

OFFICE OF GENERAL COUNSEL

JUL 24 1978

REC'D

Mr. Fitzpatrick, does this
look OK to you?

Bas

2. Proposed Amendment to Regents' Rules and Regulations, Part Two, Chapter VI, Section 10 (Unemployment Compensation Insurance Program). --

RECOMMENDATION

President Walker recommends that Part One, Chapter VI, Section 10 of the Regents' Rules and Regulations concerning the Unemployment Compensation Insurance Program be amended as set out below:

a. Amend Subsection 10.26 to read as follows:

10.26 Maintaining records of all claims filed and paid, all chargebacks, and other records necessary to separate approved claims information applicable to student employment and extending such record-keeping to any additional group(s) of employees for which such analysis may be deemed by the System Personnel Director to be necessary for effective administration, including records necessary to determine individual "benefit ratios" consistent with provisions in the Texas Unemployment Compensation Act under Subsection 10.6 for each of the following categories of fund sources:

10.261 State General Revenue

10.262 Other than State General Revenue

[~~(a) - Organized Research (including contract research and services)~~

~~(b) - Educational Service Agreements (including training grants)~~

~~(c) - Organized Activities Related to Educational Departments (including hospital and clinics)~~

~~(d) - Auxiliary Enterprises~~

~~(e) - All Other]~~

b. Add a new subsection 10.27 to read as follows:

10.27 Assuring that upon adequate notice, sufficient fiscal information will be available to determine a benefit ratio for each of the following categories of funding sources:

(a) Organized Research (including contract research and services)

(b) Educational Service Agreements (including training grants)

(c) Organized Activities Related to Educational Departments (including hospitals and clinics)

(d) Auxiliary Enterprises

(e) All Other

c. Amend Subsection 10.5 to read as follows:

10.5 Separate and apart from all other System monies or funds, an Unemployment Compensation Fund, administered under the same custodianship as other monies administered by the System, is established and maintained in one or more regular depositories of the System, secured by collateral in accordance with state statutory requirements. The fund consists of all assessments collected, all interest earned on deposits of any monies in the fund, and all other monies received for the fund from any other source. Investments or time deposits of such funds will be in accordance with regular System policies. This fund is designated as a "revolving fund" under the "University of Texas Central Services Account" provision of the current General Appropriation Act. Expenditures from the Unemployment Compensation Insurance Fund are restricted to direct costs: payments and chargebacks of approved Unemployment Compensation claims, and System administrative costs not to exceed five percent per year of the balance in the fund at the beginning of each preceding year. The administrative costs will be identified and charged as direct cost to the Unemployment Compensation Program consistent with procedures for other similar benefits programs operated by The University of Texas System. Such direct cost charges will be supported by a payroll distribution system in accordance with Federal Management Circular 73-8, Section J.7. A financial report will be prepared and submitted annually to the Board of Regents summarizing the transactions and balances of the Unemployment Compensation Insurance Fund for the fiscal year. [Investments or time deposits of such funds are in accordance with regular System policies.]

d. Delete Subsection 10.6 and its Subsections 10.61, 10.62, 10.621, 10.622 as set out below:

~~10.6 The System Unemployment Compensation Insurance Fund operates under principles and methods generally consistent with those established by the Texas Unemployment Compensation Act for the operation of the State Unemployment Compensation Fund.~~

~~10.61 After an initial development period (as provided in Subdivision 10.62) assessment rates will be computed based upon principles and methods consistent with provisions in the Texas Unemployment Compensation Act for determination of "Contribution" rates. In applying these principles, "benefit ratios" will be developed for determination of basic rates which will be adjusted (decreased or increased, respectively) by one tenth of one percent for each \$25,000 or fraction thereof by which the amount in the Unemployment Compensation Insurance Fund exceeds \$1,755,000 or is less than \$1,215,000. Such computation will be made at the beginning of each calendar year, and the assessment rate(s) so calculated, but in no event less than one tenth of one percent, will be applicable to the fiscal year beginning within that calendar year.~~

~~10.62 Compensation experience and fund balances will be developed during the period January 1, 1972, through~~

August 31, 1976. Assessment rates during this initial development period are as follows:

10.621 --- January 1, 1972, through August 31, 1973, the assessment rate is 2.7 percent applied to salaries and wages up to \$4,200 per employee per calendar year.

10.622 --- September 1, 1973, through August 31, 1976, the assessment rates are subject to approval of the Board based upon determinations by System Administration after review of all available data on loss experience and levels of fund balances.

- e. Substitute a new Subsection 10.6 and its Subsections 10.61, 10.62, 10.621(a), (b) and (c), and 10.622 and amend Subsection 10.63 to read as follows:

10.6 The System Unemployment Compensation Insurance Fund operates under principles agreed upon between The University of Texas System and the Department of Health, Education and Welfare, and includes the following procedures:

10.61 Assessment rates determined in accordance with 10.621 below will be applied to salaries and wages up to the maximum salary base which conforms to provisions of Federal and State Unemployment Insurance legislation.

10.62 The University will review all available data on loss experience and levels of funds within six months after the end of the year. Based upon such review and projections of anticipated future activities and costs, a calculation of the rate to be charged in the following fiscal year will be submitted to the Department of Health, Education and Welfare.

10.621 Rates will be calculated to fulfill the following objectives:

(a) To maintain the fund balances within a range of \$1,215,000 to \$1,755,000,

(b) To provide minimal fluctuations in Fund balances from year to year, and

(c) To provide maximum rate stability consistent with the first two objectives.



10.622

10.63 A single assessment rate is charged to all affected fund sources on a nondiscriminatory basis throughout The System, - unless differential rates are found to be desirable as between categories of funding sources and such differential rates are approved by the Board.

BACKGROUND INFORMATION

The University of Texas System recently renegotiated its agreement with the Department of Health, Education and Welfare. These amendments implement that revised agreement and it conforms with Federal Management Circular 73-8 Section J. 7, consolidates payroll fund sources, and complies with the operating procedures designed to stabilize the Unemployment Compensation Insurance Fund.

The Office of General Counsel has approved the changes as to form.