

10-Month Pay Over 12 Months?

Faculty Affairs Committee Report
For
Faculty Senate
Valdosta State University
March 28, 2013

Topics

- Why we are looking at this
- What Georgia College Faculty Senate learned when they pursued the question
- Federal tax ramifications
- What other states do
- University System Faculty Council Resolution
- Recommendations

Why Are We Looking At This?

- A faculty member requested that we look at the possibility
- Faculty Senate Executive Committee remanded it to Faculty Affairs
- When asked, “Are you interested in the option to have your 10-month pay spread out over 12 months?”, 78% of faculty answered “yes”
 - 229 survey responses
 - 178 responded “YES”



**What Georgia College & State University
Faculty Senate
Learned About the
10-Month Pay Over 12 Months Issue**

Question:

Why can't we pay faculty on 10-month contracts over a 12-month period?

- Georgia College & State University Ten-Month Faculty Pay Q & A
- See entire document at:
 - http://info.gcsu.edu/intranet/univ_senate/BPC_0506/FacultyPayQ&ANov2005.htm

GCSU Answers Summarized

- Would violate Board of Regents Policy and State law
 - The State's fiscal year begins July 1.
 - If we transitioned to a fiscal year pay or 12-month pay process, August through July, we would be obligating funds from two different fiscal years.
 - State law does not allow the obligating of future funds since the funds are not guaranteed.*
 - The Board of Regents does not allow payment in advance of work performed

*See next 2 slides for what we found out about this

Georgia Law Section 45-12-89

Dated 12/03/01

- At the end of each fiscal year, the amount of each appropriation provided for in this part, except for the mandatory appropriations required by the Constitution of Georgia, **remaining unexpended and not contractually obligated in writing** shall lapse and cease to be available;
- and the state treasury shall not pay any **unallotted** appropriations and shall make the necessary adjustments in its appropriation accounts to charge off the amount of the lapsed appropriations.
- All appropriated funds, except for the mandatory appropriations required by the Constitution of Georgia, remaining unexpended and not contractually obligated at the expiration of the General Appropriations Act shall lapse.

http://webdb.gsu.edu/policies/policy_index.cfm?view_policy=4151

http://sacs.kennesaw.edu/sacs.kennesaw.edu/ga/www.legis.state.ga.us/cgi-bin/gl_codes_detaile30a.html?code=45-12-89

However . . . Valdosta City Schools

SALARIES PAID OVER 12 MONTHS

- Salaries for employees who work less than 12 full months will be divided over a 12-month period (September through August).
- A teacher's salary is earned by working 190-contract days, August through May.

<http://www.gocats.org/content/resources/c839/misc/salary%20sch%20fy2012.pdf>

Question:

Could we be paid in ten payments, with the last check covering 3 months, instead of 10 equalized payments?

- The Board of Regents has instructed all institutions in the University System of Georgia (USG) to pay 10-month faculty in 10 monthly payments equal to $1/10$ of the contracted salary
- As a result of that decision, the USG's financial software system, PeopleSoft Financials, was designed to pay 10-month faculty in 10 equal payments over a 10 month period.

Question:

What is involved in getting the USG to change PeopleSoft?

- All of the universities would have to agree to the proposed change
- In regard to the issue at hand, changing PeopleSoft is a moot point, as the BOR will not approve the change.

Management of Summer Cash Flow

- http://info.gcsu.edu/intranet/human_res/updates.html

GCSU | Current HR News - Windows Internet Explorer

http://info.gcsu.edu/intranet/human_res/updates.html

Current News

- [Benefits](#)
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- OTHER LINKS**
- [Employee Self Service \(ESS\)](#)
- [Employment Opportunities](#)
- [GCSU Website](#)
- [HR Homepage](#)
- [Info Page](#)
- [MyCats](#)
- [University System of Georgia](#)

- [State of Georgia Business Transactions Disclosure Form](#) (Word document)
- Read the university's latest policy on [Sexual Harassment](#) (Word document)
- [Solving the 10-month Faculty Check Dilemma](#) (Power Point Presentation)
- [10-Month Faculty Summer Budget Worksheet](#) (Excel document)
- Complete your timesheets [online](#). This new feature even calculates the hours for you. Please remember that you are responsible for submitting your timesheet to Payroll with the original signatures by the due date.
- [The Georgia Higher Education Savings Plan](#) is available by payroll deduction for parents or grandparents saving for a child's college costs.
- [University System of Georgia Policy Manual Revisions](#) includes updated rules on hiring retirees, minors and foreign nationals.
- [Current Employment Listings](#)

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Federal Tax Ramifications

- Section 409A of the Internal Revenue Code became law effective 2008-09.
- Faculty members run the potential risk of additional tax liability if they
 - Are paid under a 10-month contract
 - Have the option as a matter of institutional policy to be paid over 12 months
 - Elect the 12-month payment option

Safe Harbor Rule

- IRS Notice 2008-62 set forth a safe harbor rule that, if met, will cause the deferral created by the annualized pay arrangement not to be treated as “deferred compensation”
 - The arrangement must not defer payment of any of the part-year compensation beyond the 13th month following the beginning of the service period; and
 - The arrangement must not defer from one taxable year to another an amount in excess of \$15,500
- Also, does not seem to be a problem as long as the employee signs a document stating that they want the 12-month option and are aware that they cannot change their mind mid-way through the year (similar to other “cafeteria” options).

What About Other States?

- A Few Examples:
 - North Carolina G.S. 115C-302.1(b) (state law) provides that teachers may be paid in 12 monthly installments instead of 10.
 - Wayne State University (Detroit) allows it
 - University of Maryland allows it
 - Pittsburg State (Kansas) allows it
 - University of Arizona allows it
 - Many others

<http://www.docstoc.com/docs/5722551/Fact-Sheet-Months-Pay-Provision-for-Salary-Spread-over>

http://fisops.wayne.edu/payroll/deferred_compensation_qa.pdf

<http://cf.umaryland.edu/umpolicies/usmpolicyInfo.cfm?polid=38>

<http://www.pittstate.edu/office/hr/employee-benefits/nine-pay-twelve-payment-option-for-9-month-faculty.dot>

http://www.hr.arizona.edu/9_12_pay_plan_option

University System of Georgia Faculty Council Meeting February 12, 2012

- Resolution:
 - Allow 10-month-contract faculty and staff the option to be paid over a 12-month period
- Dr. Dowling noted that the human resources directors group says they cannot pay in August (new fiscal year) for work done ending in July (previous fiscal year).
- Dr. Dowling noted funds could be encumbered

<http://www.fvsu.edu/files/pdf/Faculty-Senate-USGFC-Resolutions-Feb-25-2012.pdf>

Summary: 10-Month Pay over 12 Months

- Majority of VSU faculty who responded to survey are interested in the option
- Other USG institutions have looked into it
- Other states allow it
- May be allowable by Georgia law since K-12 schools are doing it (is there an actual statute disallowing it???)
- It is against current BOR policy
- There could be federal tax ramifications
- The USG Faculty Council has already made a resolution

Recommendations

1. Faculty Affairs recommends that VSU's Faculty Senate agree with the USG Faculty Council resolution of February 12, 2012:

Allow 10-month-contract faculty and staff **the option to be paid over a 12-month period**

2. If Recommendation 1 is passed, the Faculty Affairs Committee recommends that the resolution be moved forward by the Provost to the statewide Provost Committee for further action.