

Tuition waivers and maternity leave costs: budgeting for 2013/14

Evie Mandel, 1 March 2013, V2 - final and approved

This paper proposes a different method to manage costs relating to two employee benefits, tuition waivers and maternity leave top-ups. These charges are currently split between a Faculty-managed central pool for GPO costs, and the PG of the employee. For a unit (department, school or centre) or PG, these costs can be unpredictable and significant. Some research PGs cannot accept the costs. Funds other than the GPO are not subsidized. The process of tracking and splitting individual cost transactions is unnecessarily cumbersome.

This proposal is to simplify and streamline the budgeting and tracking of these costs, to share them equitably across units and for all sources of funds, while making them more predictable and manageable.

Background

Tuition waivers and maternity leaves are benefits accruing to employees over which the Faculty of Medicine exercises no managerial authority. Costs however are incurred. Due to historic factors, the funding provided centrally for these costs has not been sufficient to cover actual costs. As a result, in this fiscal year, units were asked to cover the difference between the central funding made available, and their own actual costs.

When management of these benefits was transferred from central to the FoM, the GPO budget made available was \$399k. Actual costs recorded to date are \$902k for all funds. Projected costs to the end of the fiscal year are estimated at \$1.2 million. Therefore the budget made available has a shortfall of approximately \$812k, and represents only 33% of the total projected cost. Units incurring employee benefit costs pay the shortfall.

Current process

The actual cost of tuition waiver and maternity leave top-ups is charged to the employee's salary PG. This is tracked by the unit receiving the cost. At intervals, the Faculty reviews accumulated costs against GPO, and a JV (manual transfer entry) is written to transfer a prorated portion of funding from the budget pool held at Faculty level to the unit receiving the charges. The balance is borne by the PG originally charged. The JVs must be tracked by both the unit, and the Dean's Office where the pool is managed. Because of the shortfall of budget received, units receiving the transfers are not fully compensated for the costs.

Research tuition waiver costs are transferred by a JV written in RTA to the budget pool held at the Faculty level. Units are then requested to provide an alternate PG, and another JV is written to transfer the charges to the unit.

Issues with the current process: The subsidy is incomplete, covering only GPO costs. Units incur costs unpredictably, and cannot plan for the impact. The PG where the costs are incurred cannot always bear the cost. Ineligible research benefit costs are transferred back to the unit to cover from other funds. An extra step of cost transfer for each transaction is required to split the cost between unit and Faculty, requiring additional detailed actions and monitoring (over 1100 transactions). Some units are harder hit than others at any given time.

Proposed process

The proposed process spreads the cost equitably across all units through the mechanism of the budget, eliminating the difficulty of charges appearing unpredictably. It simplifies by eliminating the transfer transactions for each charge and detailed monitoring by units, replacing them with a single transaction per unit at the beginning of the year. It covers all sources of funds. The process enables units to pay their average costs (over time), rather than managing unpredictably high or low costs in a given period.

Proposal: At the beginning of the fiscal year, a percentage of each unit's GPO will be withheld to top up the benefit pool already held by the Faculty (other sources of funds may be used where applicable). This will be equivalent to each unit's pro rata share of the projected cost, based on their salary costs. The actual cost of the benefit when it occurs will be charged directly to the pool through a month-end JV managed by the Budget Office. Units will not have to track or transfer any costs throughout the year, as these will be fully centralized.

At the end of the year, should there be a deficit in the Faculty benefit pool, it will be topped up temporarily by the Dean's office, and charged the following year to all units on the same pro rata basis. Should there be a surplus, the charge the following year will be reduced accordingly.

Research PGs where maternity leave top-up costs are covered by the EEF¹ will be excluded from the process. Salaries billed back to health authorities and other partners will be included temporarily, while we work to ensure the health authorities cover these costs. For faculty or staff covered by bill-backs, once agreement is reached, a cost will be added to the first month's bill back each year, and credited to the pool. Where units have staff, but do not have GPO funding to contribute to the pool, other sources may be contributed.

Calculation of contribution to the benefits pool

The amount required for the benefit pool for maternity leave benefit was calculated as 0.17% of the applicable salary base, and for the tuition waiver benefit as 0.24% of the salary base. The annual salary calculation was based on salaries in the 2012/13 fiscal year². The salary estimation is a proxy for 2013/14 salary costs, to provide a base consistent across departments to calculate their percentage contribution to the benefits pool.

Advantages: equitable sharing of real costs across all units. Budget and costs are more predictable at unit level annually. Given a random distribution of tuition waivers and maternity leaves, costs should equal real costs per unit over time. Streamlining and simplification: eliminates preparing, processing and tracking a transaction per tuition waiver or maternity leave, estimated at over 1100 transaction lines per year, monitored both by the unit and by Dean's Office.

Disadvantages: none identified.

Financial significance: Total salary costs, including research, are estimated at \$244m for 2012/13, making the estimated shortfall of \$812k about a third of a per cent of the total salary costs of the Faculty. See table attached.

Next steps

This proposal has now been through thorough review. It is recommended that the Finance Committee endorse the proposal and that the Dean approve it. It will take effect accordingly at the beginning of the fiscal year.

(Endorsed in the Finance committee meeting of 22 March 2013).

A more detailed guidance note will be developed for administrative and finance staff, to ensure the process is followed from 1 April 2013.

¹ Researchers who have grant or contract-funded faculty and staff contribute to the Extraordinary Expense Fund (EEF) to cover sick-leave benefits, severance or working notices, maternity, paternal, and adoption leaves. The EEF contributions are collected from research accounts at 0.70% of the salaries or earnings of grant or contract-funded employees charged to the accounts. More information on eligibility, including applicability to Postdoctoral Fellows (PDF), can be found under UBC Policy #86 at the University Counsel website -- <http://universitycounsel.ubc.ca/files/2012/04/policy86.pdf>.

