OVERVIEW

ASU’s budgeting and forecasting processes are designed to support the preparation of the Arizona Board of Regents (ABOR) annual Operating Budget and Quarterly Financial Status Update Report submissions.

Budget Input and Forecast 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 with budget input schedules. Training (non-mandatory for current users) is scheduled to begin on Wednesday, March 6. All current STAR users will have their write access activated for FY 2020 budgeting purposes. In order to have their write access activated for FY 2020 budgeting, first-time STAR 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

Key steps and the planned timeline for FY 2019-2020 budgeting include:

- Preliminary FY 2020 Planned Commitments Reports and FY 2020 Budget Allocation and Balancing Reports posted in STAR - March 4
- Planned opening for FY 2020 budgeting - March 6
- Unit deadline for STAR input of FY 2019 3rd quarter forecasts - April 11
- Unit deadline for STAR input of all FY 2020 tuition and fee revenue estimates - April 26
- Final FY 2020 Planned Commitments Reports and Budget Allocation and Balancing Reports posted in STAR - May 13
- Unit deadline for completion of FY 2020 budget input in STAR - May 24*
- Unit deadline for submission of FY 2020 Budget Variance Explanations - June 3
- OPB begins FY 2020 budget review - June 5
- OPB provides FY 2020 budget load files to Financial Services – June 24
- Financial Services prepares FY 2020 budget load files for loading to FMS - June 26-28

* The May 24 budget input deadline assumes VP and College Business Officer review and approval of budgets prior to the deadline and is subject to change based on the timing of legislative, ABOR and internal university decisions.

RATES AND CHARGES FOR FY 2020

ERE Rates

ASU developed and has proposed the following 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 - 27.3% (27.3%)
Staff - 36.7% (36.1%)
Non-Benefits Eligible (includes LMT category employees) - 9.4% (9.4%)
Student (non-work study) - 1.1% (2.1%)
RA/TA (excludes tuition remission) - 7.1% (7.1%)
Post Doc - 22.7% (25.1%)

As a reminder, units that employ Federal Work Study students must cover 100 percent of the ERE associated with the cost of Federal Work Study student wages. The effective ERE rate in this situation is 3.7%.

Beginning in FY 2020, responsibility for incremental ERE changes for General Operating funds will be decentralized. The FY 2020 ERE rates will remain constant for Faculty, Non-Benefits eligible employees, and RA/TAs; the rates were reduced for Postdocs and Students; and the staff rate increased slightly, up 0.6%. With this change, units will no longer be prohibited from using ERE savings for other uses.

**Risk Management**

The Risk Management Insurance Assessment rate will be reduced to 1.10% for FY 2020 (a decrease of 0.15% from the FY 2019 rate of 1.25%).

**Network Communication (Netcomm)**

The Network Communication (Netcomm) charge is currently be evaluated. The FY 2020 rate will be announced as soon as it is known.

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

ASU develops an annual RA/TA Tuition Remission rate based on the weighted average rate increase for all Research and Teaching Assistants due to ABOR approved differentiated tuition rates for non-resident domestic and non-resident international graduate students. The current academic year RA/TA tuition remission rate is $16,672 ($8,336/semester) and the summer rate is $1,085. Once FY 2020 Academic year tuition rates are approved, the FY 2020 remission rate will be determined and communicated as soon as possible thereafter. The new rates will become effective with the start of the Fall 2019 semester.

**FY 2020 Budgeting**

**Tuition Treatment and Allocation of Appropriated Funds**

Similar to FY 2019 budgeting, academic units that receive General Operating Funds will enter General Fund budgets apart from appropriated tuition and fees budgets in STAR. The need to distinguish between General Funds and appropriated tuition and fees stems from recent legislation requiring the universities to establish, and report on, an appropriated tuition and fees fund separate from a non-appropriated tuition and fees fund. To facilitate this budgeting practice, the Budget Allocation and Balancing Report workbook consists of two tabs: one tab for the General Fund Appropriation and another for Appropriated Tuition Funds. The workbook is designed to allow users to monitor their progress toward budgeting to the total balancing figures for FY 2020.

**Budgeting by Campus**

Legislation that passed during the 2017 session and became effective for FY 2019 eliminated the requirement that the Polytechnic and West campuses be identified as separate budget units in the General Appropriation Act. However, the legislation requires the university to report to the Joint Legislative Budget Committee, the Governor’s Office of Strategic Planning and Budgeting, the Speaker of the House of Representatives, and the President of the Senate any revenues or allocations made to each ASU campus. Consequently, the Budget Allocation and Balancing Report will continue to require units to balance General Funds and appropriated tuition and fees by campus.
With the creation of a single budget for the university, we have greater flexibility in our ability to move resources between campuses. If units would like to propose reallocating funds between campuses, written requests with appropriate financial information and justification should be submitted by April 15. Requests from academic units should be submitted to Shelia Amlay, Vice Provost for Planning and Budget, and requests from VP units should be submitted to the assigned OPB liaison. Justification should address how the reallocation of funds between campuses will improve reporting of financial information by campus. Approved requests will be reflected as planned commitments on the Budget Allocation and Balancing Report by May 13.

