



THE UNIVERSITY
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at CHAPEL HILL

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May 23, 2005

To: Deans, Directors, and Department Chairs

From: Dennis Press *DAP*
University Controller

Re: Special Encumbrances and Expenditures for Biweekly Payroll

This memorandum is the annual reminder regarding the special encumbrance and expenditure transactions that are processed to accommodate the biweekly payroll calendar. The 26 biweekly payrolls provide payment for 260 work days. Fiscal Year 2004-2005 has 261 work days, and fiscal year 2005-2006 will also have 261 work days. Since SPA staff members are paid for 260 work days within the fiscal year, these special transactions are necessary to obligate and use budget for the additional 1 work day within the fiscal year.

For fiscal year 2004-2005, a special SPA salary encumbrance was posted to your FRS accounts in July 2004. The additional salary budget for permanent SPA staff was encumbered so that the salary amount could be expensed for State Funds or available for carry forward to the next fiscal year for Non-State Funds. A total of 10 work days will be accumulated over time so that funds will be available for a 27th biweekly payroll that will occur in 2011-2012.

As part of the fiscal year 2004-2005 close-out, the special encumbrance will be liquidated. For State Funds, the one-day encumbrance will be liquidated and a one-day expense will be posted prior to the June 30, 2005 close-out. For Non-State Funds, excluding Contracts and Grants, the four-day encumbrance will be liquidated prior to the June 30, 2005 close-out, but an expense will not be recorded since the funds are not subject to reversion. The special encumbrance was not posted for Contracts and Grants since those accounts are time-limited awards and are not impacted by the 27th biweekly payroll issue.

Once the close-out for fiscal year 2004-2005 is complete, encumbrance transactions will be posted for fiscal year 2005-2006. An encumbrance transaction for one day will be posted for State Funds. Cumulative salary expenses that have been recorded to address this issue for State Funds will be maintained in central reserve accounts so the budget will be available for allocation when needed. For Other Trust and Special Funds, an encumbrance transaction for five days will be posted to provide a cumulative encumbrance

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for the 27th biweekly. Please take appropriate action to ensure budget is available for the special encumbrances so that budgeted funds will accumulate and be available in 2011-2012. This action of allocating budget to fund the encumbrances for Other Trust & Special Funds, which includes Facilities and Administrative Funds, will ensure available funds for the next 27th biweekly payroll. The first 2 characters of the reference number in the FRS encumbrance transaction will continue to be "SC" (for Special Calculation), and the expense object code will continue to be 1212 – SPA Salaries.

The following table summarizes the special encumbrance and expenditure transactions.

Month Processed	State Funds	Contracts & Grants	Other Trust & Special Funds
FY 2002-2003:			
July 2002	1 day encumbered	not applicable	1 day encumbered
June 2003	1 day liquidated	not applicable	1 day liquidated
June 2003	1 day expensed	not applicable	-
FY 2003-2004:			
July 2003	2 days encumbered	not applicable	3 days encumbered
June 2004	2 days liquidated	not applicable	3 days liquidated
June 2004	2 days expensed	not applicable	-
FY 2004-2005:			
July 2004	1 day encumbered	not applicable	4 days encumbered
June 2005	1 day liquidated	not applicable	4 days liquidated
June 2005	1 day expensed	not applicable	-
FY 2005-2006:			
July 2005	1 day encumbered	not applicable	5 days encumbered
June 2006	1 day liquidated	not applicable	5 days liquidated
June 2006	1 day expensed	not applicable	-

The special encumbrance and expenditure transactions for the biweekly payroll address the budget issue for the 27th biweekly payroll. The University budgets are for a full fiscal year, but the 26 biweekly payrolls span 364 days of the 365 (366 in leap years) days in a fiscal year. Therefore, there is usually one workday (sometimes two workdays) that roll forward at the end of the fiscal year and are paid on the very next biweekly.

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The full annual salaries for SPA staff are paid over the 26 biweeklies plus one or two days in the very next biweekly. That is why the pay dates for the biweekly payrolls vary. For the prior year the last biweekly payday for the fiscal year was June 25, 2004. This year it will be June 24, 2005. Next year it will be June 23, 2006. The biweekly paydays change each year, and every 11 or 12 years (depending on leap years) there is a biweekly payday the first day of the year and the last day of the year, so the fiscal year contains 27 paydays. But each time the pay is for 2 full weeks.

This is mentioned to distinguish between the budget issue and the salary calculation issue for SPA staff paid on the biweekly payroll. Budgets for State Funds and encumbrances for Other Trust and Special Funds are accumulated to fund the next 27th biweekly payroll in 2011-2012. The funds are being accumulated over a 12 year period since the 26 biweekly payrolls do not span a full fiscal year, and the one or two days remaining each year are needed in 2011-2012. It is important to note that SPA staff members are fully paid their annual salary over the 26 biweeklies plus the remaining day (or two in some years) that is paid in the very next biweekly.

I hope this information provides useful background for the special encumbrance and expenditure transactions for the biweekly payroll.

Thank you.

cc: University Business Managers
Human Resources Facilitators