalism	$23,726	$24,569	$842	3.6%
1_SCLAW - School of Law	$162,312	$168,382	$6,070	3.7%
1_SCSIM - School of Information	$23,503	$24,407	$903	3.8%
1_SCHOL - Schools	**$528,944**	**$548,574**	**$19,630**	**3.7%**

(data in thousands of dollars)	FY26 Forecast	FY27 EGM	Delta	
Campus Units	**Total Expenses**	**Total Expenses**	**$**	**%**
1_ACADS - Academic Senate	$2,034	$2,115	$81	4.0%
1_EVCP3 - Academic Core	$6,689	$6,939	$250	3.7%
1_OT1VP - Office for the Faculty	$8,384	$8,702	$318	3.8%
1_SAFP3 - Strategic Acad and Fac Plan	$6,747	$7,023	$276	4.1%
1_SSALL - Summer Sessn, Study Abrd, OLLI	$33,580	$34,742	$1,163	3.5%
1_UCLIB - UC Library	$71,686	$73,996	$2,310	3.2%
1_UNEX3 - University Extension	$38,314	$39,617	$1,303	3.4%
1_VR1GD - Graduate Division	$12,609	$13,070	$461	3.7%
1_OACAD - Other Academic	**$180,042**	**$186,203**	**$6,161**	**3.4%**
1_VCRAC - Academic Research Units	$86,687	$89,801	$3,113	3.6%
1_VCRAU - Research Administrative Units	$43,129	$44,802	$1,673	3.9%
1_VCRMS - Res Museum & Field Stations	$40,429	$41,937	$1,509	3.7%
1_VCRES - Research, Policy, Planng & Adm	**$170,245**	**$176,540**	**$6,295**	**3.7%**
1_CALPF - Cal Performances_SMA	$23,403	$24,123	$719	3.1%
1_CHANL - Campus Support Core	$40,337	$41,656	$1,319	3.3%
1_MU1FA - Art Mus & Pacific Film Archive	$14,028	$14,496	$468	3.3%
1_VCEI3 - Equity & Inclusion Div	$43,941	$45,518	$1,577	3.6%
1_VCUGA - Student Affairs	$356,104	$367,718	$11,614	3.3%
1_CAMSU - Campus Support	**$477,813**	**$493,510**	**$15,698**	**3.3%**
Campus Units	**$2,364,954**	**$2,450,891**	**$85,938**	**3.6%**

Limited Exceptions to Divisional Expense Growth Caps

UC Berkeley is comprised of a diverse set of divisions with different financial challenges, opportunities, and expectations. Therefore, as part of the budget process, divisions will have an opportunity to make a case for limited spending beyond their target cap. Exceptions include:

Categories	Exception will be considered for
Compelling Divisional Need	Divisions for whom (1) the spending cap would cause undue hardship to the unit or campus, (2) there is a compelling need for program expansion, or (3) there is a compliance issue or other mandate that cannot otherwise be met.
Growth in Specific Revenue Source	Divisions that demonstrate growth in a specific revenue source to fund the additional expenses (thereby not adding to the deficit) plus a strong expectation to spend the funding in FY27.
Faculty Gift Funds	Faculty spending on gifts, in light of potential risk to federal contract & grant funding.

Please note that because more funding will be allocated next year for staff salaries, TAS, and campus renewal, tighter control will be exercised in granting EGM exceptions.