

May 23, 2012

MEMORANDUM

To: Deans, Department Heads, Directors of Graduate Studies, Graduate Program Coordinators,
and Department Business Managers

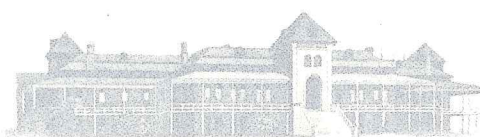
From: Milton Castillo, Senior Vice President for Business Affairs and CFO
Mark McGurk, Assistant Vice President and Comptroller

Re: Significant Changes in Proposed ERE Rates for FY2013

xc: Eugene G. Sander, President; Jacqueline Mok, Senior Vice President for Academic Affairs and
Provost; Leslie Tolbert, Senior Vice President for Research; President's Cabinet

This memo serves to advise the University Community of significant increases in ERE rates as proposed to the Division of Cost Allocation (DCA) in the Department of Health and Human Services across several employment categories. The rates are not approved and should only be used for anticipatory planning purposes. Some examples of these increases are the faculty regular rate rising from 29.8% to 31.2%, student employees from 3.1% to 12.0%, and classified staff from 43.7% to 48.7%. The most dramatic change is projected in Graduate Assistant ERE Rates for FY2013 going from 37.7% to 65%. The base tuition and mandatory fees have increased on average nearly 22% annually over the last three years which is one of the institutional costs that drives the rate. Tuition remission is the largest portion of GA ERE, and with these substantial increases in tuition, the ERE rate also rises. ERE rates for GAs have been maintained below their actual cost for several years, and for FY2013 they must undergo a major adjustment to move closer to the true rate. The UA is committed to continue the 100 percent coverage of tuition remission for graduate assistants/associates (GAs) as well as healthcare and the other components of employee related expenses (ERE). The proposed combined GA ERE rates for FY2013 is 65%.

To understand why ERE has to be so high, consider that resident graduate tuition for AY2013 will be \$11,122, which alone represents more than 70% of the average 9-month GA 0.5 FTE salary. Other smaller components of ERE along with healthcare coverage account for at least 10 percentage points that add to the cost basis of the total rate. After adjusting for the actual tuition load of all GAs, not all of whom take a full load; the full cost figure above is reflected.



The University has committed \$17M to mitigate the impact of the increase in the GA ERE rate. These funds will be split evenly between State/locally allocated funds and current/pending grants and contracts. While ERE rates at this new level are not desirable, and while they will have important impacts on research grants, for example, the consequences of not covering tuition and healthcare would be even less desirable. Therefore we will continue to support these benefits.

Leslie Tolbert, Senior Vice President for Research will appoint a team in the fall to study this particular category of employees to examine whether there are other alternative ways of providing tuition support to our TAs and GAs that would be more desirable than the current process. This team will be charged to bring forward a recommendation prior to our next rate submittal for FY2014.

GA Subsidization Guidelines:

The University will subsidize the graduate ERE rate for current active sponsored grants and contracts up to two years starting in FY 13. The subsidization rate for FY 13 is 15%. All proposals submitted through Sponsored Projects Services by July 1, 2012 or when the ERE rates are approved by DCA, whichever is sooner, will be subsidized at the same rate of 15% up to two years. All sponsored proposals submitted on or after July 1, 2012, or when the ERE rates are approved by DCA, whichever is sooner, must be submitted at the fully burdened GA ERE rate of 65%. Projects eligible for the subsidization will be charged the GA rate of 65%. Sponsored Projects Services will transfer off the 15% subsidy on a monthly basis through an automated process.

The University will continue to fund the fully burdened ERE rate for all GAs funded on State and locally allocated accounts. Units will be responsible for covering the fully burdened rate for GA salaries funded from all other sources (auxiliaries, indirect cost, sales & service, and gift, etc.).

Please contact Mark McGurk at 621-3220 or mcgurkm@email.arizona.edu for any questions regarding the proposed FY 13 rates and Caroline Garcia at 621-3900 or cmgarcia@email.arizona.edu for any questions regarding the GA subsidy.