

Guidelines for the Division of Control Unit Salary Provision Pools as a Result of Management Reorganizations between Decentralized Control Units

A. INTRODUCTION

This document provides the methodology and guidelines for the division of decentralized salary provision pools when there is a management reorganization that results in the transfer of permanently budgeted staff between decentralized control units. Each Decentralized Control Unit was delegated the authority to set salary funding guidelines as part of the salary decentralization process in FY02-03. The goal of this document is to provide a fair and consistent way to divide the salary provision pools given the decentralized nature of the management rules applied to salary funding process by each control unit. These guidelines apply only to central funds (07427, 19900, 20000, 20095, 69750). Salary funding from recharge and endowment are funded from departmental resources.

B. METHODOLOGY

This methodology assumes that each department/unit is entitled to a share of the control unit salary pool in direct ratio to the amount of resources it contributes to the Decentralized Control Unit's overall permanent budget. In addition, as the distance from the salary decentralization implementation date increases, a methodology is needed that will not involve a multi-year detailed analysis of each position back to the inception of the salary provision pools. The ledger month immediately preceding the effective date of the reorganization should be used for these calculations.

The methodology outlined below focuses on the control unit's salary provision pool balance and the composition of the control unit's permanently budgeted salary. By calculating a department's budgeted salary as a percentage of the control unit's total budgeted salary, the portion of the provision pool that is associated with that department can be determined.

$$\frac{\text{Department Perm Salary Budget}}{\text{Control Unit Total Perm Sal Budget}} \times \text{Control Unit Salary Provision Pool Balance} = \text{\$\$ To Transfer}$$

For units with 19900 recharge, the budgeted salary that is supported by recharge should be excluded from the salary budget. If the amount of budgeted salary that is funded by recharge is unknown, it can be estimated by prorating the recharge budget.

$$\frac{\text{Salary Budget}}{\text{Total Operating Budget EXCLUDING Recharge Revenue Budget (Acct 59000)}} \times \text{Recharge Revenue Budget (Acct 59000)} = \text{Recharge Funded Salary}$$

C. EXAMPLE

A reorganization calls for Department 6 to move from Control Unit A to Control Unit B; a number of FTE's from the department will be retained and reassigned within Control Unit A. How much of their salary provision pool should Control Unit A allocate to Control Unit B?

Step 1. Calculate the department's permanent salary budget as a percentage of the control unit's total permanent salary budget.

Since some positions in Department 6 are not transferring to Control Unit B, the department's permanent salary budget should reflect the actual budgeted salary that is being transferred to Control Unit B. Additionally, the salary budget should be adjusted for 19900 recharge by excluding the estimated salary that is funded by the recharge.

Table 1.1.
Control Unit A Salary Budget in Fund 19900 — January 31, 2004

Org Curr L4 Department Desc	Account	Fund	Adjusted Perm Budget	% of CU
F0001 - Department 1	51010	19900	-880,000	5.2%
F0002 - Department 2	51010	19900	-310,000	1.8%
F0003 - Department 3	51010	19900	-120,000	0.7%
F0004 - Department 4	51010	19900	-2,350,000	13.8%
F0005 - Department 5	51010	19900	-650,000	3.8%
F0006 - Department 6	51010	19900	-1,730,000	10.2%
F0007 - Department 7	51010	19900	-260,000	1.5%
F0008 - Department 8	51010	19900	-3,430,000	20.1%
F0009 - Department 9	51010	19900	-20,000	0.1%
F0010 - Department 10	51010	19900	-240,000	1.4%
F0011 - Department 11	51010	19900	-50,000	0.3%
F0012 - Department 12	51010	19900	-6,870,000	40.3%
F0013 - Department 13	51010	19900	-120,000	0.7%
Fund 19900 Adjusted Total			-17,030,000	100.0%

¹ Salary budget adjusted for FTE's remaining in control unit.

² Salary budget prorated for 19900 Recharge.