**Negative Operating Margins and Deficit Budgets**

Emphasis continues to be placed on monitoring and developing 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 operating margin, budget units will be asked to develop written plans for addressing deficits and/or drawdowns of fund balances. Plans are to be submitted for approval to the Executive Vice President and University Provost (for academic units) or to the Executive Vice President, Treasurer and CFO (for non-academic units) by May 24, the scheduled close of FY 2020 budget input.

**All Funds Budgeting**

OPB will continue its efforts to produce a comprehensive operating budget that accurately depicts projected revenues and expenditures. All individual accounts in the following fund groups should be budgeted in STAR:

- FDH005 – GOP-General Operating
- FDH018 – Auxiliary
- FDH015 – Designated Unrestricted
- FDH004 – Financial Aid (Restricted)
- FDH014 – TRIF
- FDH009 – Other Restricted

All planned activities must have an associated FY 2020 budget entered in STAR.

**FY 2020 Budget Allocations**

Preliminary FY 2020 Planned Commitments reports and FY 2020 Budget Allocation and Balancing Reports were made available for review in the SFA folder in STAR on March 4. Planned Commitments reports include all known changes to FY 2019 base budgets, separately identified by fund source. Planned Commitments reports will be updated as decisions are made and ultimately will serve as the formal record of all incremental allocations for FY 2020.

Final FY 2020 Budget Allocation and Balancing Reports are scheduled to be available in the SFA folder in STAR on May 13.

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 2019 to FY 2020.

**Budget Allocations**

- 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 2019 Base Expenditure Authority will be the starting point for calculating the new FY 2020 base. The calculation will take into account known changes, including additions such as Provost
planned allocations to meet enrollment goals, approved changes for continuing initiatives and new initiatives for FY 2020, 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 2019:
  - 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 FDH013 – Summer Session 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 FY 2020 Financial Input Schedule is designed to retrieve 2020 Total Working Budget Beginning Balance from the FY 2019 Year End Forecast Ending Balance. As a starting point, forecasted ending balances for FY 2019 have been copied to budgeted beginning balances for FY 2020. To facilitate the process of revising forecasts in order to generate an updated 2020 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.

**Revenue and Spend Category**

Unlike FY 2019 budgeting which was completed in STAR using the Advantage structure, FY 2020 budgeting will use the new FMS structure. The Budget Input Schedule available in STAR uses the Revenue and Spend Category Hierarchies that are derived from the “Fiscal Year Operating Budget” budget structure. These hierarchies should look familiar as they are similar to the former Advantage Object codes, but are more granular in some instances.

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

ASU Foundation gift revenues should be budgeted in revenue category RCH0028 – ASU Foundation Gifts.

Personal Services and ERE (except RA/TA Employee Tuition Benefit) are pulled into the Financial Input Schedule from the Salary Input Schedule.

Users should budget Utilities (SCH0113) and Capital(ized) Equipment (SCH0016) at the lower level, as has been done in the past. If it is desired to budget Other Operating at a high level, enter using SCH0077 – Miscellaneous Expenses. If users would like to compare actuals to budget for Other Operating expenses at the spend category hierarchy level, budgeted amounts should be entered at the spend category hierarchy level in STAR. Amounts entered at the spend category hierarchy level in STAR will then be loaded to FMS at the same level.

Direct Cost of Sales and Financial Aid will continue to be budgeted at a high Spend Category Hierarchy level similar to the Advantage Appropriation Unit Code level.
Budgets will be controlled at the Cost Center, Program/Gift and Total Spend level in FMS, not at the individual spend hierarchy levels.

**Budgeting Non-appropriated Tuition Funds**

As previously mentioned, the legislative requirement to establish separate appropriated and non-appropriated tuition and fee funds has led to the creation of a new non-appropriated tuition fund and the elimination of the concept of General Purpose Funds.

For FY 2020, two new funds have been created within the non-appropriated tuition fund due to the tuition and fee restructure. The new funds are for the Undergraduate College Fee (UCF) and for the Graduate Student Support Fee (GSSF). Units should work with Financial Services to create new programs within these funds (see below). Revenue from the new undergraduate college fee and graduate student support fee will be budgeted centrally. For FY 2020, units should budget a transfer in from central resources (OPB) based on the estimates submitted to OPB. Units should use their new UCF and GSSF programs when budgeting these transfers.

