October 30, 2015

Memorandum

To: Department Heads and Business Managers
From: John Clements, Assoc. Vice President, Budgets and Central Business Operations
Subject: FY 16/17 Budget Instructions

Enclosed are instructions for the FY 16/17 budget development process. Your budget request for FY 16/17 should reflect your department's fiscal requirements for all anticipated operating activity and be submitted for review to your appropriate budgetary official as specified in Attachment A. Please note that careful attention to the details outlined herein is necessary to accurately report and request approval of the University’s annual operating budget to the Board of Trustees in May.

The FY 16/17 budget guidelines, as well as information specific to the budget tool (PBF), are outlined in Attachment B. We encourage everyone involved in the budget preparation process to review all of the instructions in the enclosed attachments.

More detailed information pertinent to targets and deadlines will be communicated by your management center. If you have any questions that are not addressed in the attached instructions, please contact your management center budget office. Thank you in advance for your participation in the budget development process.
APPROPRIATE BUDGETARY OFFICIALS

President's Office

................................................................. Richard H. Brodhead

Academic

................................................................. Sally Kornbluth
Jim Roberts
Amy Oates

School of Medicine

................................................................. Billy Newton
Ellen McCarthy Steinour
Jessica Habecker

Central Administration

................................................................. Tallman Trask III
Tim Walsh
John Clements

MANAGEMENT CENTER OFFICE NUMBERS

Office of Budgets and Analysis

................................................................. 684-5804

School of Medicine Finance & Resource Planning

................................................................. 684-6288

Academic Financial Services & Systems

................................................................. 684-3501
PBF DATA ELEMENTS - Please note the following:

- PBF allows you to simulate different budget scenarios with 2 distinct budget versions (A & B). Version A is considered the official version and will be routed for budget review and approval. Version B can be used to simulate different scenarios of your budget as needed. Copy/Swap functions facilitate moving data between versions A & B. Please be careful when running these functions, as the copy/swap functions will overwrite any existing data that is contained in the version that is being copied or swapped.

- Actuals will be updated in PBF on a monthly basis during the budget development process. This update will occur after each R3 month-end close, consistent with Accounting System Administration published reporting dates. Year-end projections (fall/spring/working) will be reflected in certain PBF reports as updates are made throughout the budget development cycle.

- Position budgets for filled positions have been pre-loaded based on the current actual salary and associated cost distribution for the incumbent. The payroll data loaded into PBF will be updated through the month of November. Beginning December 1st, you will need to manually update for any changes to payroll (e.g. rate increases, new hires, terminations, etc.) that occur during the budget development process.

- New positions created in PBF are assigned a budget-only position number that begins with the number 9. Officially, position numbers begin with the number 5 and are assigned by SAP when the position is created in HR. If a position was created last year in PBF and has not yet been created in SAP, you will have to re-create that position in PBF if the position is still desired. Additionally, budgets for vacant positions will need to be added manually into the layout with the associated cost distribution, FTE, and amount.

- The position budgets for biweekly employees will be calculated in PBF by multiplying the Current Hourly Rate x FTE % x 2,080 hours.

- Fringes are set globally in PBF and calculate automatically for G/L accounts 610000, 610100, and 619900. The fringe benefit rates for FY 16/17 are currently projected as follows:

<table>
<thead>
<tr>
<th></th>
<th>Applied To All Funds 6100</th>
<th>Applied To Non-Govt. 6101</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty/Staff</td>
<td>24.5</td>
<td>2.0</td>
<td>26.5</td>
</tr>
<tr>
<td>Biweekly</td>
<td>22.7</td>
<td>0.5</td>
<td>23.2</td>
</tr>
<tr>
<td>House Staff/Post Docs</td>
<td>18.3</td>
<td>-</td>
<td>18.3</td>
</tr>
<tr>
<td>Graduate – PhD</td>
<td>11.3</td>
<td>-</td>
<td>11.3</td>
</tr>
<tr>
<td>Students</td>
<td>7.7</td>
<td>-</td>
<td>7.7</td>
</tr>
</tbody>
</table>

The attrition provision of 2.5%, and associated fringes, calculates automatically when your biweekly payroll G/L accounts total $80,000 or greater. For information on how to restore the attrition provision, please contact your management center.

- Budgets for distributed and general and administrative expenses (G/L accounts 900100-901200) are not pre-loaded. However, we do anticipate increases primarily associated with the salary pool guidelines and fringe benefits described herein, as well as an increase in the cost of utilities. More information on utilities and the corresponding impact on space rent will be available in early January. For more specific help on budgeting for these items, please contact the Office of Budgets & Analysis.
- Projected endowment income distributions have been pre-loaded into the recipient funds on G/L account 311100. The pre-loaded amounts are based on current units in the LTP as of 10/1/15 and reflect the projected income to be distributed for spend in FY 16/17. For non-financial aid endowments we are projecting a 3% increase in the spending rate per unit, while spending rates for financial aid endowments are projected to remain flat.