If the salary funded by recharge is known, exclude that figure from the total salary budget. If it is unknown, then an estimate can be calculated based on the salary to total operating budget ratio.

Table 1.2. Example of prorating salary for recharge:

A. Salary Budget	51010	-1,970,000
B. S&E Budget	55000	-208,000
C. Recharge Revenue Expectation	59000	265,000
D. TOTAL Budget		-1,913,000
E. Total operating budget (A+B)		-2,178,000
F. Salary as a % of operating budget (A/E)		90.4%
G. Salary funded by Recharge (-C*F)		-240,000
H. Total centrally funded salary (A-G)		-1,730,000

Step 2. Determine the salary provision pool balance that is available for division.

Begin with the existing balances (permanent and temporary budgets) as of the end of a specified month, and adjust by negotiated exclusions and additions. In this example, Control Unit A used the January ending balances for fund code 19900 and included adjustments for all budget credits and debits posted after January that were for prior periods. Additionally, Control Unit A negotiated with Control Unit B the exclusion of downgrades for positions under recruitment, and the exclusion of provision funds that will be used to implement a retroactive labor bargaining increase in the following month.

Table 2.

Available Salary Provision Balance — FUND 19900	PERM	TEMP
Control Unit A — January 31, 2004 Sal Prov Pool Balance	-243,000	-382,000
ADJUSTMENTS		
• Allocation to department posted AFTER Jan 31, 2004 for FY04.		24,000
• Credits from departmental share of salary provision funding posted AFTER January 31, 2004 for periods prior to January 31, 2004.		
Department 4	-21,000	-21,000
Department 8	-26,000	-26,000
• Exclude downgrade for Director X - Position under recruitment	36,000	
• Exclude downgrade for Manager Y - Position under recruitment	23,000	
• Exclude downgrade for Manager Z - Position under recruitment	5,000	
• Labor wage increase eff. 10/1/2003 implemented in Feb 2004.	53,000	40,000
Control Unit A — Available Salary Provision Balance	-173,000	-365,000

Step 3. Derive the amount of salary provision dollars to transfer.

Multiply the department's derived percentage of total salary in step 1 by the available provision balances in step 2 to obtain the salary provision permanent and temporary budgets to allocate to Control Unit B.

Table 3.

Salary Provision Budget Share	% of TOTAL SALARY	Available Sal Prov Balance	Amount to Transfer
Permanent Budget	10.2%	-173,000	-17,646
Temporary Budget	10.2%	-365,000	-37,230

D. ADDITIONAL CONSIDERATIONS

As shown in Step 2 of the example above, these guidelines allow for negotiated adjustments to the pool to address operational aspects of the control unit. Some of these adjustments may include:

- Exclusion of downgrade dollars for specific high level positions that are under recruitment where the final salary is expected to be above midpoint due to market conditions and the control unit is expected to fund the upgrade.
- Exclusion of dollars for labor contract wage increases that will be funded retroactively by the control unit.
- Adjustment for credits and debits resulting from funding rules specific to the control unit (such as departmental share of salary action funding), or control unit allocations to departments posted after the transfer date but that were effective during the reporting period.

In addition, it should be noted that a reorganization may or may not involve linking and unlinking of positions in the PRT. When a department is moved in its entirety to another control unit, the transfer generally takes place as a change in the organization tree node. The department node is moved along with its assigned org codes. Consequently there is no change in the chartstring for budgeted positions, and incumbents remain linked to their positions. However, if a reorganization involves the transfer of filled positions to a different org code in another control unit, HRMS actions will initiate the unlinking of positions in the PRT. A chartfield change must then be processed for the unlinked position, and the incumbent re-linked to the position in the new control unit. In these cases, control units should be cognizant of the downgrading that occurs when filled positions are transferred and include appropriate adjustments in the amount of the salary provision to be transferred.

E. CONTACT

Questions about these guidelines may be directed to the Budget Office by emailing: bkbudget@berkeley.edu.