

University Budget Committee
Subcommittee for Decentralization of the University's Benefits Pool
Final Report

December 14, 2007

Subcommittee Charge: Review current practice, research practices on other campuses, identify pros and cons, and prepare a report and recommendations to present to UBC. Goal is for UBC to forward a recommendation to President Haynes and the President's Executive Council before March 2008.

Subcommittee Members: **Bridget Blanshan**, Dean of Students and AVP for Student Development Services, **Caitlin Gelrud**, President, Associated Students, Inc., **Mary Hinchman**, Director, Budget and Student Financial Services, **Janet McDaniel**, Academic Senate Vice Chair/08-09 Chair-elect, Professor, College of Education, **Nersa Niksira**, Academic Coordinator, Department of Liberal Studies, College of Arts and Sciences, **Kathleen Watson**, BLP Chair and Professor, Department of Management and Marketing, College of Business Administration.

Purpose:

To identify possibilities for decentralizing the University's benefit pool and determine the most favorable practices for our campus while remaining sensitive to its overall impact on fiscal and human resources.

Practices at other CSU Campuses:

In response to a campus survey in which 22 campuses responded, we learned that three other CSU campuses have a decentralized benefit pool – Cal Poly San Luis Obispo, Humboldt and Maritime.

Arguments in favor of decentralizing the benefits pool:

- Increases the accountability at the department (unit) level
- Increases discretion at division/department (unit) level, especially for larger units. Each division/department could manage their own opportunities from lapsed benefits and take responsibility for managing benefits when they add positions and change employees.

Arguments against decentralizing the benefits pool:

- Workload impact for staff in departments/units. Each department/unit would need a staff person experienced in managing and projecting the benefits costs,
- Decentralization may disadvantage smaller departments/units as they would have to carefully consider their hiring practices with an eye to the impact of the new hire's benefits package on the budget.
- Funding models would be "messy." No one model would work across units
- Combines decentralized funding with centralized models (e.g. strategic funding process)

Considerations:

- Our campus has a limited history. It's uncertain that we could tie benefit pool projections to increased enrollment.
- Any change process would need to include training for unit/department personnel who would become responsible for administering benefits.
- Resources would have to be identified (either internal capacity or new resources) to handle unit's increased workload.
- Would need to fund an "actual cost of employee" plan.

Recommendation:

Continue to have a centralized benefit pool

Rationale:

- At present, we have staff in place who know how to administer the benefits pool. If we were to decentralize, all units/departments would have to have staff personnel knowledgeable in the areas of all benefit components.
- If we decentralized, additional resources would have to be identified to fund the staff and keep their training updated.
- At present, smaller and larger divisions/units/departments "balance each other out" in benefits from year to year. If we decentralized, smaller divisions would be at a disadvantage, with less "wiggle room" in their budgets to pay their employees.
- Planning and projecting costs would be challenging not knowing new hire benefit packages
- Other campuses that decentralize were not good comparison campuses for us.
 - We did not find any compelling arguments from other CSUs that would intrigue us to move forward to decentralizing
- Certain employees that report to one division (e.g., University Police) have high benefit rates but they support the entire University. If we decentralized, divisions with these employees would bear the higher benefit costs even though they serve the entire university.
 - If we decentralized, this could create a movement toward chargebacks so that the division is able to spread the benefit costs across campus.
- Certain divisions (e.g., IITS), may have a high number of temporary employees but they support the entire University - meaning lower or no benefit cost to the division
- When comparing actual benefit expenses as a percentage of relative salary from FY 05/06 to FY 06/07, there is not much deviation between divisions:
 - no particular division is greatly disadvantaged
 - divisions with higher salaries tend to have a lower benefit percentage
 - divisions with lower salaries tend to have a higher benefit percentage

Observation:

- The allocation of "faculty lines" using the 20:1 on the MYBM needs further discussion, review and analysis

