

## Salary Savings Frequently Asked Questions

### ***What is Salary Savings?***

Salary Savings is an automated method of tracking and controlling the savings that are realized when the *net* amount of salary paid from a budget varies from the total amount budgeted. The Salary Savings process was developed to give Deans or VPs the option of collecting unspent salary into a reserve budget to be used at his/her discretion. This process is also referred to as “Dean’s Reserve” or “Salary Recapture”.

### ***What kinds of budgets can participate in the Salary Savings process?***

Budgets that are centrally funded, i.e., state (GOF) and local (DOF), budgets can participate in Salary Savings.

### ***What does “budgeted” mean?***

The budgeted amount within a specific budget is the amount of money the unit has authority to spend.

### ***What happens to the funds that go into the Deans’/VPs’ reserve budgets?***

Each Dean or VP has total discretion regarding use of the reserves. Some Deans/VPs keep the reserves to fund initiatives within the unit, some return the funds to the department or administrative office where the savings were generated. Returning funds to the department or administrative office requires a budget revision.

### ***Is participation in Salary Savings mandatory?***

No. Currently, less than 25 percent of campus units use salary savings.

### ***What salary types are included in Salary Savings?***

Only salaries in object codes 01-10 (faculty), 01-60 (classified), and 01-70 (professional) are included in salary savings.

### ***What actually happens in the Salary Savings process?***

Each month, the Financial Accounting System compares the budgeted amount for each position with the actual amount paid for that position and makes an adjustment if necessary by either increasing the reserve account or drawing from the reserve account to cover the salaries paid from the expenditure budget. A Salary Savings report is generated, showing the cumulative activity (+/-) in the reserve account by individual position.

## Salary Savings Frequently Asked Questions

The Salary Savings report that is generated monthly does not show the activity for just that month; rather, it summarizes the cumulative activity since the beginning of that biennium. Once the report is generated and printed, copies are not available at a later date. Units commonly create a shadow bookkeeping system to track the monthly detail activity.

### ***How are positions budgeted or allocated?***

Positions for faculty, professional staff, and classified staff are budgeted, or allocated, at a specific monthly salary amount in the BGT system. (The monthly allocated positions are reported in the Operating Budget Detail (OBD) report that is sent to units at the beginning of each month.) Faculty and professional staff salaries are budgeted at specific levels that are approved at the unit level and at the institutional level; they are **not** tied to salary tables. Classified staff salaries are tied to a salary table and are budgeted at the budgeted level for that job class code that is the *average University-wide*.

### ***What happens if a budgeted position exists for which there is no employee being paid?***

Each month that a salary is not paid against a budgeted position, the entire salary goes into the salary savings reserve. This is true in cases where an employee has left and a replacement is being recruited, as well as for budgeted positions that are not intended to be filled in the near future.

### ***What does “expired salary allocation” mean?***

In the BGT system, each budgeted position has an “allocation” for each month. When a month has passed, the allocation for that position becomes “expired”. If the salary paid for that month is greater than the amount allocated, there will be a negative (-) expired salary allocation; if the salary paid is less than the amount allocated, there will be a positive (+) expired salary allocation on the Budget Summary Report.

### ***How are salary savings reserve budgets set up?***

The Budget Office establishes Salary Savings reserve budgets at the beginning of each biennium at the request of the unit. They are set up by the budget type and budget class into which expired salary allocations for all departments within that unit will flow. The most common set up for salary savings is to have one reserve budget per budget type and budget class; however, it is possible to set up more than one reserve budget per budget type and budget class.

### ***If participating, what are the financial implications to my unit?***

For units participating, a monthly cumulative Salary Savings Report is generated via the Financial Accounting System (FAS) and is distributed by the Budget Office. This is run and released at the same

## Salary Savings Frequently Asked Questions

time as the BSRs and OBDs. The Salary Savings Report displays cumulative (biennium to date) positive and negative transactions against individual positions.

### ***If participating, what are the workload implications to my unit?***

Most units maintain a shadow bookkeeping process to retain monthly detail records as the FAS system is not able to. This process is time consuming and inefficient. Further, because all budgets within a budget type and budget class for a unit will roll into a single reserve budget the expired salary allocations for many departments are combined.

### ***What happens if at midyear my unit decides to end participation in salary savings?***

This is *strongly* discouraged as FAS cannot reflect retroactive changes causing reporting to become distorted. Midyear changes in participation can *only* happen with the approval of the Associate Vice Provost for Planning and Budgeting. There is no mechanism available to reverse salary savings that have already occurred.

### ***What is the impact on salary savings when retroactive salary transfers are processed?***

Retroactive salary transfers (RSTs) are transactions processed by FAS to change prior salary distributions from the budget originally used to pay salary. This shows up as a JV in the Budget Activity Report, so the monthly BSR is accurate, but it does not change the amount of money taken out of or transferred to the unit's reserve account and it does not result in a corrected record in the Salary Saving report. This creates distortions in the summary reporting for biennium close.

Salary Savings  
**Frequently Asked Questions**

<b>PROS and CONS</b>	
<b>Of Participation in Salary Savings</b>	
<b>Pros</b>	<b>Cons</b>
Salary Savings provides a system to recapture a monetary resource from administrative units or departments for use by the Dean/VP when budgeted positions are vacant and salary is not being drawn.	Salary savings reports provide cumulative biennium data but no current month actuals. Some units find this level of information to be inadequate.
	Shadow bookkeeping systems are not required but are often used to reconcile salary savings.
	Tracking and reconciling Salary Savings Reports can be time consuming.
	RSTs bypass the salary savings reporting process.
	Shared leave funds transferred to a budget participating in salary savings bypass the salary savings reporting process.
	Budget revisions are required to transfer funds to the department level for use.
	Salary Savings is a <i>very</i> manual system.
	There is no method to reverse any Salary Savings entries.