



FY 2018 Budget Process and Guidelines

OVERVIEW

ASU's budget and forecast processes are designed to improve the accuracy of the Annual Budget submission to the Arizona Board of Regents.

The preliminary timeline for ASU's FY 2018 budget process begins with a March 8 opening for university-wide budgeting in STAR and ends with a May 26 closing date for budget entry. Preliminary FY 2018 Planned Commitments reports will be available in STAR on March 6. FY 2018 Planned Commitments reports will be updated periodically as resource allocation decisions warrant. Preliminary FY 2018 Budget Allocation and Balancing Reports also will be available on March 6 pending any delay resulting from legislative or institutional uncertainty.

The FY 2018 budget and forecast process timelines call for an April 11 deadline for input of FY 2017 3rd quarter forecasts, an April 26 deadline for input of all tuition and fees, a May 26 deadline for all budget input, budget input review time in June and completion of all FY 2018 budgeting in time for loading budgets to Advantage in early July.

ABOR is scheduled to approve FY 2018 tuition and fee rates at the April 6-7 meeting.

WHAT'S NEW FOR FY 2018?

Negative Operating Margins and Deficit Budgets

Beginning with the FY 2018 budget process, greater emphasis will be placed on plans for addressing negative operating margins and deficit budgets. At the budget unit level, in instances where budgeted expenses including net transfers exceed budgeted revenues (i.e., a negative net operating margin) a written plan for addressing the shortfall and drawdown of fund balances on an ongoing basis must be submitted and approved by the Executive Vice President and University Provost (for academic units) or Executive Vice President, Treasurer and CFO (for non-academic units) prior to the completion of the FY 2018 budgeting process.

Early Deadline for Unit Entry of Tuition and Fee Revenues

As stated above, in the Overview section, this year's deadline for input in STAR of all FY 2018 tuition and fee revenues is April 26.

WHAT'S CHANGING FOR FY 2018?

ERE Rates

ASU has proposed the following FY 2018 ERE rates to the Department of Health and Human Services (DHHS) and is awaiting word on the final approval (the current rates are shown in parentheses):

Faculty - **27.1%** (28.9%)
Staff - **35.7%** (37.4%)
Non-Benefits Eligible (includes LMT category employees) - **9.2%** (10.0%)
Student (non-work study) - **1.1%** (0.6%)
RA/TA (excludes tuition remission) - **10.2%** (14.3%)
Post Doc - **25.8%** (16.3%)

Note: Units that employ Federal Work Study students must cover 100 percent of the ERE associated with the student wage costs. The budgeted ERE rate in this situation is 3.67%.

FY 2018 Budget Allocation and General Operating Appropriations Balancing Reports will reflect the incremental change to the FY 2017 budgeted ERE based on the proposed FY 2018 rates.

Student Wage Increases

No decision has been made regarding changes in student wage rates as of March 6, 2017. Units should follow direction if and when any decisions are made and communicated.

Risk Management Insurance

Due to a \$2.3 million (23%) increase to ASU's Risk Management Insurance Premium, the Risk Management insurance rate will increase to 1.2 percent for FY 2018.

Network Communications (Netcomm) Charge

The Network Communications (Netcomm) rate for FY 2018 will remain at 1.6 percent.

Research Assistant/Teaching Assistant (RA/TA) Tuition Remission

For the first time, beginning with the 2015-2016 academic year, the Arizona Board of Regents approved differentiated academic year 2015-16 tuition rate increases for non-resident domestic (4.0%) and non-resident international (10.9%) graduate students.

As a result of the differentiated rates, the weighted average rate increase for all Research and Teaching Assistants and Associates was 6.6 percent. Recognizing the significant impact to departments that such an increase would cause, an effort was made to mitigate the impact to departments by limiting the tuition remission increase to 3 percent in FY 2016, with plans for a more substantive and necessary increase for FY 2017. The RA/TA tuition increase for FY 2018 will be determined as soon as FY 2018 tuition rates are known, and will be communicated as soon as possible thereafter. The new rates will become effective with the start of the Fall 2017 semester.

