



# UNIVERSITY BUDGET OFFICE

## MEMORANDUM

### **SUBJECT: FY23 End of Fringe Benefits Hold-Harmless Period**

Effective July 1, 2022, the University of Maryland, College Park will stop using divisional state fringe pool accounts and the associated KFS automatic reimbursement of fringes on object codes 2741, 2743, 2745, and 2747. The end of the state-supported hold-harmless period means units will be responsible for budgeting fringe expenses on all accounts. The University Budget Office will provide each division their predetermined FY23 fringe allocation (before Phase II) to be used during the FY23 Working Budget cycle.

#### Fringe Allocation Calculation Method

The FY23 Fringe Allocation is calculated using the following adjusted salary data:

- Salary Actuals from the previous 12 months - for all fringe reimbursable accounts, *including fringe reimbursable cost share accounts*
- + FY22 COLA (actuals) and FY22 Merit (actuals)
- + FY23 COLA (3%) and FY23 Merit (2.5%)
- + 2% Contingency factor (*adjusts for COVID impact and vacancies*)

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Adjusted Salary Data × FY23 proposed fringe rates = **FY23 fringe allocation**

#### BPM and Unit Expectations

During the FY23 Working Budget, each division's state-supported tracking sheet will include the FY23 fringe allocation amount. The Budget Office will also provide the data that was used to compute the allocation, at the departmental and account-level. In BPM, units will use the new **Fringe Rate Calculations button** on state-supported accounts to automatically calculate the corresponding fringe expenses for each rate object code—2740, 2742, 2744 and 2746—based on the proposed budget data that has been entered. The fringe rate object code amounts should be offset by the new revenue object code: **0222 – Fringe Benefits State Allocation**. Each division should not exceed their fringe allocation. It is likely that units will need to adjust FY23 salary budgets to better align with projected salary spend. Any excess '0221 – Allocation State Appropriation' salary budget should be redistributed to non-salary related categories.

At the end of FY23 BPM Working Budget, each unit should reconcile the amount found on the *Subcode Summary Report (0222)* with the fringe allocation provided on the state-supported tracking sheet. Additional instruction will be provided in BPM Training, scheduled for early April.

Effective in FY23, any program that receives additional state allocation or funding throughout the fiscal year must account for fringe expenses. If significant or unusual situations arise that result in a large increase in unbudgeted fringe benefit expenses, divisions may make a formal request to the university budget office for additional fringe allocation.

For questions, please reach out to:

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