BACKGROUND
Recent and continuing ABOR requirements for the provision of highly detailed budget and forecast information are driving the need for institution-wide strengthening of our budgeting and forecasting efforts. ABOR asks each university to submit a Quarterly Financial Status Update Report with information for the current year and comparative data for the previous year. With financial data, the report includes explanations for significant differences between projected results and original budget figures as well as explanations for differences between projected results and last year’s actual performance.

The ABOR report format includes the following revenue line items: state appropriations, tuition and fees, grants and contracts, financial aid grants, private gifts, Technology and Research Initiative Fund (TRIF) revenues, auxiliary revenues, and other revenues. Expense line items include salaries and wages, benefits, all other operating, scholarships and fellowships, depreciation, and interest on indebtedness. Due to the increasingly detailed reporting and oversight requirements, improving the accuracy of forecasts and capturing a greater level of financial detail are necessary.

The purpose of this quarterly exercise is fourfold:
1) To provide accurate forecasts of revenues and expenses by line item for the university
2) To gain a greater understanding of the differences between year-end forecasts and FY16 state and local budgets as entered in STAR
3) To understand differences between forecasts and FY15 actual financial results, and
4) To provide an opportunity to maintain up-to-date budget information in STAR in anticipation of the FY17 budget process.

STAR Admin has developed a forecast input schedule that is similar to the schedule used for annual budgeting. Detailed instructions for using the Forecast Input Schedule are available online in the STAR Budget System Blackboard course.

Forecast Variance Explanations
For the first quarter forecast, we are asking senior fiscal administrators to provide variance explanations for forecasted revenues and expenses for their areas. Explanations should be submitted using the FY16 Forecast Variance Explanations workbook for your area provided by your assigned liaison in the Office of Planning and Budget. The first tab of the workbook compares FY16 forecasts to FY15 actuals, and the second tab compares FY16 forecasts to FY16 original budget.

In cases where forecasted expenses exceed revenues, please provide an explanation for the negative operating margin and resulting drawdown in fund balances. Fund balances are one-time in nature. Consequently, you should address how your area plans on dealing with the structural shortfall on an ongoing basis.

DEADLINES
To complete the forecast in time to provide Financial Services with projections used to inform the December 31 ABOR Quarterly Financial Status Update Report, the deadline for STAR input is Friday, January 8, 2016, for auxiliary units and Tuesday, January 12, for non-auxiliary units. Forecast variance explanations are due to the Office of Planning and Budget as soon as possible thereafter, but no later than Thursday, January 14.
GUIDELINES
In general, forecasts should be updated to reflect your best estimate of revenues and expenses by line item for accounts within your area. Estimates should be based on actual year-to-date amounts plus projected activity for the remainder of the year. Guidelines for specific line items follow.

B - Beginning Balance
The beginning balance amount in the Year End Forecast has been pre-populated with actual beginning balances. Consequently, forecast changes are not allowed for this line.

I - Transfers In
The Transfers In/Out Input Schedule is not used for the forecast process. Consequently, it is not necessary to provide updated details regarding transfers in. Forecasts should reflect actual year-to-date transfer amounts plus anticipated transfers for the remainder of the year. If you anticipate receiving a transfer from another unit, please confirm the amount with the offsetting entity. Overall, transfers in and out for the university as a whole should net to zero.

X - State Appropriations
For state accounts, State Appropriations in the Year End Forecast column reflect budget changes made in Advantage through the previous month. As a result, forecast changes are not allowed for this line item. Future budget changes will be updated once transactions have been approved and processed in Advantage. During quarterly forecast periods, State Appropriations will be updated on a daily basis.

T - Tuition and Fees
This line item includes on-campus and online tuition, differential tuition, special program fees, special class fees, mandatory fees, and other student fees. Summer Session residuals are transferred to units by the Provost’s Office and should be included on the I - Transfers In line.

Tuition and fee revenue was budgeted at the object level, so forecasts should be entered at the same level. Please ensure that tuition and fee revenue not included in the budget, but occurring in actuals, is reflected in the forecast.