OTHER FEATURES FOR FY 2018

All Funds Budgeting

OPB will continue its efforts to produce a comprehensive All Funds annual budget that accurately depicts projected revenues and expenditures. All individual accounts in the 1XXX, 2XXX, 4XXX, 5XXX and 9XXX fund groups should be budgeted in STAR, unless they are associated with an APPR account (and the APPR account is budgeted). All planned activities must have an associated budget. As has been the university's long standing practice, 1) all state accounts, 2) all local accounts receiving a general university local fund subsidy, and 3) all local accounts having actual, estimated or projected annual expenditures and/or transfers out of \$100,000 or greater will be loaded and controlled at the appropriation unit level within Advantage. All General Purpose Fund accounts will be budgeted and controlled at the appropriation unit level in Advantage.

FY 2018 Budget Allocations

Preliminary FY 2018 Planned Commitments reports and FY 2018 Budget Allocation and Balancing Reports will be available for review in the SFA folder in STAR on Monday, March 6. Planned Commitments reports include known changes to FY 2017 base budgets. Planned Commitments reports will be updated as decisions are made and ultimately will serve as the formal record of all incremental allocations for FY 2018. The report contains known incremental changes to base General Operating Funds budgets as well as known allocations of local funds.

The final FY 2018 Budget Allocation and Balancing Reports reflecting all known changes and commitments to FY 2017 base budget amounts are scheduled to be available in the SFA folder in STAR on May 15. The reports will contain known incremental changes to base General Operating Funds budgets including incremental ERE based on proposed FY 2018 ERE rates.

Please note that all Strategic Initiative Funds (SIF) that are not a permanent base addition to a budget will be treated as temporary, even if that funding is continuing from FY 2017 to FY 2018. In these instances you will receive documentation as to the expiration of SIF for FY 2017 and the reinstatement of the temporary funding for FY 2018.

Budgeting Options

- Because STAR provides the flexibility to track budget allocations over time, units will continue to have the ability to build temporary allocations into their budgets up front and thereby eliminate the need to process temporary transfers. Reports within STAR enable units to see the duration of temporary allocations and plan accordingly.
- The FY 2017 base General Operating Funds operating budget will be the starting point for calculating the new FY 2018 base. The calculation will take into account known changes, including allocations for incremental ERE based on the FY 2018 rates, additions such as Provost planned allocations to meet enrollment goals, approved changes for continuing initiatives and new initiatives for FY 2018, reductions from the base for initiatives that have ended, and all other known changes.
- Allocations for the following items will be handled as they were for FY 2017:
 - F&A distributions
 - Faculty Start-Up
 - Summer Sessions Residuals Transfers. As a reminder, units should not budget summer session residuals as revenues in Summer Session Residual or other fund 4XXX accounts. Rather, summer session residuals are to be budgeted as Transfers- in.
- Costs for the following items will continue to be funded from centrally held resources:
 - Tuition-Based Financial Aid
 - Central Plant funds (major and minor capital project funding)

Colleges, Schools and research centers will continue to receive Facilities & Administration (F&A) funding based on their sponsored project activity, as determined by Knowledge Enterprise Development.

Budgeted Beginning Balances

The FY18 Financial Operating Budget Input Schedule is designed to pull 2018 Total Working Budget Beginning Balance from the FY 2017 Year End Forecast Ending Balance. As a starting point, forecasted ending balances for FY 2017 have been copied to budgeted beginning balances for FY 2018. To facilitate the process of revising forecasts in order to generate an updated 2018 Total Working Budget Beginning Balance, the forecast input schedule has been added as a separate tab in the same workbook as the budget input schedule. Guidelines and instructions for inputting forecast changes remain posted on the OPB website.

Object Level Budgeting

With the exception of ASU Foundation revenue, which is budgeted at the six digit sub-object level, revenues are budgeted at the four digit object level. Budget entry at the four digit object level enables ASU to meet ABOR's reporting and analysis requirements for reporting of revenue at a detailed level. Instructions for budgeting at the four digit object code level can be found on the budget input schedule and will be emphasized in STAR budget training.

