

## **Spending Guidelines for Faculty Start-Up**

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### **I. Policy Summary & Purpose**

This policy provides guidance for determining which expenses may be charged to faculty start-up funds. The purpose of this policy is to ensure sound business practices, timely and accurate recording of expenses, and compliance with tax regulations under the Internal Revenue Code.

### **II. Policy Statement**

Faculty start-up funds are provided by Academic Affairs to pay for expenses incurred by faculty members in support of research and scholarly activities. Faculty start-up funds are not considered personal compensation and cannot be used to supplement a faculty member's academic-year salary, or to cover personal expenses. Unlike personal compensation, faculty start-up funds are not subject to personal income tax.

Typical costs charged to faculty start-up funds include salary and fringe benefits for research assistants, and the costs of equipment, travel, books, journals, electronic resources, laboratory and office supplies. All expenses from faculty start-up funds should be procured in accordance with University policies and procedures. Capital assets (see below) purchased with faculty start-up funds are the property of the University. Any unspent balances, capital assets, or items of value remain with the University upon the departure of a faculty member.

All start-up funds must be fully expended no later than two years from the effective date of hire. All unexpended funds at the end of the second year will be returned to the Office of Academic Affairs.

#### **A. Capital Assets**

Certain capital assets may be purchased using faculty start-up funds. Capital assets are defined as tangible goods that yield service or benefits over a number of years. Capital assets purchased with faculty start-up funds are the property of the University.

Examples of capital assets are:

- Scientific equipment

- Computers or printers

The University is required by law to inventory such capital assets.

If a faculty member, upon leaving the University wishes to acquire equipment or other items of value previously purchased with faculty start-up funds, he or she should contact the Comptroller's office. Items determined to be eligible for purchase will carry fair market value. The purchased asset will be removed from inventory.

### **B. Unallowable Capital Assets**

The following list of Capital assets may not be purchased with faculty start-up funds. Exceptions require prior written approval by the Dean.

- Furniture and furnishings
- Rare books (defined as books with a purchase price above \$500)
- Works of art

In rare instances where exceptions are approved, based on a determination that it is a legitimate and necessary research or scholarly expense, these assets must be inventoried as described above. As long as funds are used within these guidelines, there are no tax implications. Failure to abide by these guidelines may result in tax consequences; the IRS views faculty start-up funds that are used for the direct personal benefit of a faculty member as additional income and would require the University to withhold taxes as a result.

### **C. Supplies**

Laboratory and office supplies may be a significant expense for research conducted in science departments. All lab and office supplies purchased with faculty start-up funds must be procured through the University's purchasing office. These guidelines can be obtained by going to the following website:

[http://www.uml.edu/procurement/pur\\_pol.htm](http://www.uml.edu/procurement/pur_pol.htm)

### **D. Salary and Wages**

If faculty start-up funds are used to finance a research position, the prospective employee must be informed, in writing, that funding is temporary and that there is no commitment of employment after the funding is exhausted or the specific research project is completed. Human Resources and the faculty member's home department should be contacted for specific hiring information. Funds must be adequate to cover salary, accrued vacation, and associated fringe benefit costs as determined through the fringe benefit rate established by the University.

### **E. Travel and Business Entertainment**

Expenses relating to research travel and business entertainment must follow the University Guidelines for Travel, Business Meals & Entertainment Spending.

These guidelines can be found at the following website:

[http://www.uml.edu/procurement/pur\\_pol.htm](http://www.uml.edu/procurement/pur_pol.htm)

### **F. Consultants and Service Contracts**

All consultant and service contract arrangements must be properly documented and University procedures for determining such arrangements followed. These

guidelines can be obtained by clicking on the following:

[http://www.uml.edu/procurement/pur\\_pol.htm](http://www.uml.edu/procurement/pur_pol.htm)

### **G. Telecommunications**

Costs associated with home Internet access, cell phones and cell phone calls may not be covered by faculty start-up funds. The purchase of portable digital assistance (PDA's) devices is strongly discouraged but may be purchased if justification for the necessity of the device can be demonstrated.

### **H. Gifts and Other**

The University prohibits the use of faculty start-up funds for gifts (employee and non-employee), donations, flowers, parties or any costs unrelated to faculty research or scholarly activities.

## **III. Roles and Responsibilities**

A. The **Faculty member** or his/her designee is responsible for ensuring that expenses charged to faculty start-up funds are in accordance with this policy. Questions regarding to the allow ability of an expense may be directed to the Vice Chancellor, Administration & Finance or the Comptroller.

B. **The Office of Administration and Finance** is responsible for ensuring that expenses charged to faculty start-up funds are fair and equitable to the individual and the University, and are made in accordance with University policies and procedures.