CALS ERE MANAGEMENT POLICY

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 mission areas. CALS units have been delegated this responsibility since 2014. **Units are solely responsible for proper management of these funds as there are no additional ERE funds held at the college level which could subsidize deficits.**

Below are best practices and expectations to manage the ERE funds in your unit.

**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.

**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 Employee Time to Sponsored Projects**
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 when recovering a full indirect cost rate, are subsidized by the UA.

**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. Use only when appropriate for the work and compliant with the spirit and letter of policies.

**ERE Pool Accounts are not Subject to the 3% Carryforward Policy at This Time.**
ERE balances will continue to be monitored by CALS Business Services and the Cooperative Extension Business Team. Balances deemed excessive will require explanation. Use of ERE pool funds for non-ERE expenses requires prior approval from the college. Please forward requests to reinvest excess ERE pool funds into mission areas to Belinda Oden (T&R) or Carolyne Greeno (Extension).

**The following criteria will be considered.**
- Projected year-end balance in ERE pool must be greater than 30% of ERE base budget
- Only current year (temp) dollars may be used
- Demonstration that the ERE pool will remain positive given all known and projected impacts to ERE at the time of the request
- Justification of how the funds will be used
- Confirmation that other departmental funds are not available for the same use
Rule Changes Could Cost You – Check Your Assumptions Before Committing Funds
Arizona State Retirement System (ASRS), the Affordable Care Act (ACA), and possible 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 these changes and actively oversee the employment of and total hours worked by employees in all of their positions at the UA.

Educate Employees on Healthy Lifestyle Options at the UA
While we cannot require or mandate employees to 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/.

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

PLEASE SHARE SUGGESTIONS ON MANAGING ERE THROUGH THE BUSINESS OFFICERS LISTSERV
calsbusofficers@list.arizona.edu

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