Non-appropriated tuition funds include the following:

- FD5002 – Local Tuition and Fees-NLT
- FD5009 – Class Fees-NLT
- FD5010 – Designated Financial Aid-NLT
- FD5011 – Biodesign Startup-NLT
- FD5013 – Program and Differential Tuition-NLT
- FD5014 – Mandatory Student Fees-NLT (excluding AFAT Restricted Funds)
- FD5020 – Undergraduate College Fee Revenue-UCF New in FY 2020
- FD5021 – Graduate Student Support Fee Revenue-GSSF New in FY 2020
- FD4000 – Summer Session Immersion-NLT
- FD4001 – Summer Session Residual-NLT
- FD4100 – Summer Session Online-NLT
- Other local accounts containing tuition and fee revenues

The non-appropriated tuition and fees fund is a self-contained fund consisting of only non-appropriated tuition and fees. Non-appropriated Tuition Funds can be transferred only to other local Programs associated with Non-appropriated Tuition Funds. Transfers to debt service, reserves, and other non-operating funds are also allowed. Expense transfers outside the Non-appropriated Tuition Fund to Programs within the fund are permitted.

Financial Services will assist units with setting up new Non-appropriated Tuition Fund Programs as needed for FY 2020 budgeting. It is recommended that units submit requests to Financial Services for new non-appropriated tuition fund programs, including new UCF and GSSF programs, by May 3. Sufficient time should be allocated for new programs to be created and for units to map positions and input budgets to meet the May 24 budget input deadline.

**Establishing and Budgeting Gifts in FMS**

Gift revenues to ASU are subject to a 5% allocation of gift funds for university initiatives. Gifts are exempt from paying ASC and departments should continue to establish Gifts in FMS as needed. As a reminder, in order to be exempt from ASC, gift revenue is the only allowable revenue source for Gifts. Units are not to budget Revenue Category Hierarchies in Gifts other than RCH0028 - ASU Foundation Gifts or RCH0181 - Other Private Gifts. 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

To prepare for salary budgeting, please enter changes in PeopleSoft to update the information that will be retrieved in STAR. Units are asked to pay careful attention that all Positions and Employees are associated with the correct EmplClass, which is used for determining the applicable ERE rate.

ERE for each budgeted salary entry will calculate in the STAR salary budget input schedule. ERE is displayed for your information on each line, and summarized at the top of the salary input schedule. Total ERE by account will also 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 2020 commitments and/or changes to the FY 2019 base budget amounts involving personal services. The detailed individual salary and ERE lines budgeted in the STAR salary model, including position and employee, will be loaded into FMS to allow for the production of the Budget Position Control report.

FTE Positions Budgeting

The budgeting process for FTE positions is unchanged but will include continued emphasis on maintaining the personal services/FTE relationship. For Joint Legislative Budget Committee (JLBC) reporting purposes an accurate budgeted FTE position count is critically important. All budgeted personal services should include associated FTE with two exceptions: student wages and 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 2020.

RA/TA Employee Tuition Benefit Flat Rate and Expense Transfer - Spend Category Hierarchies SCH0048, SCH0058 and SCH0060.

Non-appropriated tuition funds are allocated to College and School dean’s offices to pay for research assistant (RA) and teaching assistant (TA) tuition benefits. The non-appropriated tuition funds will be allocated to non-appropriated tuition Programs. The RA/TA tuition benefits are expensed on local accounts. The dean’s offices will fund the RA/TA Tuition Benefit Programs (Programs PG99994 and PG99997) through a manual journal entry using Spend Category “SC0612 - RA/TA NLT Expense Transfer.” Transfers in and out between these programs will not be processed by Financial Services since the RA/TA Tuition Benefits Programs reside outside of the non-appropriated tuition funds.

Transfers In and Out Budgeting

The FY 2020 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 FY 2020 Transfers Checker report allows users to confirm that budgeted transfers in and out match. The Transfers Fund Match Checker allows users to confirm that budgeted transfers meet fund transfer guidelines.

Budget Reports

The Office of Planning and Budget (OPB) provides two reports, a Budget Variance Explanations report and a Financial Plan Review report, that are intended to help inform users of the completeness of their budget entry.

The Financial Plan Review report displays a two year history of actual results, the current year Original Budget and the current Forecast. The Budget Variance Explanations for FY 2020 report compares FY 2020 Total Working Budget (the recently inputted budget) to FY 2019 Total Original Budget and to FY 2019 Total Year End Forecast.

STAR users are encouraged to run the Financial Plan Review report (available in STAR) to 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 purpose of the Budget Variance Explanations for FY 2020 report is to describe the reasons for changes in revenue and expense line items and further validate the reasonableness of FY 2020 budget input. Running this report and preparing variance explanations prior to the May 24 deadline for budget input will give users the opportunity to make last minute changes to their budget entry if warranted. Budget variance explanations for colleges/schools/VP areas should be submitted by June 3.

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 FMS after the FY 2020 budget load.