FINANCE

EDFO | OFFICE OF THE EXECUTIVE DIRECTOR OF FINANCIAL OPERATIONS

<u>**MEMORANDUM**</u>

TO: Divisional and College Business Officers

FROM: Colleen Dove Auburger
             Executive Director, Financial Operations
             Division of Administration and Finance

DATE: April 19, 2019

SUBJECT: FY 2020 Working Budget

The Budget Preparation and Maintenance System Working Budget (BPM WB) is open to the divisional and college business officers. Departmental access will be open on Friday, April 26th.

Guidance is attached for your use in developing your detailed budgets. Please note USM has not yet released the final FY20 general fund allocation; we have been notified of a USM budget reduction, which will be included in this allocation. USM has also not yet released the FY20 salary guidelines for campuses. These items may result in changes to these instructions. We will update you as soon as information is available.

Consistent with UMD security standards, BPM will be accessed using the CAS Login Screen. Instructions for login are available on the Budget and Fiscal Analysis (BFA) website.

These working budget instructions may be found on the Budget and Fiscal Analysis (BFA) website. Please direct questions regarding the BPM System to Susan Boblitz (X55638 or **sboblitz@umd.edu)** or Danny Catalano (X57827 or **dannyc@umd.edu).**

Thank you for your cooperation.

University of Maryland
FY 2020 Working Budget Instructions

I. **FY 2020 WORKING BUDGET SCHEDULE**

The working budget schedule is available on the Budget and Fiscal Analysis website.

II. **GENERAL INFORMATION AND CONTACTS**

The following guidelines are University-wide and apply to all sources of funding in the state-supported and non-state supported budgets, except as noted. Please refer to the User Manual for a review of working in BPM WB and the system's technical requirements. The manual is available on the Budget and Fiscal Analysis website.

We have asked each college/division to appoint "super users" to assist other users with questions or issues. Please contact your college/division business officer if you are unsure who the designated super users are. If you experience technical issues with BPM WB or have non-BPM WB related questions, please contact your "super user" first if he/she is available. Should you or your super user still have questions, the following contacts are provided:

TOPIC	CONTACT NAME	UNIT	PHONE	E-MAIL
Budget				
Budget Development or Policy (What Should I Budget?)	*For Academic Units:*			
	Dylan Baker	Office of the Provost	X5-5632	dbaker@umd.edu
	Dan Ramia	Agriculture	X5-3009	dwramia@umd.edu
	For Non-Academic Units:			
	Susan Boblitz		X5-5638	sboblitz@umd.edu
	Danny Catalano		X5-7827	dannyc@umd.edu
Budget System (How Do I Enter a Budget into BPM?)	Susan Boblitz	BFA	X5-5638	sboblitz@umd.edu
	Danny Catalano		X5-7827	dannyc@umd.edu
Salary Policy:				
General	Karen McDonald	University Human Resources (UHR)	X5-5650	kmcdonal@umd.edu
Nonexempt Probation	Staff Relations	Staff Relations (UHR)	X5-0001	
Academic Affairs	Cynthia Hale	Office of the Provost	X5-6816	chale@umd.edu
Payroll and Human Resource (PHR) System				
PHR System	PHR Service center	PHR Service Center	X5-7575	phrserv@umd.edu

III.   SALARY SETTING IN BPM WB

A.   Itemized Employees (Object Codes 1011 – 1016)

As of now, we have not received detailed salary guidance from USM. Shortly after we receive them, we will communicate the guidelines to the College/Divisional Business Officers and update the instructions on our website. The employee's salary in BPM WB should reflect what you expect the July 1st salary to be and the funding in effect July 1, 2019.

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 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:

a.   Nonexempt Staff Completing Probation Before July 1st

Attachment C – Probation Rules for Regular Status Non-Exempt Employees provides a summary of the probation rules for regular nonexempt employees regarding the 2.5% step increase. 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 eligibility for the 2.5% step increase received after the successful conclusion of certain probationary periods.

Attachment D - Non-Exempts – Probation Scheduled to End Between April 13th and June 30th is a list of non-exempts who are scheduled to complete probation during this time period. To impact the employee's pay, 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.

b.   Reclassifications/Promotions for Exempt and Non-Exempt Before July 1st

Promotions and reclassifications for exempt or nonexempt employees effective before July 1st and entered into PHR by the department after the April 12th data freeze should also be entered into BPM as an adjustment to the current base salary on the salary setting screen.

c.   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."

    d. Salary Structure Adjustment

    The nonexempt salary structure has been reviewed and a 4% increase to the minimum of the current salary ranges has been recommended. Additional information will be provided as it becomes available.

