



UNIVERSITY BUDGET OFFICE

MEMORANDUM

TO: University Business Officers
FROM: Eduardo Lorente, Associate Vice President for Budget & Planning
DATE: April 25, 2024
SUBJECT: FY2025 Working Budget

Dear Colleagues,

I am writing to provide you with information to assist you in the preparation of the FY25 budget.

The attached document includes instructions and guidance for budgeting revenues (state and non-state), fund balance activity, personnel, non-compensation expenses, transfers, and other pertinent information related to the FY25 budget cycle. In addition, the [budget website](#) is another resource where you can find details regarding the budget development calendar, budget analyst contact information, the BPM user manual, BPM training video, and other budget-related materials.

For your reference, I have highlighted a few important points below:

Budget Calendar: Please take note of the remaining key dates and deadlines in this year's budget development cycle:

April 25:	BPM will open to business officers and department budget staff
May 21:	BPM <u>salary setting</u> will close to departments; however, non-salary budget development will remain open
May 28:	BPM <u>salary setting and budgeting</u> will close to divisions (all users)
June 3:	BPM salaries will be loaded into PHR with payroll conversion dates available in mid-June
July 9:	PHR deadline for changes to take effect for July 1

BPM Data & KFS Budget Reports: During the budget development period (April 25 – May 28), we will publish BPM data to the KFS data warehouse nightly, so that users can review their budget changes in the KFS future budget development reports located on the management tab. The reports that will be updated nightly are:

- Future Budget By Fund Type
- Future Budget By Organization
- 3-Year Budget Trend

State Appropriation Budget Reduction: The University has been allocated \$34 million reduction in state appropriations, primarily related to DBM utilization of a 6% turnover rate on FY24 salaries and wages. Of that total, only \$29 million has been allocated to the divisions. The allocation to the divisions was based on an increase in the FY24 turnover rate from 2% to 4% for

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academic units and 2% to 6% for non-academic units. The lower rate for academic units is based on historically lower turnover among faculty. The reduction in state funds is reflected in your division's tracking sheet.

COLA and Merit: As of this date, we have not received final guidance from the USM nor has the consolidated bargaining agreement been finalized. However, to begin the 2025 budget process your tracking sheet will include funding for itemized regular employees (1011-1016) and specific pooled employees (1018 and 1020), based upon paid position as of pay period 20:

Bargaining Unit:

All regular bargaining unit employees will receive a 3% COLA. In addition, regular nonexempt and exempt employees will receive a 2.5% merit increment if they receive at least an overall "meets expectations" on their PRD. The effective date for the COLA and merit increment will be July 1, 2024.

Non-bargaining Unit:

All regular non-bargaining unit employees will receive a 3% COLA. An average 2.5% pool for merit increases for exempt employees will be made available to each division for allocation. To be eligible for the merit increase, employees must have started employment on or before January 1, 2024. The effective date for the COLA and merit increases will be July 1, 2024.

More detailed guidance from University Human Resources will be issued at a later date.

Please note that if circumstances should change, we will provide you with updated instructions to revise your budget submission.

Vacant Positions: As you may know, the Elevate Program Leadership has adopted a decision to limit the vacant positions migrated to Workday based on the following criteria: (1) PHR positions must be vacant for less than 2 years, and (2) PHR positions must have a matching budget in BPM.

In preparation of the transfer of position data to Workday, and as a tool to help absorb the reduction in state appropriation, all business officers should now review and reconcile their position data in both PHR and BPM. Positions which are no longer needed should be eliminated from both PHR and BPM. Furthermore, business officers should be prepared to provide a rationale to the BAC Executive Leadership Team for any vacant positions included in the FY25 budget.

Fringe Rates: The proposed rates for FY25 are as follows:

	Negotiated FY24	Proposed FY25
Faculty	30.7%	30.8%
Staff	36.9%	36.2%
Limited Benefit	25.5%	22.1%
Legislated Benefit	6.4%	5.9%

Turnover Rate: The turnover rate will remain at 2% for FY25 budget development and will calculate when you set fringe rates, the rate will also be automatically calculated each night if

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you forget to set the fringe rate. Please note that the rate will not be increased to 4% or 6% to ensure that units adequately analyze and address vacant positions and balance their budget.

Capital Expenditures and Transfers to Plant: Includes large capital equipment, renovations, and land & structures. Effective July 1, 2024, all individual capital expenditures costing over \$500,000 will require review and approval from the Provost (academic units) and Unit Vice Presidents (non-academic units) and will be reviewed by the Budget Advisory Committee Executive Leadership Committee. For more information, academic units should contact Dylan Baker (dbaker@umd.edu) and non-academic units may contact me (elorente@umd.edu).

