State and Local Funds Budget Process Information and Guidelines
Fiscal Year 2017 Planning
University Budget Office

Annual Calendar
March 2016
- Communicate State and Local budget process information and guidelines to JFRs and campus business managers.
- Contract Masters are distributed on March 4th and returned by March 30th to the Budget Office or Provost Office.

March 1 – April 13, 2016 Users
- Local and State funds budgeting process open in NSTAR system.
- Only users who have been approved by their JFR and have completed NSTAR training will be granted access to the NSTAR system.

April 14 – April 27, 2016 JFRs
- JFR review. JFRs will have access to NSTAR during this time to conduct final cabinet reviews. Department users will NOT have access to NSTAR during this time.

April 28 – May 11, 2016 Budget Office review.

Late April to Early May
- Budget review meetings between Vice Presidents and President.

July 2016
- Budget Office uploads budgeted data from NSTAR to PeopleSoft Financial System prior to Period 1 close in FY17.

October 2016
- Combined State and Local Budget Book published via Budget Office website.

Budget Assumptions
- **Approvals**: final budgets submitted are pre-approved by your Vice President or Provost and have been reviewed by your JFR. We have incorporated time at the end of the budgeting period where only JFRs will have access to NSTAR to complete their final cabinet reviews through April 27th.

- **Funding Requests**: budgets do not contain any requests for funding that have not been pre-approved, documented and documentation provided to and discussed with the Budget Office. This is not the process for funding requests. Funding requests should go through your Vice President.
o **All Funds:** as you are budgeting your local and state department IDs, please keep in mind any specific directions that your VP has given to your area in terms of managing your combined state and local resources.

o **FY17 0.75% State Salary Holdback:** is planned for in 2017 with 0.25% as a permanent budget reduction and 0.50% as a temporary budget reduction for FY17.
  
  - The temporary holdback amount will be processed as the temporary state salary holdback adjustments have been in prior years. The Budget Office will send out the confirmation of the temporary amounts at the end of the budgeting process based on the final budgeted salary amount in each VP area.
  - The permanent holdback will be processed during the budgeting process. The Budget Office will send out a confirmation of the amount and work with the JFRs to process the necessary permanent state budget adjustment.

o **Revenues and Expenses:** budget based on actual activity from the prior year plus or minus known changes that impact revenues or expenses.

o **Split Funded Positions:**
  
  - Positions that are split funded with a state and restricted/local funding source will continue to be included in the State Budget Section of the Budget Book. The Budget Office will work directly with the JFRs to budget these positions as was done during the budgeting process for FY16.

o **Budget Office Adjustments and Transfers:**
  
  - In NSTAR any approved funding support, or reductions, from University Central funds will be input by the Budget Office and displayed in the finance templates and reports in a column designated “UBO Adjs”.
  
  - Spreadsheets will be placed in the JFR folders on the Budget shares drive detailing state budget adjustments made in FY16 and the state budget adjustments and local transfers that have currently been entered in NSTAR for FY17.
  
  - **State Finance Template**
    
    - State budget adjustments do not need to be entered in the finance template as they are already included in the Total Base Budget.
  
  - **Local Finance Template**
    
    - Approved local transfers from University Central funds will display automatically in the Transfers Detail tab and in the column designated “UBO Adjs” of the template. Do not input these transfers.
    
    - Transfers between department IDs other than University Central must be input at the department ID level through the Transfers Detail tab of the template. Coordinate with the other departments or JFRs to ensure accurate budgeting of transfers outside of your direct area.
    
    - Use the Special Transfer Groups when budgeting transfers for capital projects, debt service and indirect cost recovery, and for summer/winter over attainment when the department ID is not identified.
• The use of the Mandatory Transfers In revenue class and the Mandatory Transfers Out expense class should be limited to required debt payments. Use Voluntary Transfers In and Out for all other transfers.

