



Sources of Revenue Required to Pay Benefit Cost (APS 001)

Who should read

State agencies and institutions of higher education that pay salaries with federal funds, interagency contracts, or collected receipts in excess of the Method of Finance (MOF) deposited to General Revenue (GR).

Policy

The Legislature requires state agencies and institutions of higher education to maintain funding equity for employee benefit payments.

FMX

This document and any other Comptroller documents referenced are available on Fiscal Management's FMX at fmx.cpa.state.tx.us/aps01.

Legal cite

Sections 403.011, 2101.035, Government Code; General Appropriations Act (GAA), Article IX Sections 6.08, 8.02, 81st Legislature, Regular Session.

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Background

Introduction

To maintain employee benefit funding equity, the legislature requires that certain collected revenue funding sources for wages and salaries must also fund related employee benefit costs. Three collected revenue sources of salary funding that are required to pay employee benefit cost are:

- Federal receipts
- Interagency receipts paid from a different fund, and
- Funding sources deposited to General Revenue that exceed the MOF.

Employee benefit cost includes:

- Retirement
- Insurance
- Social Security
- Benefit Replacement Pay (BRP)
- LECOS Retirement
- State Kids Insurance Program (SKIP) and
- Salary Increase (for more information see the “Salary increase reimbursement” section).
- Single Retention Payment (SRP)

Note: This document deals with the requirement that wage and salary funding sources also pay for related employee benefit cost, which does not preclude agencies from compliance with *Benefits Proportional by Fund (APS 011)* requirements for proportionality of salary and benefit cost relative to the MOF.

Section 8.02, GAA, Article IX

According to Section 8.02(d), GAA (Article IX) agencies receiving federal employee benefit reimbursements for benefit expenditures made in relation to salaries paid from federal receipts, including federal pass-through funds, must deposit the benefit reimbursements to the appropriated fund that paid the employee benefits.

This section also states:

Reimbursements received from employee benefits paid from General Revenue Fund appropriations of other administering agencies shall be deposited to the unappropriated General Revenue Fund.

Section 6.08 (a) and (b), GAA, Article IX

Section 6.08 (a) states:

Unless otherwise provided, in order to maximize balances in the General Revenue Fund, payment for benefits paid from appropriated funds, including “local funds” and “education and general funds” as defined in Section 51.009(a) and (c), Education Code, shall be proportional to the source of funds.

Section 6.08 (b) states, in part:

Payments for employee benefit costs for salaries and wages paid from sources, including payments received pursuant to interagency agreements or as contract receipts, other than the General Revenue Fund shall be made in proportion to the source of funds from which the respective salary or wage is paid...

Sources of Funding Requiring Employee Benefit Reimbursement

Introduction

This section explains the circumstances when a fund must be reimbursed for benefit cost paid in relation to salaries paid from the following three types of collected revenues:

- Federal receipts
- Interagency payments paid from a different fund, and
- Funding sources deposited to General Revenue that exceed the MOF.

Effects of Section 6.08 (a) and Section 8.02 (d) on federal receipts

Federal receipts are deposited to many appropriated funds (GR, GR Dedicated and other funds). This document applies only to situations where federal receipts are deposited to an appropriated fund with deposits of both state and federal receipts, such as the General Revenue Fund. Generally when federal funds are received, including federal pass-through funds, they are deposited to a single PCA/appropriation. Unless the federal receipts are transferred to fund benefit appropriations, when salaries are paid from the federal receipts, the related benefit cost is paid from the respective funds' non-federal cash balance. Therefore, the benefit appropriations must be reimbursed for the cost of benefit payments related to salaries paid from federal receipts. Sections 6.08 (a) and 8.02 (d) require that federal reimbursements for benefit cost related to salaries paid from federal receipts be deposited to the respective fund's benefit appropriation.

The USAS reimbursement transactions discussed later in this document are intended for situations where salaries are paid from federal receipts deposited to an appropriated fund with both federal and state receipts, and no federal receipts were used to fund benefit appropriations.

Interagency receipts paid from a different fund

Section 6.08 requires agencies to collect the cost of benefit payments made in relation to salaries paid from interagency receipts that were paid from a different fund. When salaries are paid from interagency receipts that were paid from a different fund, the fund that paid the interagency receipts is the "source of funds" for the salaries. Therefore, the fund that paid the interagency receipts must also pay the related employee benefit cost.

Funding sources deposited to the General Revenue Fund that exceed the MOF

The Legislature appropriates amounts from various funds for employee benefit payments related to the estimated amount of salaries to be paid from the MOF and riders appropriating a specific amount. Salary expenditures funded from receipts deposited to General Revenue and appropriated through agency or Article IX riders (gifts, grants, appropriated receipts, etc.) that exceed the agency MOF (including sum certain riders) result in benefit expenditures that exceed the total amount of benefit appropriation, per fund, made by the Legislature.

To maintain funding equity, General Revenue must be reimbursed for employee benefit payments made in relation to salaries paid from funding sources in excess of the MOF.

Note: General Revenue is the only fund that must be reimbursed for benefit payments made in relation to salaries paid from funding sources in excess of the MOF.

Required USAS Transactions for Employee Benefit Reimbursements

Introduction

When the benefit expense is reimbursed, transactions must be processed in USAS to deposit or transfer the reimbursed amount to the following benefit appropriations and salary increase:

- Social Security (91142)
- BRP (23102)
- Retirement (90327)
- LECOS Retirement (91327)
- Article IV agencies eligible for JRS-2 retirement (94327)
- Insurance (99327)
- SKIP (98327)
- ORP (97646)
- Salary Increase (20961, 20962)
- Single Retention Payment (38689)

Transferring or depositing reimbursement cash to the benefit appropriation replaces the original benefit committed budget funding with reimbursement cash, which reimburses the fund that paid the benefit expenditure.