OPB will continue to enter centrally budgeted tuition revenues with units being responsible for budgeting all other differential tuition, as well as all program, class and mandatory fees. As a reminder, units should not budget summer session residuals as revenue. Rather, summer session residuals are to be budgeted as transfers.

Like revenues, which are budgeted at the four digit object level, Utilities (7350) and Capital(ized) Equipment (7810, 7880, and 7890) also are budgeted at the four digit object level. The option to budget other All Other Operating expenses at the six digit sub-object level (6-digit expenditure codes) is available, although not required.

Personal Services and ERE (except RA/TA Employee Tuition Benefit) are pulled into the Financial Application from the Salary Application Input Schedule. Direct Cost of Sales and Financial Aid will continue to be budgeted at the Appropriation Unit Code level.

Budgeting General Purpose Funds

The requirement to budget General Purpose Funds within specific general purpose fund accounts continues for FY 2018. As a reminder, the budgeting of transfers to/from General Purpose Funds is limited to accounts that reside within General Purpose Funds. General Purpose Funds include:

- General University Funds
- Special Class Fee Funds
- Program Fee Funds
- Differential Tuition Funds
- Mandatory Student Fees Funds (excluding AFAT Restricted Funds)
- Designated Financial Aid Funds
- Facilities and Administration (F&A Funds)
- Bidesign Institute Research Start-up Funds
- Academic Start-up Funds (centrally supported)
- Administrative Services Charge Funds

General Purpose Funds can be transferred only to local accounts associated with General Purpose Funds in Advantage, to ASC accounts in fund group 5110, to Plant Fund accounts, and to Sponsored cost share obligation accounts. New ASC accounts will be coded as General Purpose Funds in fund group 5112. Newly established General Purpose Fund accounts will be budgeted, or controlled, at the appropriation unit level in Advantage.

Non-General Purpose Funds sources (revenues and transfers-in) should not be posted to General Purpose Fund local accounts. As an alternative to account transfers, expense transfers will be permitted to and from General Purpose Fund local accounts.

Financial Services will assist units with setting up General Purpose Fund accounts in Advantage as needed.

Establishing and Budgeting Gift Only Accounts

Several years ago gifts to ASU became subject to a 5% allocation of gift funds for university initiatives. Coinciding with this change gifts accounts were exempted from paying ASC and departments were instructed to establish Gift only accounts in Advantage. As a reminder, in order to be exempt from ASC, gifts are the only allowable revenue source for these accounts. Units are not to budget any object codes

in Gift accounts other than 5310, 5320, 5330, 5340, 5390 or 539005. For more information refer to http://www.asu.edu/fs/documents/ASU_Gift_Policy_Change.pdf and http://www.asu.edu/fs/documents/ASU_Gift_Matrix.pdf.

Salary and ERE Budgeting

FY 2018 salary budgeting will occur in STAR. To prepare for salary budgeting, please enter changes in PeopleSoft to update the information that will be pulled into STAR. Units are asked to pay careful attention that all Positions and Employees are associated with the correct EmplClass, as these are used for determining the applicable ERE rate.

ERE for each budgeted salary entry will calculate in the STAR salary budget input schedule. ERE will be displayed for your information on each line, and will be summarized at the top of the salary input schedule. Total ERE by account also will be displayed on the financial budget input schedule.

As in past years, units are responsible for covering the cost of incremental ERE associated with new FY 2018 commitments and/or changes to the FY 2017 base budget amounts involving personal services.

FTE Positions Budgeting

The budgeting process for FTE positions is unchanged but will include an added emphasis on maintaining the personal services/FTE relationship. For Joint Legislative Budget Committee (JLBC) reporting purposes an accurate budgeted FTE position count is crucial. **All** budgeted personal services shall include associated FTE with two exceptions, student wages (General Operating or local) and personal services entered on the Salary Input Schedule on Group Position SV99999 (Summary - Non ERE Supp. Pay Codes). The salary budget input schedule instructions will contain more information relating to FTE budgeting for FY 2018.

