ERE MANAGEMENT AND BEST PRACTICES

State-funded Employee Related Expense (ERE) budgets have been distributed to each responsibility center unit (RCU; i.e. colleges and VP units) to manage. RCUs and underlying units are thus incentivized to appropriately manage their ERE pool to: 1) minimize unnecessary costs, 2) maintain a positive balance, 3) plan and set aside funds for future ERE cost growth, and 4) properly invest surpluses back into critical areas. Below are strongly encouraged best practices.

- **Manage Encumbrances**
  Salary encumbrances on state accounts are used to project the ERE costs for the year. False encumbrances skew and distort the projection. Salary encumbrances should be managed through properly split funding employees or appropriately removing/reducing encumbrances of variable hour employees.

- **Use of Temporary Employees & Independent Contractors (ICONs)**
  Certain circumstances may better be served by the use of temp-agency workers, temporary staff, part-time work (below .50 FTE), student employees, or independent contractors. These are all low or no ERE workers.

- **Rule Changes Could Cost You – Check Your Assumptions Before Committing Funds**
  Arizona State Retirement System (ASRS), the Affordable Care Act (ACA), and changes to the Fair Labor Standards Act (FLSA) pose additional variables that could cost units more in ERE. **It is essential for unit business officers and leaders to monitor the employment of and total hours worked by employees in all of their positions at the UA.**

- **Soft Fund More Salaries & Fully Cost Rate Studies**
  Revenue generating activities must fully recover all costs including ERE. Rate studies will help units recover full costs allowing a reduction or elimination in state subsidies of research and auxiliary activities. Rates can be for internal management information and do not require federal funding to engage in.

Gift and endowed funds should be used, where appropriate, to reduce the state salary burden, which will also shift ERE costs off of state funds.

- **Direct Charge**
  Unit leadership should work with PIs to systematically direct fund more employee salaries on grant budgets, where appropriate and allowed. This alleviates the subsidy burden on state funding. Research projects, even recovering a full indirect cost rate, are subsidized by institutional funds (primarily state tax and student tuition) in the form of indirect support costs that are unrecoverable due to caps set by the federal government.

- **Educate Employees on Healthy Lifestyle Options at the UA**
  While we cannot require or mandate employees live a healthy lifestyle, we should ensure employees are aware of healthy programs and classes. Collectively, and over time, healthy lifestyles will drive down healthcare costs for all employees. Helpful resources can be found at [http://lifework.arizona.edu/](http://lifework.arizona.edu/).

  o Tobacco cessation programs
  o Nutrition and exercise classes
  o Health screenings
  o Stress reduction program

- **Please share suggestions on managing ERE through the Business Officers Listserv!**