All reimbursements are deposited or transferred to the fund from which salaries and benefits were paid. To process employee benefit reimbursements, agencies must first determine the separate reimbursement amounts for the benefit appropriations listed above.

Once the separate reimbursement amounts have been determined, the reimbursement transactions identified in the “Agency requirements” section must be processed.

Comptroller’s requirements

As requested by agencies, the Comptroller’s office will add revenue object code(s) of the reimbursing revenue(s) to the Appropriation Number Profile (20) for the following appropriations:

- Social Security
- BRP
- Retirement
- LECOS Retirement
- Insurance
- SKIP
- ORP
- Salary Increase
- Single Retention Payment (SRP)

The Comptroller’s office will monitor agency appropriations for compliance with this document.

Agency requirements

All agencies will process benefit reimbursement transactions to the respective benefit appropriations for Social Security, BRP, retirement, LECOS retirement, insurance, Single Retention Payment (SRP), SKIP, ORP and salary increase.

Agencies may deposit benefit reimbursements directly to benefit appropriations using only T-codes 195, 971 or 273. T-codes 179 and 970 should not be used since they also increase appropriation budgets.

USAS Transaction Coding

Introduction

The following reimbursement transactions presume that the benefit reimbursement cash was originally deposited to a non-benefit appropriation. Benefit reimbursement deposit T-codes vary depending on the source of reimbursement (interagency receipts, federal, federal pass-through, etc.); however, a revenue transfer is processed in all instances.

Current fiscal year adjustment

To transfer the original receipt of employee benefit reimbursements, process a journal transaction Document Type J, Batch Type 2 using the coding block below:

T-code/Title	Appropriation Number	COBJ	Appropriated Fund/ Agency Fund/PCA
406/Rev Transfer Out	Where federal reimbursement, interagency receipt or excess funding was deposited	Original Revenue Object	Determined by Agency
405/Rev Transfer In	23102 (BRP) 90327 (RET) 91142 (SOC. SEC.) 94327 (RET – Art. IV, JRS2) 99327 (INS) 98327 (SKIP) 97646 (ORP) 20961, 20962 (Salary Increase) 91327 (LECOS), 38689 (SRP)	Original Revenue Object	Determined by Agency

Note: If the interagency receipt benefit reimbursement was deposited with the T-code 970 or excess funding was deposited with T-code 179, which both increase budget, a journal transaction using T-codes 179R/195 must be processed to reduce the budget.

Previous fiscal year adjustment

If the benefit reimbursement is for the prior fiscal year, backdated to 8-31-XX, T-codes 466 and 465 must be processed for all types of benefit reimbursements. Backdating of transactions in General Revenue can only be processed until the GR Reconciliation Spreadsheet is finalized. Then, only the Current Fiscal Year Adjustment previously described may be used. To backdate to 8-31-XX, enter a Document Type J, Batch Type 5 using the coding block below:

T-code/Title	Appropriation Number	COBJ	Appropriated Fund/Agency Fund/PCA
466/Accrued Rev Transfer Out	Where federal reimbursements, interagency receipt, or excess funding was deposited	Original Revenue Object	Determined by Agency
465/Accrued Rev Transfer In	23102 (BRP) 90327 (RET) 91142 (SOC. SEC.) 94327 (RET – Art. IV, JRS2) 99327 (INS) 98327 (SKIP) 97646 (ORP) 20961, 20962 (Salary Increase) 91327 (LECOS), 38689 (SRP)	Original Revenue Object	Determined by Agency

Note: Adjustment transactions may be needed if the original receipt increased budget. T-codes 179R/195 must be processed to reduce the budget and processed with a current fiscal year date.

Budget adjustment for all reimbursement cash

Since the reimbursement cash is replacing the original benefit committed budget funding in all the above situations, an entry must be made to adjust the revenue budget for each benefit appropriation using the following budget revision coding on a Document Type A, Batch Type 1. Due to USAS sequence processing, enter the coding block below the day after the revenue adjustment transactions:

T-code/Title	Appropriation Number	COBJ	Appropriated Fund/Agency Fund/PCA
009/Adjust Revenue Budget	23102 (BRP) 90327 (RET) 91142 (SOC. SEC.) 94327 (RET – Art. IV, JRS2) 99327 (INS) 98327 (SKIP) 97646 (ORP) 20961, 20962 (Salary Increase) 91327 (LECOS), 38689 (SRP)	Original Revenue Object	Determined by Agency

Note: The effective date for this transaction must be the current fiscal year date.

Salary increase reimbursement

Although the Sections 19.61 and 19.62, 80th Leg., R.S., Article IX, appropriations for salary increases are not considered a benefit, the same reimbursement procedures described above are applicable if an agency receiving federal employee reimbursements is being reimbursed for the salary increase. A revenue transfer and budget adjustment will be required in Appropriations 20961 and 20962 (salary increase appropriations). The same reimbursement procedures apply to Appropriation 38689 (SRP) from HB 4586, 81st Leg., R.S.

For More Information

Resources

The following resource is related to this document.

- *Benefits Proportional by Fund (APS 011)*

Note: Agencies collecting earned federal funds identified in the General Appropriations Act, Article IX, Section 6.22 (b) should refer to *Earned Federal Funds and Indirect Cost Reimbursements to the General Revenue Fund (APS 023)* for revised earned federal funds guidelines.

This accounting policy statement can be accessed at fm.x.cpa.state.tx.us/aps01.

If you have questions

Questions regarding this information should be directed to your agency's appropriation control officer at fm.x.cpa.state.tx.us/acolist.