

FAQ on the decentralization of benefits at UC Santa Cruz

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What is changing?

For nearly 30 years, UCSC has utilized a central pool to budget benefits for eligible core funded faculty and staff positions. For positions participating in the central pool, benefit costs have been managed and budgeted centrally within FMW. Within the operating budget in FIS, budget is transferred from the central pool to unit FOAPALS with each payroll posting to offset the actual benefits costs of the eligible positions. These budget transfers are done through an automated process described as the BENEFIT POOL OFFSET on the general ledger.

By centrally pooling the budget for core benefits, the campus has been able to leverage savings from staff vacancies. However, this mechanism to centrally accumulate savings is a barrier to determining where unit spending on benefits is meeting or exceeding what has been budgeted. Effective January 1, 2025, the budget and subsequent responsibility for benefits management is being decentralized.

In FMW, the permanent central benefits pool has been dissolved and payroll benefits for core funded positions are now budgeted at the fund-org level associated with the eligible budgeted salary. This change has been transacted in FMW permanent year 2026 (the permanent budget that becomes effective in the operating budget 7/1/2025) and is visible to campus units within FMW and InfoView.

In FIS, the automated BENEFIT POOL OFFSET process will be turned off for all payroll transactions posting on or after January 1, 2025 (fiscal period 07). The BENEFIT POOL OFFSET process will remain in place through December 31, 2024 (fiscal period 06). Prior to the close of January, current year benefit budgets will be manually allocated to unit operating budgets, prorated accordingly for the period of January 1 - June 30, 2025.

What are the fund numbers impacted by this change?

This change has implications for positions budgeted on the following fund numbers:

19900	State General Fund	20086	Tuition - Academic DFM
19917	ITTP Assessment Fund	20095	Tuition
19924	SAPEP	20360	Measure 7 Program Fee
19942	Non-Resident Supplemental Tuition	66043	InfoUser Assessment Fund
20000	Student Services Fee	66051	BTP Assessment Fund
20082	Tuition - Instructional Support	69750	ICR Off-the-Top
20084	Tuition - Teaching Assistants	69900	CUF/Interest Earnings

Why are core benefit budgets being decentralized?

The August 21, 2024 [communication from CFO Ed Reiskin](#) addresses the reasoning for this change.

How are unit permanent benefit budget allocation amounts determined?

The 7/1/2024 permanent staffing list in FMW serves as the basis for benefits budget distribution. Budget has been allocated for positions filled on the 7/1/2024 staffing list.* (see special circumstances below)

The [FY 2024-25 composite benefits rates](#) were used to calculate benefits budgets. The CBR, GAEL and RPNI combined rate of 51.58% was used to calculate benefits for eligible staff positions; the combined rate of 42.48% was used to calculate benefits for most positions on the academic staffing list.* VLA is excluded (see *last page re: VLA*).

The 7/1/2024 salary level as captured on the permanent staffing list was used in the calculation of benefits. Benefit budgets were then augmented to include benefits associated with allocations for contracted wage implementations and the non-represented salary increase effective 7/1/2024. Benefits for 7/1/2024 effective wage increases where the actual implementation date differed slightly for biweekly staff were also budgeted.

Benefits budgets were allocated to budget pool "B06000" in the fund-org associated with the filled position. For example, a filled, permanently budgeted staff position at a salary of \$100,000 on 19900-660200-B01000 would result in a permanent budget allocation of \$51,580 to 19900-660200-B06000.

**Special Circumstances:*

- *All allocations for Senate faculty FTE and salary and budgeted chair/college provost stipends will include corresponding benefits budget adjustments. Benefits for Senate faculty will be managed just as salary budgets are managed with respect to central obligation for these commitments.*
- *DFM fund (20086) benefit allocations are equal to 51.58% of the DFM-Salary allocation for each division. These amounts have been allocated to the DFM permanent holding org for each division. From there, BAP has distributed benefit budgets for filled positions on the staffing list to the fund-org where the positions are budgeted. Any variance remains in the division's DFM permanent holding org.*
- *IS (20082) and TA (20084) model allocations will be augmented to include benefit funding effective 1/1/2025. Detailed communication to the academic divisions about this change to the models will happen separately.*
- *A small number of permanently budgeted non-faculty academic positions are hired as "non-full benefit" positions; those positions are budgeted at 8.52%.*

If my unit hires a staff position into a core funded budget provision that was unfilled on 7/1/2024, is my unit responsible for associated benefits?

Yes.

In general, through position vacancies and vacation usage savings that will now be retained within the division, the costs/savings will offset each other within the division and result in a net neutral impact over the course of the operating year. This is similar to how this activity was handled previously on a larger scale through the central benefits pool.

Going forward, benefits will need to be an active part of the decision making process when hiring positions. Likewise, when considering reducing positions the potential additional savings from benefits should also be factored in.

It is recognized that hiring decisions have been made before the announcement of the decentralization of central benefits. It is also recognized that some divisions, especially smaller divisions, will have fewer opportunities to leverage vacancy savings. BAP will be evaluating the status of filled/unfilled positions throughout the year to monitor and understand the impacts of this transition on individual divisions/units.