RA/TA Employee Tuition Benefit Flat Rate and General Purpose Expense Transfer - Codes 720048, 720049 and 720040

As part of the process of establishing General Purpose Fund accounts, Financial Services set up college level Research Assistant and Teaching Assistant (RA/TA) tuition benefit accounts in General Purpose Funds. Amounts for RA/TA employee tuition benefits should be budgeted on the code 720048 (RA Employee Tuition Ben Flat) and code 720049 (TA Employee Tuition Benefit Flat) lines of the budget input schedule. Colleges may budget and transfer funds from the college level accounts to departmental accounts within General Purpose Funds. Alternatively, colleges may expense transfer RA/TA tuition benefit expenses between departmental accounts and college level accounts using code 720040 (RA/TA Gen Purpose Exp Tfr). Transfers between college level RA/TA tuition benefits accounts (within the General Purpose Fund) and X994 or X997 accounts (outside General Purpose Funds) are not allowed and will not be processed by Financial Services.

Transfers In and Out Budgeting

The FY 2018 Local Budget Transfers In/Out input process is designed to improve reporting capability and balancing of transfers in and out, and to achieve a single system of record for budgeted transfers. The FY18 Transfers Checker report was designed to allow users to confirm that budgeted transfers in and out match. A new report, Transfers Fund Match Checker, was designed to allow users to confirm that budgeted transfers meet fund transfer guidelines (general purpose funds to general purpose fund accounts, etc.).

Budget Reports

During last year's budget process the Office of Planning and Budget (OPB) introduced two new reports, a Budget Variance Explanations report and a Financial Plan Review report, that were intended to help inform users of the completeness of their budget entry.

The Financial Plan Review report displays a five year history of actual results, the current year Original Budget and the current Forecast. The Budget Variance Explanations for FY 2018 report compares FY 2018 Total Working Budget (the recently inputted budget) to FY 2017 Total Original Budget and to FY 2017 Total Year End Forecast.

Users are encouraged to run the Financial Plan Review report and compare the actual line item results to the most recent forecast to validate the reasonableness of the forecast. Doing so should either confirm that the forecast line items are reasonable or identify line items needing further review. The Financial Plan Review report is not available in STAR but can be provided to all users who desire to use it.

The purpose of the Budget Variance Explanations for FY 2018 report is to further validate the reasonableness of FY 2018 budget input. Running this report and preparing variance explanations prior to the May 26 deadline for budget input will give users a chance to make last minute changes to their budget entry if warranted. Budget variance explanations for colleges/schools/VP areas should be submitted by June 1.

OPB believes the use of the two reports has the potential to reduce departmental budgeting time and effort by eliminating the need to make budget changes in Advantage after the FY 2018 budget load.

Budget Input and Forecasting Training

STAR Admin will continue to present in-person training sessions to introduce new users to STAR and will offer both in-person and online budget and forecast input training to familiarize budgeters to updated budget input schedules. Training is scheduled to begin on Wednesday, March 9. In order to have their write access activated for FY 2018 budget input, all STAR Budget Input users must complete either an in-person STAR Budget Input training session or the optional online training in Blackboard, which involves an assessment (quiz) at the end.

TIMELINE / DELIVERABLES

STAR Admin will offer training sessions to the new user community to introduce the salary budget and budget input processes beginning in mid-March.

The FY 2018 budget process calendar is attached. The following are planned key dates:

- Preliminary FY 2018 Planned Commitments Reports and preliminary Budget Allocation and General Operating Appropriations Balancing Reports posted in STAR - March 6
- STAR opens for FY 2018 Salary, Financial and Transfers budgeting - March 8
- Unit deadline for input of FY 2017 3rd quarter forecasts - April 11
- Unit deadline for input of all FY 2018 tuition and fee revenues - April 26
- Final FY 2018 Planned Commitments Reports and Budget Allocation and Balancing Reports posted in STAR - May 15
- Unit deadline for completion of salary and budget input in STAR - May 26*
- Unit deadline for completing FY 2018 Budget Variance Explanations - June 1
- OPB sends budget load files to Financial Services - June 23
- Financial Services loads FY 2018 budgets to Advantage - June 26 thru June 30

** The May 26 budget input deadline assumes VP and College Business Officer review and approval of budgets prior to their input into STAR.*