G - Grants, Contracts and Gifts
Revenue from grants, contracts and gifts was budgeted at the object level and forecasts should be entered at the same level. Please ensure that revenue not included in the budget, but occurring in actuals, is reflected in the forecast. As with budgeting, private gift revenue from the ASU Foundation should be forecasted separately on the 539005 – ASU Foundation line in the Forecast Input Schedule.

539005 - ASU Foundation
This line enables the university to budget and forecast private gift revenue received from the ASU Foundation separately from other sources. Please ensure that revenue not included in the budget, but occurring in actuals, is reflected in the forecast. If ASU Foundation revenue was included in the budget for private gifts, please adjust the amount on the 5390 – Private Gifts line.

J - Technology & Research Initiative Funds
Technology and Research Initiative Fund revenue is derived from a percentage of state sales tax revenues. Forecasts for this revenue source are entered by the Office of Knowledge Enterprise Development and the Office of Planning and Budget. Other units should not enter forecasts for this line item.

S – Sales and Services
Sales and services revenue was budgeted at the object level. Forecasts should be entered at the same level. Please ensure that sales and services revenue not included in the budget, but occurring in actuals, is reflected in the forecast.
M – Miscellaneous and Other
Miscellaneous and other revenue was budgeted at the object level and forecasts should be entered at the same level. Please ensure that miscellaneous and other revenue not included in the budget, but occurring in actuals, is reflected in the forecast.

H – Other Additions
This line item includes endowment and investment income posted to accounts. This revenue was budgeted at the object level and forecasts should be entered at the same level. Please ensure that revenue not included in the budget, but occurring in actuals, is reflected in the forecast.

O – Transfers Out
The Transfers In/Out Input Schedule is not used for the forecast process. Consequently, it is not necessary to provide updated details regarding transfers out. Forecasts should reflect actual year-to-date transfer amounts plus anticipated transfers for the remainder of the year. For anticipated transfers to accounts within your area, please ensure the forecast includes corresponding transfers in. Overall, transfers in and out for the university as a whole should net to zero.

P – Personal Services
The forecast for personal services should include salaries and wages paid to date plus estimated salaries and wages for the remainder of the year. As a result of vacancy savings, projected salaries and wages may differ significantly from budgeted amounts.

Year-to-date information compared to prior year experience may be helpful in projecting salaries and wages for the current year. Both the Monthly Year-end Forecast Report and the Monthly Budget Forecast Report (Entity) can be used to view actuals including encumbrances for personal services. These reports are discussed below in the “Pertinent STAR Prep Info” section.

E - Employee Related Expenses (ERE)
If forecast changes are made to personal services, changes should be made to ERE as well. The Forecast Input Schedule does not calculate ERE automatically. Current ERE rates are as follows: 28.7% for faculty, 40.6% for staff, 25.0% for post-doctoral scholars, 11.0% for non-benefits eligible positions, 12.6% for RAs/TAs, and 1.7% for student wages. To avoid detailed calculations by position, you may use the actual year-to-date ERE rate for the account to estimate ERE. This rate can be calculated by dividing actual ERE by actual personal services for the current year and then multiplying the resulting rate by personal services to arrive at a projected ERE figure. This approach assumes the mix of positions remains the same during the rest of the year. So, if you anticipate a change in position types, you will want to take this factor into consideration when developing your projection.

Expenses for TA/RA employee tuition benefits are entered on separate lines on the Forecast Input Schedule.

720049/720048/720040 – RA/TA Employee Tuition Benefit Flat
Amounts for RA/TA employee tuition benefits should be projected on these lines. The current flat rate for RA/TA tuition remission is $14,632 per academic year for 0.5 full-time equivalent or greater positions.