• If you do not see an FY17 state budget adjustment or local transfer, or if the amount is different than you expect, talk to your Budget Office analyst so we can work with you to resolve questions, issues, or discrepancies.

  o Position Budgeting:

  • Individual salary position budget lines should remain at 100% when not vacant regardless of furloughs or temporary FTE reductions.
  
  • Future dated personnel moves to local funds for FY17:
    
    ▪ Because we are budgeting local and state funds prior to July 1st, the data being read into NSTAR has been modified to reflect the positions and funding as of 2017. For most positions, this will be July 1st. However, if there is a future data row in PeopleSoft HR through September 1st, that information will be read into the actual PeopleSoft FTE and salary columns on the HR template (an example of this would be a special assignment ending early in FY17).
    
    ▪ If you need to change the funding sources or titles of positions for FY17 budgeting, an ePAR will need to be submitted and be in the final approver’s work list by April 6th to be approved and reflected in the HR and finance templates during the last week of budgeting, and included in the Combined State and Local Budget Book.
      
      • If you are initiating a Funding Change Only ePAR for the upcoming fiscal/academic year for FACULTY, please use a July 1st Effective Date.
      
      • Requests for new position numbers should be directed to the Budget Office and will take an overnight processing cycle to appear in the NSTAR HR application. Requests for new position number must be submitted to the Budget Office by April 4th to meet the April 6th deadline.

    ▪ If you are unsure about personnel moves, the “Department Salary Set-Aside” position should be used to account for these future personnel moves and related total salary expense.

  • There will be 261 workdays in FY17, which is the regular number of days for the salary and encumbrance calculations in PeopleSoft HR.

    ▪ When there are 260 workdays, year-end actual expenses for classified staff will be lower than what is budgeted by one day’s salary. There will be an over encumbrance of one day’s salary at the beginning of the year.

    ▪ When there are 262 workdays, departments should plan for one extra day of salary for classified staff. There will be an under encumbrance of one day’s salary at the beginning of the year.
**Salary Increases:**
- As part of the University’s practice to implement targeted salary adjustments over the past several years (e.g. Work Force Planning, market adjustments, faculty technical adjustments, performance based increases), we recommend that you plan for possible salary increases of potentially 2% for FY17.
- Our recommendation is that you use your positions titled “Department Salary Set-Aside” in order to account for potential salary increases.
- Salary changes that are approved and are supported with University Central state funds will be reflected with a mid-year state budget adjustment.
- For local funds, the expectation is that salary increases will be covered within those department IDs, unless already funded by University Central (whose support will be reviewed and adjusted). However, if there is a unique and extraordinary funding situation, we will review local funded department IDs that are not funded by University Central upon request. For grants, if it can be demonstrated that a grant does not have enough funding, University Central will cover the increase for the current year only.

**Minimum Wage:**
- Remains at $8.05 per hour for calendar year 2016. On January 1st, 2017, the Arizona minimum wage is scheduled to be increased by the Cost of Living. However, that decision will not be published until this fall by the Industrial Commission of Arizona and will depend on the cost of living factor. As a reference, the minimum wage did not increase for 2016, increased by $.15 on January 1st, 2015, $.10 on January 1st, 2014, and $.15 on January 1st, 2013.

**Employee Related Expense (ERE) Estimates:**
- Average rates by category: Faculty 46% ($72K), Service Professional staff 48% ($67K), Classified Staff 66% ($41K).
  - Please note that these rates serve as a current guide as there is a degree of uncertainty with legislative policies that could cause the ERE rates to change.
- Marginal rate average: 19.91%. Use to calculate the ERE increase associated with a current employee salary increase.
- Please see our ERE calculation sheet on the Budget Office website at [http://nau.edu/Budget/Position-Management/](http://nau.edu/Budget/Position-Management/) for specific current rates.

**Graduate Assistant Waivers:**
- Graduate Assistant Waivers were approved at 100% beginning in fiscal year FY12. Departments that authorize their own graduate assistants need to remember to provide the entire waiver amount.