Fund Balance Growth and Use:

Units shall not budget fund balance growth or use on state accounts at any level. However, for nonstate accounts, fund balance use and growth may be recorded at the account level, but divisional units should not show a net use of fund balances.

If you determine that you cannot fund your division's budget without the utilization of prior year fund balances, please discuss the matter directly with your area's chief budget officer. Subsequently, your chief budget officer will need to submit a memo to the BAC Executive Leadership Team explaining the need to use prior fund balances to support your division's operations. If approved, the university budget office will assist you in recording the use of funds in your budget.

Thank you for your time and the effort you have dedicated to this process. If you have any questions about the university's budget policies and procedures, the BPM system, or the budget data within BPM, please contact us at bfa@umd.edu or reach out directly to your division's budget analyst.

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Revision Date	Summary of Changes
04/26/2024	Correction to merit allocation instructions on page 1.

FY2025 Budgeting Development Summary

BPM login – To access FY25 Working Budget, log into the campus VPN, group: GlobalProtect, then visit [BPM | Finance](#) and select the BPM Portal link for the relevant campus.

Budget information in BPM – the three budget columns in BPM correspond to the following data:

Original budget = KFS original budget (and final FY24 final working budget)

Revised budget = KFS original budget + future Budget Amendments in KFS as of March 8th. *Note: The revised budget column in KFS only includes current year BAs. The revised budget column in BPM includes future year BAs.*

Proposed budget = KFS original budget + future Budget Amendments in KFS as of March 8th, minus revenue object codes 0123, 0124, 0128, 0966, 0968, transfers 99xx, fringe rates 274x and turnover expectancy 2999.

Users should reconcile the proposed budget state support using 0221 – state revenue allocation. The **FY2025 Working Budget State-Supported Tracking Sheet includes 0221 detail by department for your reference.**

State Funded Allocations –

FY25 State Appropriation Reduction – This reduction was allocated based on an increase in the expected Turnover rate from -2% to -6%. Units should carefully examine all vacant positions and remove budgets from those that are not expected to be filled this fiscal year.

FY25 COLA Allocation: Applicable salary actuals (base pay by funding percentage) as of pay period 2024; 20; for object codes 1011 – 1018, multiplied by 3% COLA and corresponding FY25 fringe allocation included. The COLA amount is pre-populated at 3% on the 'Set Salary' screen within BPM.

FY25 Merit Allocation: Salary actuals as of pay period 20 + 3% COLA and related fringe multiplied by 2.5% for bargaining staff in object codes 1013 – 1014. Non-bargaining faculty and staff in object codes 1011-1018 will have separate merit pool and related fringe allocations.

GA Minimum Stipend: Funds equivalent to the increase required to offer state-supported Graduate Assistants (GA) the new minimum stipends after the FY25 COLA have been applied. These amounts align to the new GA step structure that begins July 1, 2024. Please refer to the FY25 Graduate Stipend Memo for additional details once the memo is available.

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Fringe Rate Change: FY25 proposed fringe rates show a net decrease compared to the FY24 proposed fringe rates. The fringe rate change allocation for FY25 is a net reduction in state appropriation.

Please note that State Funded Allocations provided on the tracking sheets are the responsibility of the unit to budget in BPM. The budget office will monitor these allocations in totality.

Budgeted FTE – The university is granted some position flexibility by the state of Maryland. The FTE listed on the state tracking sheet is each unit’s starting budgeted FTE prior to BPM opening. Units should update FTE for line-item positions as needed in the working budget and update the budgeted FTE on the tracking sheet accordingly. With the reduction in state appropriation, please remove any vacant position budgets and FTE that are not expected to be filled in FY25.

Budgeted vacant positions must include:

- An estimated FTE with correlated budgeted dollars. Vacant positions that are expected to be filled in FY25 must have budgeted dollars and FTE. Any other vacant position should be zeroed out in BPM.
- A valid title code. The title codes 55555 and 99999 for “vacant” are not recognized by the budget office. You may assign a preliminary title code expected to fill vacant positions; units will not be held to this during the hiring process, but it will inform the campus budgeting process with the state. If the title cannot be determined, the following guidance may be used:
 - Faculty positions — use 9217502 Assistant Professor
 - Non-exempt positions — use 11BS100 Business Services Specialist
 - Exempt positions — use 9430507 Coordinator

Salaries – While we are awaiting guidance from USM, units should focus on salary setting and funding distribution. Funding changes will be exported into PHR through payroll conversion in June as per the budget calendar. Detailed guidance on salary setting in BPM is included below.

