

PENN STATE COOPERATIVE EXTENSION

GUIDELINES FOR USE AND ALLOCATION OF FUNDS GENERATED BY SALARY SAVINGS

When Cooperative Extension grants and contracts are funded, notification is provided to the Principal Investigator, Regional Director and the Director's Office. Staff in the Director's Office review each grant and contract budget and, once a budget and fund number is established, distribute the salaries accordingly. Salaries and wages must be distributed to the funding source within 30 days or an exception (from the Dean and the Corporate Controller's Office) indicating the reason for the delay must be requested. Principal investigators supporting wage payroll employees on grant funds must communicate the new funding information to the Director's Office as soon as they are notified that the grant was funded. Failure to distribute salaries and wages within a timely manner may result in a disallowance of the salary or wage charge to the grant or contract thus surrendering the salary support and/or the salary savings.

When a salary is applied to grants or contracts, the salary is released from the original supporting salary source. The released funds are "salary savings." Through the continuous monitoring and distribution of salaries to grant and contract funding sources by the financial staff in the Director's Office, salary savings is requested through the Office of Administrative Services. Administrative Services reviews and monitors all requests for salary distribution and salary savings and processes budget amendments to make the salary savings available for expenditure from the original funding source.

When salary savings is returned to a regional budget, the Regional Director determines the most appropriate use of the funds to support programs within the region. It is at the discretion of the Regional Director what percentage of the funds will be made available to the county and how much will be retained in the regional budget. Currently, an 80% county / 20% region distribution is the guideline.

As the Regional Director considers the distribution of salary savings, the County Extension Director and the educator must discuss the use of salary savings funds with the Regional Director. Most times, salary savings funds are provided to support backfill in the educator's program area for the period the educator participates on the project.

- It is a best practice to retain the funds generated by salary savings in the regional budget to pay the salary or wages for an employee hired to support backfill of an educator's position rather than to distribute the funds to the county and charge the salaries or wages to the county pass through fund (2444).
 - Fringe benefits charges follow the same funding source as the salary or wage. When an employee is paid through the regional budget on General funds, a direct fringe benefit charge is not incurred. (The fringe benefit charge is paid centrally and taken into consideration when the College receives its General fund allocation.) When an employee is paid from another funding source such as a grant or contract or 2444, the appropriate fringe benefit rate must be applied to the funding source realizing an increased direct cost. (Current fringe benefit rates are 29.9% for salary and 8.3% for wages.)
- It is recommended that in such cases where the salary savings funds are going to be used to support salaries or wages, 100% of the funds generated be retained in the regional budget.

The release of salary to another funding source creates a savings to the budget and fund originally identified to support the salary. When multiple funding sources are involved, when possible, the salary savings is typically returned to the budget and fund which allows for the greatest flexibility. In instances where there is only one

funding source (e.g., EFNEP), the savings can only be generated back to that particular budget and fund. Federal funds must be retained in the budget from which they are released and cannot be transferred to counties. Additionally, salary savings is not distributed when the grant funding source is through the USDA special grants program.

- When educators whose salaries are supported on both Penn State and local funds (cost share positions), realize salary support from a grant or contract, the salary savings is typically returned to the General funds budget of the Regional Director. If the Regional Director determines this is not the best distribution of the funds, financial staff in the Director's Office must be notified.
 - When a position is established through a partnership, the partner commits to a certain level of funding for the position. Returning the salary savings to the General funds source (regional budget) provides for the most flexible approach to the use of the funds by the Regional Director.

Unallocated salaries from open positions revert to the Dean's budget.

PROCEDURE:

Upon receipt of funds generated from salary savings in the regional budget:

- The Regional Director notifies the County Extension Director and the educator in writing that these funds have been received.
- The CED and educator must supply in writing a proposal for use of these funds.
 - The CED and the educator develop a plan addressing program coverage while the educator is contributing time to the project.
 - The primary source of salary savings is General funds. Expenditures on General funds must be justifiable to students, parents, taxpayers and legislators and reasonable from their viewpoints (PSU Policy FN10). General funds may not be used for individual memberships, gifts, awards, flowers, celebrations and scholarships.
- The Regional Director reviews the plan for program coverage and the use of the salary savings funds. Once there is agreement, the Regional Director will distribute to the county or make available the funds from the Regional budget. (As noted previously in this document, the current guideline for allocation of salary savings is 80% county / 20% region.) Most times the county portion will be distributed to the county for expenditure; however, when salary savings will be used to support salaries or wages, the Regional Director will determine the most appropriate account to distribute the funds to and will establish the salary/wage for the position as such.
- A financial report indicating how the salary savings funds were expended must be supplied by the CED to the Regional Director upon expenditure of the funds. Expenditure documentation must be kept on file in the county for two years plus the current fiscal year.

EXAMPLES:

100% Penn State Paid Position:

Joel Myers obtains a grant and 10% of his salary is supported by the grant. This portion of his salary gets charged to the grant funding source which in turn results in a salary savings to the College. The salary savings (10% of the salary) is released to the regional budget for appropriate reallocation by the Regional Director (providing the educator is paid from General or Smith Lever funds).

100% County Paid Penn State Position (2444):

Jane Dolan obtains a grant and 10% of her salary is supported by the grant. This portion of her salary gets charged to the grant funding source which in turn reduces the salary expenditure on the 2444 funding. The county receives an invoice at the end of the quarter reflecting the reduction of 10% plus the associated reduction in fringe benefit costs. In order for county staff to access the savings, discussions must be held with the appropriate individual(s) in the county (CED, county administrator, etc.)

Cost Share Position (50% Penn State / 50% County):

Jacob Green obtains a grant and 10% of his salary is supported by the grant. This portion of his salary gets charged to the grant funding source which in turn results in a salary savings to the College. The salary savings (10% of the salary) is released to the regional budget for appropriate allocation by the Regional Director (providing the educator is paid from General or Smith Lever funds). If the Regional Director determines that this is not the best distribution of funds, financial staff in the Director's Office should be notified.

11.09

Director's Office, Cooperative Extension