2) *Salary Adjustments Effective July 1st*

USM salary guidelines have not yet been released. Further guidance will be provided with the salary guidelines once received.

    a. Cost of Living Adjustment (COLA) and Merit

    The Governor's budget includes a 3% cost of living increase effective July 1, 2019. There is no provision for merit increases for FY 2020. For budget purposes, in BPM the 3% COLA has added to salaries by position on the 'set salary' screen. Users will need to update the budget for the COLA accordingly; on the 'set salary' screen, checking the box for "make new budget amount" and then selecting "set salary" will update the budget. Alternatively, users can update budget directly on the position/employee details screen.

    Each Division's state supported revenue allocation (object code 0221) for FY20 COLA will be detailed on schedule H. Once each position salary is set, please be sure to increase the state supported revenue totals in these accounts accordingly to ensure that total expenses and revenues balance to zero.

    b. Retention and Equity Adjustments

    USM salary guidelines are pending. Further guidance will be provided with the salary guidelines once received.

3) *Payroll Conversion*

Payroll conversion will include only **funding changes effective July 1, 2019** from BPM on the employee's base salary. This means BPM will forward KFS account number changes to PHR for payroll conversion; PHR will compute the distribution by account of the existing base salary within PHR. BPM **will not** be forwarding any overall base salary changes or acting/admin increments. Changes to the employee's overall salary or increments must be manually entered into PHR. After BPM funding changes have been applied in PHR, eligible salaries will be updated by Payroll Services for the 3% COLA.

On June 11th, Payroll will make a report available via WOW for each unit showing the funding package that will be in effect if the accounts changed or if the allocation between accounts changed. This report will be distributed to the departments' payroll offices. We suggest budget officers work closely with their payroll officers to review the conversion report closely. If corrections need to be made in PHR, units will have until 11 p.m. on July 2nd to make corrections in PHR.

B. **Other Salaries (Object Codes 1018 – 21XX)**

Instructions on non-itemized salaries are also pending. Please be advised that the State of Maryland minimum wage will increase to $11.00 per hour, effective January 1, 2020.

Attachment B – Stipend Levels for Graduate Assistants and Fellows for FY 2020 was distributed by the Graduate School and provided for your reference.

IV. <u>SALARY BUDGETING</u>

A. <u>Itemized Employee Position Budgets (Filled and Vacant, Object Codes 1011 – 1016)</u>

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 FY 2020. For vacant positions, the position dollar budget should reflect the amount the position is expected to be re-hired at. 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, wherever possible, and contact Susan Boblitz (X5-5638 or sboblitz@umd.edu) or Danny Catalano (X5-7827 or dannyc@umd.edu) if the college/division needs additional budget FTE.

Please take a close look at your vacant positions. 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 return the unneeded 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 Susan Boblitz (X5-5638 or sboblitz@umd.edu) or Danny Catalano (X5-7827 or dannyc@umd.edu) so it may be reallocated to where it is needed within the campus.

B. <u>Other Salaries Budgets (Object Code 1018 – 21XX)</u>

Please budget what you anticipate to pay in these object codes in FY 2020. Please refer to Section III (B) above for salary guidelines that may impact your budgets.

C. <u>Fringe Benefits</u>

As part of the University's Budget Model Redesign initiative, the University will begin charging fringe costs using pooled fringe rates based on salary object codes rather than actual fringes.

The new fringe rates include the following benefits: FICA (social security), unemployment, workers' compensation, health insurance and the retiree health surcharge, retirement, terminal leave payout, and employee assistance.   The fringe rates **do not** include Tuition Remission. Please refer to the Provost Office website for more information: https://faculty.umd.edu/fringe/.

For state-supported accounts, fringe benefits will be budgeted by Financial Operations at the division level after Working Budgets are completed by divisions. Financial Operations will be reaching out to each division with account information related to division pool accounts. MPower, undergraduate differential tuition and enhancement accounts will no longer be responsible for their fringes. MPower accounts will be treated like all state supported accounts but, because of the Steering Council's recently adopted expense reimbursement method, the fringe benefit costs for these accounts will be included in the Provost Office's Division fringe account, and NOT in the accounts managed by the colleges. For non-state supported accounts, departments should budget fringes at the proposed new fringe rates.