Revenue/Expense Allocations - As operating budgets are completed, units should use the upload feature for all budgeted transfers to facilitate tracking and analysis.

Revenue Allocations: These are internal transfers of funds reported in the operating revenue section of the management reports. These are budgeted on objects codes 9920, 9924, 9926, and 9931 which begin with (Rev A) transfers. The budget office will be closely monitoring revenue allocations to confirm these objects codes are balanced.

Expense Allocations: These are internal transfers reported in the operating expense section of the management reports. These are budgeted under object codes 9934, 9936, 9937, and 9949.

Transfers to Plant – Historically, transfers to plant have been budgeted to move surplus funds from operating accounts to plant reserves in anticipation of future capital commitments. This year, transfers will require review and approval by the BAC Executive Leadership Team. These are budgeted under object codes 9952, 9953, 9954, 9955, 9958, 9959. Amounts over 500,000 budgeted on these object codes will require justification.

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Cost Share Accounts – Units should budget the expected cost-share expense on object code 9937 on a state-supported account.

Growth and Use of Fund Balance – Please note that we have zeroed-out the proposed (i.e., prior-year) budget entries for fund balance growth (0966) and fund balance use (0968) consistent with university leadership’s desire to closely monitor projected changes in fund balances within the divisions.

State-Support Accounts:

Units should not budget use or growth of fund balance at any level.

Non-State Support Accounts:

Fund balance use and growth may be recorded at the account level, but divisional units should not show a net use of fund balances. The budget office will also be monitoring the use of non-state fund balances at the divisional level.

If you have any questions regarding the use of fund balances, please contact your budget analyst.

Budget Completion

Once the divisional budget has been completed in BPM, the divisional budget officer should submit their tracking sheet and review checklist to their assigned budget analyst.

INSTRUCTIONS FOR SALARY SETTING IN BPM WB

Itemized Employees (Object Codes 1011 – 1016)

Below, we have provided guidance on salary adjustments from University Human Resources (UHR). If you have any questions or need additional details, please contact the UHR Office.

1. **Salary Adjustments Effective Before July 1st**

The employee’s salary brought into BPM from PHR should be adjusted in BPM for any salary actions that will become effective after the freeze of the PHR data (as of April 8) for BPM and prior to July 1st. Enter the salary action as an “adjustment to current base salary” on the left-hand side of the “set salary screen.” Common examples include:

1.1 **Nonexempt Completing Probation (Before July 1st):**

- [Probation Rules for Regular Status Nonexempt Employees](#), available on the Budget website, provides a summary of the probation rules for regular nonexempt employees and their eligibility for the 2.5% step increase upon completion of probation. Employees completing original probation, promotion status change probation (with a competitive search), or CII conversion probation before July 1st are eligible for a 2.5% step increase. Please contact Staff Relations in University Human Resources (X5-0001) if you have questions about a nonexempt employee’s

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eligibility for the 2.5% step increase received after the successful conclusion of certain probationary periods.

The Probationary Status Report on adminreports.umd.edu under PHR provides a list of nonexempt employees on probation for your unit. To impact the employee's pay before July 1st, the department must enter the 2.5% increase in PHR directly. BPM has a field on the set salary screen, current adjustments side that allows users to also reflect the salary adjustment made in PHR after the freeze and before July 1st.

1.2 *Reclass/Promotion for Exempt and Non-Exempt (Before July 1st):*

Promotion and reclass for exempt or nonexempt employees effective before July 1st entered into PHR by the department after the April 8th data freeze should also be entered into BPM as an adjustment to the current base salary on the salary setting screen.

1.3 *Faculty Return from Sabbatical or Leave Without Pay*

If a faculty is returning from sabbatical or leave without pay before the start of the fiscal year, please enter the amount to increase "adjusted current base salary."

2. *Salary Structure Adjustment*

The [nonexempt](#) and [exempt](#) salary structures for FY25 have been revised and were approved by the BOR on April 19, 2024. The new salary structures are effective 7/1/24 and will be posted on UHR's website shortly. Consistent with USM policy, the simultaneous July 1, 2024, salary actions will be processed in this order: 1) Increase to bring any salary up to the new minimum of the pay range, 2) COLA, 3) Merit, 4) all other salary actions. UHR will notify units of any employees whose current salaries fall below the new minimum of the assigned pay range.

3. *Salary Adjustments Effective After July 1st*

USM salary guidelines are pending. Further guidance on salary adjustments, including retention and equity, will be provided once it is received.

