



LEAVE PAYOUT

SAWDC Policies and Procedures

POLICY #: G203

Effective Date: November 28, 2012

BACKGROUND:

The Spokane Area Workforce Development Council (SAWDC) recognizes the importance of having well-trained, highly skilled, and motivated employees involved with the delivery of career and employment services within the structure of its service delivery model. Achievement of this goal is partially contingent on having an adequate salary and benefit compensation package. Since the SAWDC contracts federal, *state, and local grants and other gifted funds, including the Workforce Investment Act - Title 1B program funds*, to various service providers who each have different personnel policies, it has become necessary to adopt a policy related to SAWDC-funded accrued leave payout issues.

POLICY:

Each service provider that contracts with the SAWDC to provide services under *all* funded Subrecipient Agreements is a separate entity and operates within the guidelines of its own policies and procedures. This policy is meant to set parameters for the payout of accrued leave with *all* SAWDC-issued grant or gifted funds.

It is the intent of the SAWDC to expend funds in the most efficient, responsible, and cost-effective manner possible. Although federal cost principles allow for the payout of leave, the SAWDC must apply some restrictions to the practice in order to minimize undue financial strain on current grant funds arising from the payment of any large liability *due to* the termination of a long-term employee of a contractor.

1. The SAWDC will not be responsible for the payout of any accrued sick leave with *grant* funds. Should an employee terminate, any allowed accrued sick leave payout must be made with *employer funds, not those issued by the SAWDC*.
2. The SAWDC will only be responsible for vacation leave payout that has accrued to the employee since the inception of the grant year (July 1 of each year.), or the beginning date of the project. Any portion of accrued vacation leave earned prior to the start of the grant year must be borne by the contractor with non-SAWDC-issued funds. (i.e. Should an employee with 8 weeks of accrued vacation leave retire at the end of December during a grant year and was eligible to accrue 5 weeks of vacation leave per year, the amount of leave payout that could be charged to *any SAWDC-issued grant or program* under this policy would be 2.5 weeks. 5 weeks x 50% of the grant year = 2.5 weeks. The remaining payout to the employee for the remaining 5.5 weeks would have to be paid with non-SAWDC issued resources by the employer.)
3. Any expenditure of leave payout allowed with SAWDC-issued funds will be charged to the Fringe Benefit line item.
4. In order to offset future leave payout costs, a program operator will be allowed to include in its Subrecipient Agreement Budget Schedule under the Fringe Benefit line item, Other, a reserve account for **both** future vacation leave payout and a reserve account for future sick leave payout. The amount that can be charged is not a dollar for dollar amount but, rather, an actuarial percentage applied against the Staff Salary line item total shown in the Subrecipient Agreement Budget Schedule. Currently, that

5. amount is 2.54% of the Staff Salary line item total. Beginning September 1, 2008 this percentage increases to 2.80% and will subsequently be adjusted on an annual basis with updates *issued* as necessary. The funds could then be used by the service provider to offset leave payout costs accrued by an employee from prior years' service that exceed the limitations established in Section 2 of this policy. Utilizing this line item charge, the subrecipient will be able to build up a reserve account over consecutive years of funding that will help to offset any liability occurring from a leave payout situation that could not be completely paid with grant funds.

6. This policy is not meant to alter or supersede any policies existing with any program operator currently in effect that direct leave payout be made with non-SAWDC *issued* funds. Each service provider needs to be aware of the appropriate OMB Circular that governs its particular organization when receiving federal grant funds. Although the establishment and use of a contingency fund is specifically prohibited by the above-referenced OMB Circulars, the charging of a grant for future leave payouts is allowable and such a fund is not considered to be a contingency fund but rather a reserve fund.

REFERENCE:

- OMB Circular A-87 – Cost Principles for State, Local and Indian Tribal Governments.
- OMB Circular A-102 – Grants and Cooperative Agreements with State and Local Governments.
- OMB Circular A-110 – Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations.
- OMB Circular A-122 – Cost Principles for Non-Profit Organizations.