

Benefits Shared Solution

February 18, 2020

Background

Over the last few years, there have been conversations between Budget and Fiscal Planning (BFP) and campus budget officers about the misalignment of benefits expenses and benefits budgets in General Fund (fund 1X) accounts. Because benefits have historically been budgeted centrally and expenses generated locally, a structural imbalance was created. In addition, General Fund accounts are currently treated differently than any other fund type, where benefits budgets and expenses are in the same location.

In the spring of 2019, the campus, with feedback from campus constituents, decided to focus on better understanding the nuances of how and why surpluses and shortfalls had accumulated. Following this decision, in fall 2019, the campus embarked on a planning process intended to engage campus constituents in collaboratively developing a shared solution to the benefits challenge. The following is a description of the development of this solution.

Timeline

The campus will be implementing a revised, localized benefits structure in FY21 and used fall semester 2019 and early spring semester 2020 to plan, propose, and solicit stakeholder input around a solution. Benefits budgeting policies to support and guide ongoing implementation will be developed in spring 2020.

Milestones

- August 21 & 22 – Benefits Lead Working Group and Academic Affairs Budget Advisory Committee (AABAC) discussed plan for engaging campus in shared solution planning.
- September 8 – Call went out to Deans/VCs to appoint faculty and staff to small working groups.
- September 23-October 31 – Small working groups met 3-6 times and submitted their recommendations at the end of October. Lead Group and AABAC received recommendations from small groups during this time. The Lead Group began formulating paths forward, including localization of benefits budgets.
- November 6-January 22 – Lead Group and campus leadership drew on small group recommendations to formulate a campus-wide proposal.
- January 23 – Lead Group, AABAC, and working group members met with campus leadership to discuss path forward.
- Week of February 17 – approved plan communicated to deans at Deans' Council and all other units via email. Units begin work to ensure that their employees who should be on the merit roster are budgeted correctly for FY20.
- February-June – Lead Group will continue to work with BFP/Campus Controller's Office (CCO) to prepare for localization of benefits budgets and actuals.
- July 1, 2020 – Benefits actuals will be localized in fund 1X for FY21.
- End of July 2020 – Benefits budgets will be localized (if not sooner).

Proposals

This update summarizes the shared solution recommendations developed over fall 2019 by working groups with cross-campus representation.

DAICR/Start-Up Combined Proposal: Study the benefits issue for another year to ensure no disruption to CU Boulder's mission.

Path Forward: Modified versions of the secondary proposals from these groups, as shown below.

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DAICR Working Group Proposal: Increase the DAICR rate from 29% to 32.4% (an increase of 11.59%) to cover estimated DAICR and Start-Up ST shortfalls. This would cover the average shortfall; some units would end up with more than needed and others with less. Cover any remaining shortfalls with temporary funds at a rate of 100% of the remainder in FY21, 80% in FY22, 60% in FY23, 40% in FY24, and 20% in FY25.

Path Forward: Study a possible broader assessment of the DAICR/ICR split, including revised policy(ies) to support growth of the research enterprise and consideration of potential tradeoffs. In the interim, coverage will be provided to deans through a combination of 50% of the value of DAICR benefits shortfalls provided to units in continuing budget and additional coverage of DAICR shortfalls provided through temporary funds from central campus. Combined continuing and temporary coverage would decline over three years (100% for FY21, 85% for FY22, and 75% for FY23), meaning campus would provide the 50% continuing funding in FY21 plus temporary funding of 50% of the total in FY21, 35% of the total in FY22, and 25% of the total in FY23.

Start-Up Working Group Proposal: Central campus coverage of start-up and retention packages for seven years, starting in FY21. This would include all packages with funding available, not just those within their first seven years, to give all faculty seven years' notice.

Path Forward: Coverage of existing start-up and retention packages for a period of five years, starting in FY21. Coverage provided through a combination of 50% of the value of start-up and retention package benefits shortfalls provided to deans in continuing budget, so they may use the funds in future years to increase the value of start-up and retention packages, and the other 50% of start-up and retention package shortfalls provided through temporary funds from central campus.