The 720040 – RA/TA General Purpose Expense Transfer line is used for expense transfers between accounts. The college dean’s office receives general purpose funding to pay for research assistant/teaching assistant tuition benefits in a general purpose fund account. RA/TA benefits are paid from a non-general purpose fund account. The dean’s office may fund the RA/TA Tuition Benefit accounts (orgs with the x994 or x997 configuration) through expense transfers using code 720040 -
RA/TA General Purpose Expense Transfer. Transfers in and out between these accounts cannot be processed, since the RA/TA Tuition Benefit accounts reside outside of the general purpose fund code.

A – All Other Operating
All other operating expenses were budgeted at the object or expenditure code level. Please enter updated forecasts at the same level as budgeted. Expenses for utilities and capital equipment should be entered on separate lines in the Forecast Input Schedule. Forecasts for other operating expenses can be entered on the A_Input – Other All Other Operating line.

In many instances, actual operating expenses are less than budgeted amounts. So please ensure the forecast reflects an accurate assessment of projected expenses for this line item.

7350 – Utilities
Please ensure that utilities not included in the budget, but occurring in actuals, are reflected in the forecast. If utility expenses were included in the budget for other operating expenses, please adjust the amount on the A_Input – Other All Other Operating line.

7810 – Capital Equipment
Please ensure that capital equipment expenses not included in the budget, but occurring in actuals, are reflected in the forecast. If capital equipment was included in the budget for other operating expenses, please adjust the amount on the A_Input – Other All Other Operating line.

790001 – Administrative Services Charge (ASC)
The Forecast Input Schedule does not automatically calculate ASC. For material changes to personal services, ERE, utilities, capital equipment, and other operating expenses, please adjust the ASC forecast accordingly. The current ASC rate is 8.5% of applicable expenditures.

ASC allows local agency/orgs to share in the cost of university administrative services that benefit local agency/orgs. ASC is not charged to state accounts. Please see FIN 206: Administrative Services Charge for university policies regarding ASC.

731012 – Risk Management Insurance Assessment
The Risk Management Insurance Assessment distributes the cost of self-insurance provided by the State of Arizona to university activities. The Forecast Input Schedule does not automatically calculate the Risk Management Insurance Assessment. For material changes to personal services, please adjust the Risk Management Insurance Assessment accordingly. The current risk management rate, which applies to local accounts only, is 1.1% of personal services.

731020 – Technology Fee
The Forecast Input Schedule does not automatically calculate the Technology Fee (or network communications charge). For material changes to personal services, please adjust the Technology Fee accordingly. The current Technology Fee, which applies to both state and local accounts, is 1.4% of personal services.

D – Direct Cost of Sales
Typically, this line item is used by auxiliary activities to record the cost of goods purchased for resale to another party. This line item should not be used for state accounts.

F – Financial Aid
This line item includes grants and scholarships, stipends, and other student support paid on behalf of students for which services are not required. These kinds of expenses are not permitted on state accounts and therefore should not be included in the forecast for state accounts. If financial aid or
student support expenses were included in the budget for other operating expenses, please adjust the amount on the OTHR – Other Operating Expenses line.

Pertinent STAR Prep Info
A useful tool for this forecast exercise is the STAR Monthly Year-end Forecast Report which summarizes your unit’s:
- FY16 Original Budget
- FY16 Year End Forecast
- FY16 Year-to-Date Actuals
- FY15 and FY14 information

This report is found in STAR’s internal web report directory in the Financial application as illustrated below:

A helpful companion report to the Monthly Year-end Forecast Report is the Monthly Year-end Forecast Report (Entity in Rows), which can be found in the same location. For the line item (or object) selected in the EPM Context, this report shows all accounts containing data for that line item. The columns in the report are the same as the Monthly Year-end Forecast Report.

User Access
Budget unit senior fiscal administrators (SFAs) should review their STAR User list prior to the forecast exercise to update user access. All STAR users with Budget Financial write access also have Forecast Financial access. Salary detail (data in the Salary application) and Transfer detail (data in the Transfers
application) are not updated in the quarterly forecast. To update salary and transfer information, simply input directly into the Forecast Input Schedule (as described above).