**BUDGET SPECIFICS** - Please note the following:

1. **ALL FUNDS** – As in the past, departments are required to budget operating activity across all funds, which include: current unrestricted (1xx), restricted (3xx), allocated (4xx), quasi-endowment (66X), and plant funds used for operating activities (i.e. capital renewal (74x), indebtedness (769x)). Other plant fund activity, i.e. construction projects (72X) and deferred maintenance (75X) should be budgeted separately as part of the capital budgeting process. Departments are not required to build the budgets for their non-current unrestricted activity on each individual fund, rather an aggregate approach is allowed. However, please remember the board reports are consolidated at the G/L account summary level. The all funds budgets should be built with this in mind in order to ensure the consolidated financial reports are as accurate as possible.

   For your convenience, a set of board reports are included in the summary reports section in PBF. These reports are in the same format as the financial reports distributed to the Board of Trustees and should be utilized to help consolidate and analyze your budgets in the same format as that which will be done at your Management Center budget offices.

2. **APPROPRIATIONS AND TRANSFERS** – Please remember to consider all sides of your appropriations and transfers as you prepare your operating budget. Offsets should be entered using the “Filter Transfer/Offset” function in PBF. For additional information on how to complete this process, see the Non position section of the Budget Tool step-by-step section at the following link: [http://finance.duke.edu/systems/training/steps.php](http://finance.duke.edu/systems/training/steps.php). It is critical to budget both sides of all transfers so that we can eliminate any impact on a consolidated basis for the University.

3. **SPREAD CODES** – Budget spread codes are pre-populated in PBF and are based on current year spreads. The use of the ACT and 3YR spread codes in PBF will result in a spread in PBF based on the prior fiscal year close, since the current fiscal year is still in progress.

4. **MULTI YEAR PLANS** – PBF has been set up to allow all departments to complete up to 10 years of out year planning. Although multi-year planning is not an institutional requirement, it is required for some departments. (Please refer to your management center instructions for specific information.)

5. **NON-SALARY INFLATION ASSUMPTIONS** – Based on the University’s continued cost savings initiatives and the relatively low inflation over the past twelve months, no across the board inflationary increases are anticipated, with the exception of some targeted auxiliary and service center recharge rates (e.g. parking, VoIP, and utilities). Departments should anticipate a 10% increase in parking permit rates. VoIP rates are expected to increase by approximately $0.30 per line in order to help offset the costs of related 911 emergency systems. As noted above, more information on utility rates and space rent will be available in early January.

6. **SERVICE CENTER RECHARGE RATES** – Rate increases may be necessary to help cover increasing costs of providing services. Federal reimbursement regulations require us to follow very specific guidelines for administering Service Centers and related pricing/charge-back mechanisms. For more information, please refer to [http://finance.duke.edu/accounting/gap/m200-300.php](http://finance.duke.edu/accounting/gap/m200-300.php).

**SALARY INFORMATION** – Please note the following:

- **SALARY POOL GUIDELINES FOR UNIVERSITY EMPLOYEES** – The recommended salary pool for budget purposes for both exempt and non-exempt (non-bargaining unit) employees is 2.5%. For
bargaining unit employees, please refer to the current bargaining unit agreements, incorporating any anticipated step increases based on milestone achievements.

- **PROPER USE OF G/L ACCOUNTS IN BUDGETING EMPLOYEE EFFORT** - Compliance with Federal OMB Circular A-21 requires precise assignment of G/L accounts in order to properly define each employee’s effort. Please ensure that employee salary and wages are budgeted on the appropriate G/L account. For specific help, refer to the following link:

- **SALARY RANGES** – Changes to existing pay ranges for FY 16/17 are under consideration. We will communicate range adjustments as soon as information is available. Job code pay ranges are not loaded in PBF. Please reference the following HR website for job code pay ranges:
  [http://www.hr.duke.edu/compensation/index.php](http://www.hr.duke.edu/compensation/index.php)

- **UNDERGRADUATE STUDENTS** - Payroll for undergraduate students (and any associated fringe benefits, if applicable) should be budgeted on the Student tab in PBF. Fringe benefits for students should be budgeted on G/L account 610500. Fringe benefits (FICA at 7.7%) should only be budgeted on Duke Students working during the summer term who are not registered for classes. For non-Duke students (G/L account 609700), fringe benefits should be budgeted whether they are in class elsewhere or not.

- **GRADUATE STUDENTS** – Fringe benefits will be calculated for salaries budgeted on the G/L accounts used to pay RAs and TAs. Any amounts budgeted on these G/L accounts will be charged an 11.3% fringe benefit rate. The fringes will be automatically calculated in PBF and posted to G/L account 610700 for all affected cost objects. For more detailed instructions with respect to budgeting tuition remission, please refer to your management center.

- **SALARY SETTING** - Position budgets will be loaded into the SAP salary setting tool for use during the 7/1 salary setting process.