**Program Fee RSA %:**
- Program Fee RSA will remain at 14% for FY17, which translates into 86% of program fee revenue being directed to designated fund department IDs.

**Administrative Overhead Charge:**
- Auxiliary rate increases to 11% for FY17 while the rate remains at 8% for designated department IDs.
• Budget as an operating expense in class 741-University Charges. Actual expenses will be charged in PS Financial account 739150.

• Take this expense into consideration when setting fees and rates for some services and conferences.

  o FY17 State Risk Insurance (Vehicles and General Liability) Charges:

    • This insurance charge is received annually from the State of Arizona for our Automobile and General Liability insurance. Our University State appropriations have covered a varying percentage of these costs in the past, and for FY17 the allocation is currently estimated to cover 50% of the overall expense. The remaining 50% will be allocated to the local fund department IDs based on the number of automobiles for the Auto Insurance and by a percentage of FY16 (prior year) personnel services expense for the General Liability insurance.

    • Please note that the rates used to budget for the charges are the same or slightly less than what had been used to budget the FY16 charges. In FY18, we will see a new two-year insurance charge established by the State and may see the need to have larger adjustments and/or increases to these rates.

      ▪ Vehicle Component

        • The charge will be completed based on the number of vehicles assigned to specific designated and auxiliary department IDs. This expense should be budgeted in class 741-University Charges. Actual expense will be charged in PS Financial account 741010.

        • You can use a per vehicle rate of $415 for FY17 budgeting purposes. This is the same rate that was actually charged in FY16.

      ▪ General Liability Component

        • The charge will be based on a percentage of the final FY16 personnel services expenses in the 711, 712, 713, 714, 715 account classes for designated and auxiliary department IDs. This expense should be budgeted in class 741-University Charges. Actual expenses will be charged in PS Financial account 741010.

        • Please use a 2.10% estimate to calculate the FY17 charge. This percentage is slightly more than the 2.065% that was actually charged in FY16.

  Business Process Changes

  o ITS Reorganization of Personnel and Student Workers:

    • As a result of the centralization of IT functions, 50 positions will be moved to ITS during budgeting. The positions will begin reporting to ITS effective March 14th but the current department IDs will continue to fund the positions through June 30th. The positions will begin to be funded by ITS effective July 1st and will be budgeted in the ITS division for FY17.

    • NSTAR will reflect the transition of these positions to ITS by the end of March.
• For the positions that are currently funded on state funds, corresponding budget adjustments for FY17 will be processed in NSTAR by the end of March. For the positions that are currently funded with local funds or are split funded, the corresponding funding changes for FY17 will be coordinated by the current departments and the Budget Office during budgeting process prior to March 31st.

• Some student worker positions may also be moved to ITS for FY17. Further details will be communicated during budgeting.

○ **ITS Network Billing:**
  
  • Beginning in FY17, Information Technology Services will be changing the methodology for billing department IDs for telephone and data services, which will be known as a “network charge”. Both local and state department IDs will be charged for network services automatically on a monthly basis through PS Financials, similar to the current process for Administrative Overhead. The charge for network services will replace all current telecom charges with the exception of long-distance.

  • The charge for network services will be calculated as a percentage of the personnel services expenses in the 711, 712, 713, 714, 715 account. The percentage will be reevaluated each year based on a projected total of personnel services expenses for the upcoming year.

    ▪ For FY17, use a 1.0% rate to calculate the charge for the network services, long-distance will be an additional charge.

  • Long-distance will be charged separately to departments IDs with the following changes.

    ▪ Beginning in FY17, department IDs will be charged for in-state in addition to out-of-state long-distance.

    ▪ Beginning in FY17, the long-distance rate will be reduced from $0.15 to $0.03.

  • Both the network services and long-distance should be budgeted in account class 740. Actual expenses will be charged in PS Financial account code 745101, Telephone Service.