3.1 *Payroll Conversion*

Payroll conversion will include COLA and merit on the employee's base salary effective July 1, 2024. All other salary adjustments must be manually entered into PHR. BPM will forward KFS account number changes to PHR for payroll conversion.

After records are loaded into PHR, Payroll Services will make a report available for each unit showing the funding package that will be in effect if the accounts changed or if the allocation between accounts changed. We suggest budget officers work closely with their payroll officers to review the conversion report closely. Units will have until 11 p.m. on July 9th to make corrections in PHR.

SALARY BUDGETING

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Itemized Employee Position Budgets (Filled and Vacant, Object Codes 1011 – 1016)

Every position in BPM WB should be budgeted (unless exclusively funded by accounts that are blocked from budgeting). For filled positions, the position dollar budget should reflect the actual salary expected to be paid from the respective accounts in FY2025. For vacant positions, the position dollar budget should reflect the expected salary amount for the position. The budget FTE should reflect the percentage of time the dollar funding represents.

Departments in need of additional budget FTE should contact their college/divisional business officer. College/divisional budget officers should reallocate within the college/division and units are strongly encouraged to reallocate vacant positions before adding additional budgeted FTE.

Please review your vacant positions by running the 'Salary Variance by Position' report in BPM. If the vacancy is not expected to be filled, please move the dollars off the position to the account/object code in your budget where you expect to spend the funding. Departments should note the reduced FTE to their college/ divisional business officer so that the budget FTE may be reallocated to where it is needed.

College/divisional business officers should contact their budget analyst to record any changes in state supported budgeted FTEs on the tracking sheets.

Other Salaries Budgets (Object Code 1018 – 21XX)

Please budget what you anticipate paying in these object codes in FY2025. Refer to the above salary guidelines which may have an impact on your budget.

Note that pay adjustments not eligible for retirement subsidy - object codes 1099 corresponding to 1xxx base salary and 2099 corresponding to 2xxx base salary - should be budgeted for pay adjustments that are non-retirement eligible. Examples are non-standard payments and bonuses/awards.

Fringe Rates

The University charges fringe benefit rates approved by the federal government to all salary expenses regardless of fund source. The fringe rates do not include tuition remission. In addition, allocations have been adjusted on each division's state-supported tracking sheets as a result of the proposed changes to the fringe rates.

The fringe rates and turnover calculator will populate the proposed budget in real time on each fringe rate object code (2740, 2742, 2744, 2746) based on the salary budget and current rates and not able to be edited. If a user forgets to click the button, an automated batch process will run nightly to update the proposed fringe rates.

Please note that proposed (i.e., prior-year) fringe rate budgets in BPM have been zeroed out to open Working Budget to ensure that fringe rate budgets are properly set. Also note that if users update/change salary budgets in BPM, the *Fringe Rate Calculations* will need to be run again to reflect those changes.

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**The below rates have not yet received final approval from the Department of Health and Human Services (DHHS)*

Fringe Object Code	Fringe Group	Wage Object Codes and Descriptions	FY25 Proposed Fringe Rates
2740	Faculty Fringe Rate	1011, 1012, 1015, 1016, 1018 - Includes 12-month and academic year faculty - Includes acting and admin increments - Excludes contractual and hourly faculty	30.8%
2742	Staff Fringe Rate	1013, 1014 - Includes exempt and non-exempt staff	36.2%
2744	Limited Employees Fringe Rate	1020, 2072, 2073, 2090 -Includes contractual faculty and staff and graduate assistants	22.1%
2746	Legislated Employees Fringe Rate	2067, 2068, 2071, 2074, 2075, 2080, 2081, 2100, 2120, 1099, 2099 - Includes students with hourly wages, and most faculty/staff additional pays	5.9%

Units should not update any fringe actuals (retirement, health, FICA, etc.) as these are budgeted in GENU fringe pools and are not the responsibility of the units. Please ensure that budgets are “zero” on the following ‘fringe actual’ object codes:

1000, 2705, 2710, 2711, 2712, 2715, 2720, 2725, 2730, 2755, 2760, 2765, 2766, 2769, 2770, 2771, 2772, 2777, 3160.

Turnover Expectancy

Turnover is the expected savings normally occurring from positions temporarily vacated or alternatively funded during the fiscal year.

Turnover budgeted in object code 2999 will be automatically calculated as -2% of the following salary object codes: 1011, 1012, 1013, 1014, 1015, 1016, 1018 and 1020 as well as the fringe object codes 2740, 2742, and the limited benefits (22.1%) associated with object code 1020. The turnover calculation will occur when the Fringe Rate and Turnover calculations button is clicked or nightly through a batch process if the user forgets to click the button.