Schools/Colleges/Institutes Working Group Proposal: Study the benefits issue for another year to ensure no disruption to CU Boulder's mission.

Path Forward: Coverage of "general" shortfalls in schools, colleges, and institutes provided to deans through a combination of 50% of the value of "general" benefits shortfalls provided to units in continuing budget and additional coverage of "general" shortfalls provided through temporary funds from central campus. Combined continuing and temporary coverage would decline over three years (100% for FY21, 85% for FY22, and 75% for FY23), meaning campus would provide the 50% continuing funding in FY21 plus temporary funding of 50% of the total in FY21, 35% of the total in FY22, and 25% of the total in FY23.

Petitions Fund Proposal: Create a petitions fund of \$2MM over ten years to allow units with need to have a temporary funding source.

Path Forward: Petition fund of \$1MM in total temporary funds available, to be used over three years.

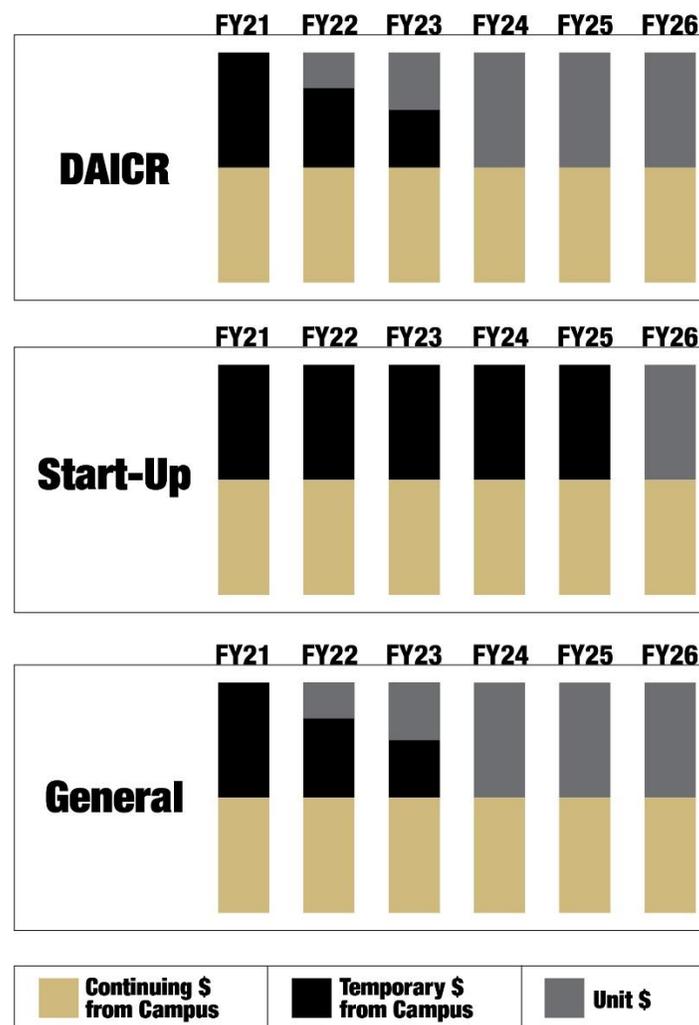
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Administrative/Academic Support Working Group: Instead of returning 100% of continuing benefits budgets to the units that have salary budget, send back 97% (a 3% continuing benefits budget cut), to allow budget to be redistributed to units most in need.

Path Forward: No benefits budget cuts for units. All units will receive 100% of benefits budgets currently housed in the benefits pool, as determined by the continuing salary budgets held in the units. BFP will work with units to assess and recommend budget adjustments.

Summary of Benefits Path Forward



Next Steps:

- BFP will work with units to verify speedtype assignments to categories shown above, which will allow BFP to produce final support numbers.
- BFP will have open office hours and trainings to support departments.
- BFP will work with units to determine where to allocate benefits budget supports shown above.
- BFP will localize all existing benefits budgets, based on where continuing salary budgets are located.
- Visit <https://www.colorado.edu/bfp/benefits> for more information.