Units are encouraged to maintain their permanent staffing list regularly to enable transparency of hires and vacancies in time with decisions being made.

How will benefits costs associated with faculty start up costs be funded?

Central campus intends to honor existing benefits funding commitments related to faculty start up. The reimbursement process surrounding this coverage for existing commitments is being finalized and will be communicated to the academic divisions before the automated benefits offset process is turned off in January. Going forward, any new faculty start up negotiations should consider the decentralization of the benefits pool.

How will benefits for student employees be funded?

Benefit costs associated with student employees will be the responsibility of the unit. Previously, the central benefits pool was able to leverage vacancy savings to support the benefits of core funded student employees. As the vacancy savings are now decentralized into unit budgets, units will be responsible for student benefit costs.

What will this mean for future central funding for contractual and systemwide salary increases? Will there be adjustments to the benefits budgets in the future?

Budget for Senate faculty salaries and benefits will continue to be augmented centrally, reflecting how these central obligations are managed.

While it is possible that future wage implementations and associated benefits could be absorbed within the units, budget augmentations to support core funded benefit rate/salary increases will be considered as part of the annual budget planning cycle. Strategies to determine the best path forward to establish and maintain sustainable budgets at both the campus and unit level will commence during 2024-25.

Is the FMW permanent staffing list still being used?

YES. Units should continue to use the permanent staffing list in FMW to budget permanently funded positions. As with all prior years, staffing list balancing deadlines will be in effect.

Academic version: BAP will continue to manage the allocation of FTE and budget for Senate faculty positions, academic administrators and department chair/college provost stipends. Units may freely modify FTE and salary budget amounts on the Academic Staffing list for non-Senate faculty positions. With any budgeted salary adjustment, units should include a corresponding benefits budget adjustment, effectively aligning the benefit budget in tandem with the salary budget.

Staff version: BAP will continue to manage the allocation of FTE and budget for SMG positions. Units may freely modify FTE and salary budget amounts on the staffing list for all other positions, excluding those on funds 66777 and 66779. With any budgeted salary adjustment, units should include a corresponding benefits budget adjustment, effectively aligning the benefit budget in tandem with the salary budget.

Why is the VLA rate excluded from the budget calculation?

Vacation Leave Accrual (VLA) is not budgeted as this cost is financially offset as vacation is taken.

Vacation accrual posts as an expense to the unit with each payroll posting and generates a recording of financial liability to the campus. As vacation is taken by employees, vacation pay reduces the regular salary charged to the unit and the vacation pay is offset with a credit to the unit FOAPAL from the account where the vacation liability was previously recorded when vacation was accrued. (*see example below*)

While regular pay (REG) is assessed for CBR, GAEL, RPNI and VLA, vacation pay (VAC) is only assessed for RPNI on core funds. Not only does VAC generate a credit to benefits but has a much lower benefits assessment cost.

Vacation accrual costs will not be perfectly offset by vacation usage credits in any given fiscal year. More vacation might be accrued than used or used than accrued by an employee in any given year. However, over the course of time, the salary at which vacation is paid out is often at a higher level than when the salary originally accrued due to wage growth.

Example of Payroll Month Without Vacation Usage

Description	Pct of Pay	Base Rate	Fund	Org	Account	Expense	
Regular Pay (REG)	100.00%	\$7,300	19900	662000	P11150	\$7,300	
Benefits Assessed							<i>Assessment %</i>
CBR			19900	662000	P68850	\$3,475	47.60%
GAEL			19900	662000	P68530	\$242	3.32%
RPNI			19900	662000	P68690	\$48	0.66%
Leave			19900	662000	P68930	\$584	8.00%
Total Salary Cost						\$7,300	
Total Benefits Cost						\$4,349	59.58%

Example of Payroll Month With 40 Hours Vacation Usage

Description	Pct of Pay	Base Rate	Fund	Org	Account	Expense	
Regular Pay (REG)	100.00%	\$7,300	19900	662000	P11150	\$7,300	
Regular Pay (REG)	-23.00%	\$7,300	19900	662000	P11150	(\$1,678)	
Vacation Leave (VAC)	23.00%	\$7,300	19900	662000	P11950	\$1,678	
Benefits Assessed on REG Pay							<i>Assessment %</i>
CBR			19900	662000	P68850	\$2,676	47.60%
GAEL			19900	662000	P68530	\$187	3.32%
RPNI			19900	662000	P68690	\$37	0.66%
Leave			19900	662000	P68930	\$450	8.00%
Benefits Assessed on VAC Pay							
CBR			19900	662000	P68850	\$0	0.00%
GAEL			19900	662000	P68530	\$0	0.00%
RPNI			19900	662000	P68690	\$11	0.66%
Leave			19900	662000	P68930	\$0	0.00%
Vacation Usage Fringe			19900	662000	P68931	(\$1,678)	
Total Salary Cost						\$7,300	
Total Benefits Cost						\$1,682	23.05%