² Actual salary costs, excluding benefits, to Oct 2012 plus projections to the end of the fiscal year as done by departments in Hyperion, with the addition of a 1% increase to account for those increases expected to be reflected in 2012. For the maternity leave benefit, the base includes the operating and endowment fund salaries. For the tuition waiver benefit the base includes operating, endowment, Specific Purpose and Research salaries.

Faculty of Medicine Calculation of Maternity Leave & Tuition Waiver Benefit pool requirements for Fiscal 2013/14					
	Tuition Waiver		Maternity Leave		
	Salary base (Op Fund +E+S+R)	Contribution to benefit pool	Salary base (Op Fund + E)	Contribution to benefit pool	Total contribution to pool
Department		0.24%		0.17%	
APT - Anaesthesia	2,043,000	4,800	1,765,000	3,000	7,800
APT -Pharmacology & Therapeutics	5,122,000	12,100	1,736,000	2,900	15,000
Sch of Audiology & Speech Sci	1,747,000	4,100	1,661,000	2,800	6,900
Biochemistry	7,074,000	16,700	2,980,000	5,000	21,700
Biomedical Research Centre	3,299,000	7,800	2,143,000	3,600	11,400
Brain & Spinal Cord Res Ctr	672,000	1,600	323,000	500	2,100
Cellular & Physiological Sci (ex-Anatomy)	7,520,000	17,800	4,793,000	8,100	25,900
Cellular & Physiological Sci (ex-Physiology)	388,000	900	0	0	900
Hip Health	799,000	1,900	41,000	100	2,000
Child & Family Research Institut	0	0	0	0	
Centre for Disease Control	2,065,000	4,900	628,000	1,100	6,000
Ctr for Molecular Med & Therap	6,032,000	14,300	1,364,000	2,300	16,600
Dermatology and Skin Science	2,293,000	5,400	1,197,000	2,000	7,400
Dean's Office:					
Continuing Ed in Medicine	1,616,000	3,800	1,024,000	1,700	5,500
Life Sciences Centre	283,000	700	283,000	500	1,200
Medicine 2000	139,000	300	139,000	200	500
Medicine Dean's Office	37,129,000	87,900	32,060,000	54,300	142,200
Health Care Evaluation Centre	398,000	900	0	0	900
Emergency Medicine	3,019,000	7,100	584,000	1,000	8,100
Family Practice	10,335,000	24,500	5,503,000	9,300	33,800
ICAPTURE	3,265,000	7,700	792,000	1,300	9,000
Intnl Collab on Repair Discov	1,578,000	3,700	830,000	1,400	5,100
Medical_Genetics	9,931,000	23,500	5,134,000	8,700	32,200
Department of Medicine	35,313,000	83,600	17,472,000	29,600	113,200
Obstetrics & Gynaecology	6,266,000	14,800	3,843,000	6,500	21,300
OCCUPATIONAL THERAPY	2,179,000	5,200	1,905,000	3,200	8,400
Ophthalmology	3,966,000	9,400	2,558,000	4,300	13,700
Orthopaedics	4,410,000	10,400	2,247,000	3,800	14,200
Pathology	14,153,000	33,500	8,804,000	14,900	48,400
Pediatrics	19,361,000	45,800	9,222,000	15,600	61,400
PHYSICAL THERAPY	3,818,000	9,000	2,618,000	4,400	13,400
Population & Public Health	16,087,000	38,100	6,528,000	11,100	49,200
Prostate Centre	1,355,000	3,200	0	0	3,200
Psychiatry	13,200,000	31,200	6,048,000	10,200	41,400
Radiology	4,558,000	10,800	3,733,000	6,300	17,100
Surgery	9,526,000	22,500	5,572,000	9,400	31,900
Urologic Science	3,501,000	8,300	2,744,000	4,600	12,900
TOTAL	244,440,000	578,200	138,274,000	233,700	811,900
This table shows the projected shortfall in benefit funding		578,200		233,700	811,900
pro-rated across all units, as their contribution to the central Faculty pool which will then pay for the benefits.					
Salaries rounded to thousands, contribution rounded to hundreds.					

Annex: Budget and cost principles applicable

Decision and cost location: Where managerial decision-making can appropriately affect the cost (for example, where managers can be given incentive to keep costs lower), the budget structure should allow the impact of the cost to be felt as close as possible to the decision. Where managerial decisions are not likely to affect cost, or may be distorted by cost, the decision and cost can or should be separated.

In this case, no appropriate managerial decision can be made, since the benefit is an entitlement. In the worst case, inappropriate decisions could be made, such as not to hire women likely to take maternity leave. This implies the impact of the cost should not be felt close to the managerial decision over the funds.

Value of information: where the cost information is important to understanding the true cost of delivering a service, it should be directly attributable to the service.

In this case, the exact cost of an individual's tuition waiver or maternity benefit is random in relation to the cost of a given project, and a pro rata share representing average cost would be equally representative over time. Therefore there is no information requirement to attribute the exact real cost to the PG of the employee.

Simplification: where cost or managerial decision-making do not require attribution of an exact cost to a particular place, costs may be pooled or otherwise managed in the simplest way possible.

In this case, no exact attribution of individual cost by employee is required, so simplification can readily be applied to the process.

Equity: where costs are likely to average out over the long term across units or projects, costs may be attributed pro rata or otherwise spread across all units, such that each bears their share of the total cost, rather than some bearing a disproportionate cost for reasons outside their control at a given moment.

In this case, no exact attribution of the cost by unit is required, and costs are likely to equal out over time, so equitable sharing of costs can usefully be applied to the process.