



OFFICE OF BUDGET AND PLANNING

PLANNING AND THREE-YEAR BUDGET FORECAST MANUAL

February 2020

Table of Contents

Table of Contents	2
Outline of the Manual	5
Chronology of the Budget Cycle	6
"What's New" in the Budget.....	7
Budget Reminders	9
Profile of The Budget Online (TBO)	11
Forecasting for Academic Responsibility Centers	13
ENROLLMENT PLANNING	14
Tuition and Fees.....	14
Facilities Improvement Fund	17
STAFFING AND SALARY ADMINISTRATION PLAN	19
Compensation Profile Reports.....	20
TBO Note.....	20
The Headcount Schedule.....	20
Compensation in the Current Unrestricted Budget.....	21
Compensation in Designated Funds.....	24
OTHER INCOME AND EXPENSES	25
Intercenter Bank	25
Indirect Income.....	25
Other Income: Sales & Services, Auxiliary Enterprises, Other Sources	26

Other Direct Expenses	27
INDIRECT COSTS	29
What Are Indirects?	29
Forecasting and Distributing Indirect Costs	30
SPACE MANAGEMENT AND CAPITAL PLANNING	31
New Space Costs.....	32
TBO Note.....	32
DESIGNATED FUNDS	33
Gift Receipts.....	33
Current Fund Gifts	34
TBO Note.....	34
Sponsored Projects	34
TBO Note.....	35
Endowments	37
TBO Note.....	39
INDEX	41

Table 1. Timetable for USC Budget and Planning Cycle	10
Table 2. Facilities Improvement Fund Rates.....	18
Table 3. Personnel Categories and Payroll Object Codes	21
Table 4. Employee Benefit Rates	23
Table 5. Revenues Subject to Participation	26
Table 6. Indirect Cost Rates for Sponsored Projects	37
Table 7. Endowment Pool Distribution Rates	39

APPENDICES

A. PLANNING GUIDELINES

- A-1 FY21 through FY23 Forecast Budgets
- A-2 Administrative Budgets for FY21 through FY23
- A-3 Faculty Salaries for FY21
- A-4 Technology Connection Charge
- A-5 Changes in Compensation for Graduate Assistants
- A-6 “What’s New” in the Budget

B. THE BUDGET ONLINE -- THE PLANNING AND THREE-YEAR FORECAST – FY21 through FY23

- B-1 The Budget Online – A Short Course
- B-2 “What’s New” in TBO and Reminders
- B-3 Three-Year Forecast - Formulas

C. INTENTIONALLY LEFT BLANK

D. CAPITAL PROJECTS

- D-1 USC Capital Projects Protocol: Summary
- D-2 Capital Accounts and Debt Financing
- D-3 Notice of Internal Interest Rate
- D-4 Creating/Modifying Construction in Progress Accounts
Capital Project Accounting Forms
 - D-4a Chart of Accounts
 - D-4b Request for Capital Project Budget
 - D-4c Capital Projects Budget Amendment or Modification

E. ENDOWMENT FUNDS

- E-1 USC Endowment Pool Performance and Payout History
- E-2 Report of FY19 Endowment Pool Performance
- E-3 Financial Issues in Endowment

INTRODUCTION

Outline of the Manual

The *Planning and Three-year Budget Forecasting Manual* is a set of guidelines for use by deans, directors, and senior business administrators in the annual development of academic and administrative center plans and budget forecasts. The *Manual* reviews the major planning variables - enrollment, staffing and compensation, other income and direct expense categories, indirect costs, space management, capital improvements, and designated funds. Instructions for completing the three-year forecast are included as notes with most topics.

The following staff members in the Office of Budget and Planning are available to suggest strategies for organizing the unit's response and to answer questions about the process of budget planning or the contents of the forecast packages.

Shally Kwon	213-740-4244	shallykw@usc.edu
Alayne Clarke	213-740-4217	clarke@usc.edu
Kris Leong	213-740-4216	kristopl@usc.edu
Luisa Uyeda	213-740-4214	uyeda@usc.edu

Chronology of the Budget Cycle

Academic, auxiliary, and administrative planning are all important factors in building the overall budget. While each center has unique financial goals and constraints, the objective of budget planning is to bring all of the revenue and expense requests into one unified budget plan for presentation to the Board of Trustees.

For academic units, the Provost requests that deans develop strategies that focus on academic and business environmental changes, space needs, and development (fundraising) plans. The financial aspects of these elements come together in the annual budget process.

Auxiliary operations focus their attention on balancing revenues and expenses – providing the best service at a price that covers their direct costs and their share of university costs (Allocated Central Costs and Facilities Based Costs). Administrative centers are funded by the responsibility centers (academic and auxiliary). The planning charge for administrative centers continues to focus on the optimal use of resources.

As in prior years, deans and directors will prepare a detailed three-year budget forecast, with a brief narrative explaining the academic or administrative impact of significant budget changes. **Academic and Auxiliary budget planning packages are due in the Office of Budget and Planning (OBP) three days prior to a budget hearing or by noon, Monday, March 9, 2020, at the latest. Administrative Center budget forecasts and narratives are due no later than noon on Friday, February 28, 2020.**

TBO budget submissions are approved on a rolling basis and all units are required to submit a three-year budget forecast by the submission deadline. Upon login into TBO, the budget's status will show at the top center of the page. During the review process of the three-year budget, if changes are required, OBP will re-open the unit's TBO budget (Open Round 2) so the appropriate updates can be made and the budget re-submitted for final review. Once OBP approves the TBO budget, it will be marked as Approved/Closed in TBO. No further action will be required by the submitting unit once a budget is marked Approved/Closed.