  • In FY17, a one-time increase will be made to base state budgets by University Central to cover the estimated additional expense that will be incurred by the state department IDs. In subsequent years, budget reallocations within the department IDs may be necessary to cover increases in this charge.

○ **ACA Benefit-Eligible Positions:**

  • Beginning in CY16, non-salaried employees can become benefit-eligible under the rules of the Affordable Care Act (ACA). Human Resources monitors for eligibility based on hours worked, and notifies the department and the employee as they become eligible for benefits. Once an employee is benefit-eligible, HR will work with the department to re-assign the employee to an ACA specific position in PeopleSoft HR. There are four job codes for the ACA positions depending on the employee classification and are identified by ‘Var’ in the job title:

    ✓ Job code 93092, Part-Time Faculty VAR Elig
    ✓ Job code 12310, Part-Time Temp VAR Elig
✓ Job code 00030, Graduate Assistant VAR Elig
✓ Job code 09991, Student Wage VAR Elig

- These ACA benefit-eligible positions need to be budgeted in the HR template because the personnel services expense is charged to the 711 account class.

- New “Var Department Set-Aside” positions will be created for the department IDs that have ACA Var positions to budget the positions in aggregate. On April 1st, a spreadsheet of current ACA Var positions will be placed in the JFR folders on the Budget shares drive detailing the per pay period personnel services and ERE expense. The per pay period expense should be used to estimate the FY17 budgets for the positions. The Budget Office will work with the JFRs to budget these positions.

- Department IDs with ACA Var positions that incur ERE expense on the state funds will be charged for the benefits portion of the expense. The charge will be processed with a quarterly adjustment to reduce the state budget of the department ID. The benefits that will be charged are:
  ✓ Account code 720220, Retirement
  ✓ Account code 720245, Health Insurance
  ✓ Account code 720247, Dental Insurance
  ✓ Account code 727250, Life Insurance
  ✓ Account code 720252, Disability Insurance

- Please consider this adjustment when planning for expenses on state funds.

**Business Process Reminders**

- **No Budget Threshold Parameters:**
  - With the continuing need to develop accurate and complete budgets of the University’s resources, we are again requesting all department IDs (excluding cost share and 2700 fund) to be budgeted. With no threshold for state or local fund budgeting, you will need to budget all department IDs that you expect to see activity for in FY17.
  - If there are department IDs that you do not plan to budget, please notify your Budget Office analyst. This information will be used in conjunction with the local budgets that are submitted to determine the FY17 zero budget lines to load into PS Financials.

- **Reminder and Error Screens for Finance Templates:**
  - To assist with budgeting, reminder and error notifications have been added to the finance templates. The notifications are to highlight some of the common budgeting issues such as:
    - Use of wrong template for fund
    - Budgeting of cost share and/or the 2700 fund
    - Budgeting a negative ending balance
    - Budgeting salaries without ERE or vice versa
- The error notification occurs on the final submission and will prevent the budgets from saving until the issue is corrected.

  o **Finance Template Enhancements:**
    - Comment fields have been added to the finance templates and are viewable in the worksheets
    - The finance templates contain the complete department ID, program and fund string
    - The local finance template contains an instruction tab for budgeting local transfers

  o Budgets need to be rounded to the nearest dollar (i.e. $3,875.65 rounded to $3,876).

  o Plan for additional time to process ePARs for funding changes.

  o Please enter NSTAR after 8:30 a.m. each weekday so that the daily load from the data warehouse can be completed.

  o Remember that the reallocation column in the State finance template should total zero for the Cabinet.

**Budget Office Website Information**

  o Please visit the Budget Office website at http://nau.edu/Budget/ for this document and information about other budget related reports and processes.

  o NSTAR online training for budgeting is located at http://nau.edu/Budget/NSTAR/ and can be utilized for NSTAR questions that may arise.