University of Maryland
FY 2020 Working Budget Instructions

BPM WB has a new fringe rate calculator available to assist users in self-support units budgeting the new fringe rates on their accounts. The new fringe rate calculator will create four new object codes and budget fringes as a percentage of the wage budgets in groups of object codes. The fringe rate calculator does not factor in turnover so it may be appropriate to reduce those calculated fringe budgets for faculty and for staff by 2-4% for a more realistic budget.

Fringe Object code	Fringe Group	Wage Object Codes and Descriptions	Calculated Fringe Rate*
2740	Faculty Fringe Rate	1011, 1012, 1015, 1016, 1018 – Includes 12-month and academic year faculty. Excludes contractual and hourly faculty (includes acting and admin increments)	29.3%
2742	Staff Fringe Rate	1013, 1014 -- Includes exempt and non-exempt staff	35.4%
2744	Limited Benefits Employees Fringe Rate	1020, 2067, 2068, 2068, 2071, 2072, 2073, 2090 -- Includes contractual faculty and staff and graduate assistants	24.3%
2746	Legislated Employees Fringe Rate	2074, 2075, 2080, 2081, 2100, 2120 -- Includes students with hourly wages, and most faculty/staff additional pays	5.4%

These rates are currently being negotiated with DHHS and are subject to modifications prior to implementation. They should be used as an estimate for budgeting purposes.

Please note that if you change salary budgets, the fringe rate calculator will need to be re-run to reflect those changes.

D) **Turnover**

Turnover allocated in object code 2999 should be 2 - 4% of the following salary object codes: 1011, 1012, 1013, 1014, 1015, 1016, 1018 and 1020 **and** the following fringe object codes: 2740, 2742, 2744 and 2746.

V. GENERAL BUDGETING

A. **Alignment of Budget with Actuals**

Among other factors, effective financial management requires both: 1) budget development based on the best estimates at the time; and 2) meaningful comparisons of budget to actuals. When developing your FY 2020 budget, please consider both historical trends and future expected trends and events. Budget all anticipated activity, revenues, expenditures and transfers, to the extent practical. Please set your budget on the **position**, **account** and **object code** where the actuals will be recorded. These actions will help users see a clearer picture of their financial plans for the year and will help users monitor actuals against their plans. It will also help ensure the University has requested spending authority at the expected amount and will improve the quality of our analysis of variances for required reports to the Board of Regents and to the State.

B. **Transfers**

Related to the section above on alignment of budget and actuals the university will continue to practice full budgeting to the extent possible. This includes budgeting of transfers for all accounts, including state supported accounts.

Please see *Attachment F – Budgeting Internal Sources – Overview* with object code guidance. When budgeting a transfer, budget the amount expected to be given (or received) from the other party and offset this by adjusting other object codes so that your budget stays in balance. For example, if department XYZ expected to receive $5,000 from the Dean for temporary support for faculty recruitment, the department would budget as follows:

$5,000 positive (debit) - 3325 - Faculty Recruitment travel
$5,000 negative (credit) – 9926 –Non Mandatory Transfer-within Division

The college business officer would budget:

$5,000 positive (debit) – 9926 – Non-Mandatory Transfer within Division
$5,000 negative (credit) – object code being adjusted to fund the transfer

For state supported accounts, please note that transfers differ from base state funding, in that transfers are not permanent funding. Transfer funding should only be budgeted in the object

codes specifically established for them. Base (or permanent) state funding should be budgeted in the object codes expected to be spent on with no offset. Base (or permanent) state funding increases the college's or division's net state support and is, therefore, shown as a net increase to the college's or division's state supported budget on *Attachment H – FY20 Working Budget Tracking Sheet.*

Transfer commitments from the Provost will be entered into BPM shortly for each account. If a college believes the amount reflected on these attachments should be adjusted, please contact Dylan Baker at X55632 or dbaker@umd.edu. Non-academic divisions should contact Danny Catalano at X57827 or dannyc@umd.edu.

Users will need to ensure that transfers are coordinated with the other organization to ensure the transfer uses the **same object code** on both sides of the transaction and the **same dollar amount** so that the transfer zero out at the university level. In a few isolated cases, both sides of the transfer cannot be budgeted by BPM users. These include transfers to:

--Cost Share accounts (ledger 22 or 23),
--Restricted accounts (ledger 4 or 5, with a few exceptions in AGNR and MFRI),
--Maryland Industrial Partnerships (MIPS), and
--Plant Reserves or Projects (ledger 7 or 8).

