

## Fringe Benefits Funding Policy

All public funds allocated to Colleges and Departments are under the control and jurisdiction of the vice president to which they are assigned. Each vice president's budget, in turn, is allocated by the president. Both are annual allocations of money for the use of individual units during the fiscal year of the allocation.

Budgeted employee lines are subsets of those budgets. They are funds set aside to maintain temporary or ongoing personnel commitments. These positions, again, are under the control and jurisdiction of the division's vice president, subject to the control and jurisdiction of the President.<sup>1</sup>

In other words, departments, schools, colleges, and other units do not "own" their base budgets. They do not "own" position lines. And, for that matter, they do not "own" space or facilities. All of these things are allocated to them on an annual basis, and they are subject to re-allocation or de-allocation at the ultimate discretion of the President.

None of these principles is new. The President has articulated and rearticulated these basic truths over the years.

In the case of personnel lines, their funding consists of two elements: direct compensation (salary) and fringe benefits. Both elements are under the control and jurisdiction of the vice president; but the fringe component is escrowed and managed by the Vice President for Business and Finance.

The fringes attached to any specific position are calculated as a standard percentage of the position's salary and deposited in a "Fringe Pool" of money used by the Budget Office exclusively for paying specific fringe benefit costs associated with employees individually and collectively.

When a new position is created, an amount equal to the standard fringe percentage is transferred to the Fringe Pool, where it is controlled by the Budget Office.

When a position ceases to exist in a division, an amount equal to the standard fringe percentage is subtracted from the Fringe Pool and transferred back to the division where the salary resides. The vice president may, at his/her discretion, reallocate the recovered fringe money and the salary to the unit that lost the position, or may reallocate that money for other purposes.<sup>2</sup>

Should the burden of costs borne by the Fringe Pool prove inadequate to pay all fringe expenses (due to increased premiums, new benefits, or other inflationary pressures, the President shall treat this exigency like any other financial exigency, allocating new funds (if any), re-allocating funds allocated elsewhere in the budget, or drawing upon reserves. Similarly, should the Fringe Pool significantly exceed the costs it must bear, the President shall reallocate the overage (on a one-time or permanent basis) to areas of greatest priority and need. Since the Fringe Pool must be maintained at levels adequate to meet its needs, this may result in marginally reducing resources available to the rest of the institution.

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<sup>1</sup> It should go without saying that we understand many personnel lines come with contractual obligations, or even tenure, attached. In the event that a vice president takes over a line that is occupied by a person under contract, the vice president also assumes responsibility for meeting the terms of the contract.

<sup>2</sup> It is understood that the elimination or a reduction (of time or salary rate) of a position for the purposes of creating more operating funds is within the prerogative of the budget manager with approval of the divisional vice president. However, it is also understood that the teaching or staffing needs of the programs need to be met after such changes, and that appeals for more resources to meet these needs shortly after such changes will not have support unless it can be documented that entirely new needs have arisen, which could not have been anticipated at the time.