College/divisional business officers will need to ensure that:

1) Adjustments to the amounts or object codes in Attachment F are confirmed with the other party.
2) Transfers budgeted in object code 9926 – NM Trf within Division/College zero at the college/division level. Transfers budgeted in object code 9924 – NM Trf within Department zero at the college/division level.

C.   Summer/Winter/Freshmen Connection Revenue Allocations

Extended Studies will be uploaded and SVPAAP will process spreadsheets to load revenue allocation budgets into your accounts in BPM shortly. Please verify the share of these revenues budgeted in the account and object codes specified and budget the related expenditures equal to the estimated revenues in the same account. The accounts and object codes specified are the ones that Extended Studies will be posting the actual FY 2020 revenue allocations to. If you believe the estimated amount to budget or anything else related to this revenue allocation should be changed, please contact your college business officer. Your college business officer should then contact Dylan Baker at X55632 or dbaker@umd.edu to inform him of any changes. It is important to follow this process as the campus will need to ensure the revenue allocations balance to zero at the object code level. Following this process will avoid review questions and adjustments to your budget.

Please note, in FY 2020, the object codes for budgeting of summer/winter/freshman connection revenue are as follows:

0123 – Summer Term Revenue Allocation

0124 – Winter Term Revenue Allocation
0128 – Freshman Connect Term Revenue Allocation

Anything budgeted in the old revenue allocation object codes (9939, 9940, and 9941) should be zeroed out as, in FY 2020, no actuals should be posted to these object codes.

D. Other Departmental Revenues

To ensure your financial plans are appropriately budgeted and the campus overall is adequately budgeted, we encourage you to budget the revenues you anticipate to receive in FY 2020 along with the related expenditures (in equal amounts).

1) Tuition and Fees

If your college has tuition and fees revenues, please remember to budget projected revenues and also budget related expenditures equal to the projected revenues. For state-supported tuition and fees, please use object code 9936 (Adm O/H Entrprn Pgms) for approved entrepreneurial revenue sharing academic programs to record the institutional percentage share of gross tuition and fee revenue for on-campus (15%) and off-campus (10%) entrepreneurial activities. Please note that entrepreneurial revenue sharing will continue to be budgeted on object code 9936. Colleges will need to add any adjustments to this amount in the Expense/transfer section of ***Attachment F – FY20 Working Budget Tracking Sheet.*** BFA will review the amount for reasonableness after the college completes its budget and will ensure this transfer object code balances to zero at the campus level.

2) Gift Revenue From Foundation

Anticipated gift revenue from the Foundation that you expect to post in your unrestricted accounts should be posted in object code 0360 (Gift Revenue from UMCP Foundation) along with the related expenditures.

3) Miscellaneous Revenues

As much as possible, please budget in the object code that best describes the revenue and also remember to record the actuals using the same object code when they are received. The revenue screen in BPM WB provides the FY 2018 actuals for your reference on prior year's activity and also has a drop-down screen to add new lines to record budget on object codes not previously used.

E. Non-Budgetable Accounts

Nearly all accounts are now budgetable by units in BPM WB. The only exceptions are Cost Share accounts (those beginning with 22 or 23), Maryland Industrial Partnership (MIPS) (those beginning with 292), and (for most units) contract and grant accounts (those beginning with 4 or 5).

Cost share accounts are state-supported accounts. They are currently not budgetable within BPM WB; however, the related budget for the activity on these accounts should be reflected

elsewhere in the division's state-supported budgets. Please remember these costs need to be covered by your division's state-supported budget.

MIPS accounts are currently not budgetable in BPM WB. Their activity is included in the state-supported budget of Engineering's Maryland Technology Enterprise Institute (MTEC).

In general, contract and grant accounts are not budgetable in BPM WB by the units. The only exceptions are certain accounts in the College of Agriculture and the Maryland Fire and Rescue Institute. Although not budgeted by the units, BFA currently develops a pooled budget to provide the university adequate spending authority with the State for this activity.

F.   State Operating Accounts

Under separate cover, BFA is distributing ***Attachment F – FY20 Working Budget Tracking Sheet***. The tracking sheets reflect any allocations provided to the college/division. After entering all changes in BPM, the college/divisional business officer must agree its state-supported budget in BPM WB to the state supported section of the tracking sheet and return it to BFA by May 22, 2019.

G.   Non-State Unrestricted Accounts

1)   *Self-Supports (Accounts Beginning with "28" and "3"; and Extended Studies)*

Along with the Division of Extended Studies, accounts beginning with "28" and "3" are considered "self-supports". Please refer to ***Attachment G - Additional Instructions for Self-Supports and Self-Support Tracking Sheets***, which require units to submit self-support tracking sheets with their final budget. These units should continue to use object code 9934 (Admin Overhead – Self supports) for their overhead charge.

2)   *Other Non-State Unrestricted Budgetable Accounts (DRIF, Educational and General – Designated)*

a)   Designated Research Initiative Funds (DRIF) *(*Accounts Beginning with 293)

The college's or division's FY 2020 DRIF allocation is included in ***Attachment H – FY20 Working Budget Tracking Sheet***. Each division should budget the college-level DRIF revenue allocation in object code 0416 – Indirect F&A Cost Internal. Distributions of the DRIF revenue within the college should be budgeted using a new object code 0417 – DRIF Allocation. When balancing the CBO should verify that 1) amounts budgeted in object code 0416 equal the amount on Attachment H and 2) amounts budgeted in 0417 balance out to zero within the division.

The college or division may either record the revenue side of the allocation in a separate DRIF revenue account, as has been done in the past, or budget the DRIF revenue in each of the accounts that has the related expenditures budgeted in them. While not mandatory in FY 2020, it is highly recommended that DRIF accounts be budgeted as self-balancing. Self-balancing means that the combination of revenues, expenditures and transfers sum to zero.   Departments should consult their college

or divisional business officer for college-specific instructions.

b) <u>Educational and General Designated – Other (Accounts Beginning with 294/295) and Other Unrestricted (Accounts Beginning with 9 in major fund source 40):</u>

Users are required to directly budget these accounts. We are requiring that each account be balanced meaning the account total should be a net zero; (i.e. the combination of revenues, expenditures and transfers must be zero when summed together.)

H. Budgeted Growth or (Use) of Fund Balance

Budgeting of growth or (use) of fund balance is permitted on both state and non-state accounts. If, after budgeting all the expenditures, transfers, and revenues expected in FY 2020, the unit determines that it is projected to add to (grow) or subtract from (use) fund balance, the unit may budget this plan in BPM. Units should consult with their college or divisional business officer prior to doing so. It is generally not advised to include an entry for growth of fund balance (object code 0966) in state operating accounts. Please contact your respective Vice President before making this entry in BPM.

In these situations, please budget in the following object codes, as appropriate:

Example	Object Code	Budget a Positive or Negative Amount
The department expects to receive funding in FY 2020 but anticipates spending some or all of it in future years. For example, a faculty member receives "start-up" funds in FY 2020 but expects to spend it over a three-year period.	**0966** – Budgeted **Growth** of Fund Balance	**Positive** For the amount of funding **not** expected to be **expended in FY 2020; i.e., revenues exceed expenditures**
The department expects to spend into funding received in years prior to FY 2020. For example, a faculty member received start-up funds in FY 2019 and did not spend it all in FY 2019, and expects to spend some or all of the remaining funds in FY 2020.	**0968** – Budgeted **Use** of Fund Balance	**Negative** For the amount of funding **from prior** years expected to be **spent in FY 2020; i.e., expenditures exceed revenues**

Please note that budgeting a growth or use of fund balance requires an offset to other expenditures and/or revenues so that the budget remains in balance. All accounts must net to zero; i.e., the combination of revenues, expenditures and transfers must be zero when summed together. For state-supported accounts, the college's or division's net state-supported budget cannot change as a result of recording budgeted growth or use of fund balance.

VI. REVIEW CHECKLIST

The review checklist is being collectively reviewed and updated. We plan to issue the review checklist in the near future.

ATTACHMENTS:

- ➢ A - Salary Guidelines *(Pending)*
- ➢ B - Stipend Levels for Graduate Assistants and Fellows for FY 2020
- ➢ C - Probation Rules for Regular Status Non-Exempt Employees (under separate cover)
- ➢ D - Non-Exempts – Probation Scheduled to End Between April 14th and June 30th (under separate cover)
- ➢ E - Review Checklist *(Pending)*
- ➢ F - State-Supported Tracking Sheet (under separate cover)
- ➢ G - Additional Instructions for Self-Supports and Self-Support Tracking Sheets (under separate cover)
- ➢ H - Provost Allocations (under separate cover)