The budget status will be one of the following:

1. **Open Round 1:** Budget is open for write access.
2. **Submitted – Under Review:** Budget has been submitted to OBP for review by the submission deadline. Budget is locked with read access only. If there are no changes to the budget it will move directly to Status #5.
3. **Open Round 2:** Budget has been re-opened for write access to make necessary changes based on OBP's review.
4. **Submitted – Pending Approval:** Budget has been resubmitted to OBP for final approval. Budget is locked with read access only.

5. **Approved/Closed:** Budget has been approved by OBP. Budget is locked with read access only

When forecast budgets have been submitted by all responsibility and administrative centers, the budgets are collectively summed and balanced. The university-wide budget is compared to overall budget parameters, and adjustments if any, are made to individual center requests. The results of this process become the basis for a balanced budget to be presented to the Finance Committee of the Board of Trustees for approval in early June.

Once budgets are approved, staffs in each center are required to develop detailed, line item account budgets to be entered into the Kuali Budget Construction System (KBC). This last stage in the budget cycle is coordinated by the Office of Financial Administration and Performance.

For more information regarding KBC please contact Maryam Karimi.

"What's New" in the Budget

The following parameters will help guide this year's budget development:

1. The undergraduate tuition rate will increase by 3.5% over the FY20 rate.
2. Starting with fiscal year 2019 the participation rate may vary across academic units. Each school's specific rate can be found in TBO under Budget Parameters Display. The participation rate will range from 9.8% to 10% of revenue for FY21. This rate is projected to reach 10% for all schools by FY22. Since the rate is now variable across schools it is important to check Budget Parameters Display to confirm each school's individual rate.
3. The Facilities Improvement Fund rates for FY21 will remain unchanged from FY20. The rate will remain at 3.98% for undergraduate tuition and 5.65% for graduate, non-PhD tuition. For FY22 and FY23 no FIF rate increases are projected at this time.
4. The non-government Employee Benefits Rate will remain the same at 33.5% for FY21. This rate is anticipated to increase to 34.0% for the FY22 and FY23 planning years. A final Federal Employee Benefit Rate for FY21 is not available at this time. As such, the Federal Employee Benefits Rate is projected to be 32.0% for FY21 and is estimated to remain the same through FY23.
5. The undergraduate financial aid rate will increase to 30.5% for FY21. For planning purposes it is anticipated that this rate will increase by 0.5% in FY22 and FY23.

6. The endowment pool payout will increase to \$31.24 per share in FY21. This payout represents 4.7% of the 12-quarter average market value per share. The payout is projected to increase by 2.0% in FY22 and in FY23.
7. The establishment of a merit pool for administrative centers will be limited to a maximum of 2.5%. Merit increases must be awarded on performance only; no across the board increases are acceptable. Academic centers are highly encouraged to follow this guideline. Academic centers not following this guideline should be prepared to share justifications during scheduled budget hearings.
8. The non-collectible tuition rate will remain at 1.5% for FY21. This fee covers our anticipated default experience.
9. The federal overhead recovery rate for FY21 has not yet been finalized. A provisional rate of 65% should be used through FY23 for planning purposes. The CapRic rate will remain the same at 19.7% for FY21 and is projected to remain unchanged through FY23.
10. The FY21 Technology Connection Charge (TCC) will increase by 10.0% from FY20. For planning purposes TCCs are estimated to increase by 10.0% for FY22 and FY23.
11. Building occupancy and associated cost details are available for administrative centers as a program specific document. Administrative centers are not charged for space through the indirect space cost allocation and this program specific document is for information purposes only.
12. Beginning with FY19 Summer I, revenue for summer courses will be recognized when earned, based on the cut-off date of June 30. Academic units should budget tuition units appropriately between the Summer I and Summer II terms. Tuition units for summer courses that cross two fiscal years should be budgeted to reflect the revenue that will be recorded in a pro-rated fashion in each fiscal year based on the number of days a summer course falls within each fiscal year.
13. Beginning in FY21, the Special Session designation will no longer be used. Going forward, only regular session and online session tuition units for graduate programs will be tracked. In TBO under the *CU - Tuition Units & Dollars* schedule, the Special Session tuition units input will still be displayed; however, **please do not enter any tuition units for FY21 forward since tuition revenue will not compute for Special Sessions.**
14. As a reminder undergraduate course fees were eliminated in FY18.

Budget Reminders

In FY05, the Office of Budget and Planning introduced its web-based budget system - The Budget Online (TBO). TBO is accessed on a secure server (<http://obp-web-app1.usc.edu/tbo>), and is the primary vehicle to collect budget information. TBO is comprised of several *Schedules* designed to collect revenue, expense, and other related information in a more user-friendly manner. It is designed to provide flexibility to customize schedules based on the varying needs of individual units. TBO is also an online resource; memos, reports, and enclosures can be accessed by users online at any time. For system requirements, instructions, and additional information, please see Appendix B of the OBP Forecast Manual.

A revenue summary report has been created to aid academic units in preparing for their revenue meetings (an informal meeting to discuss and establish revenue forecasts prior to the budget hearing). This report provides information on all revenue sources, not just unrestricted revenues such as tuition, and is required to be completed prior to the revenue meetings. The Comprehensive Report is an all-inclusive report that presents a given unit's all funds revenue and expense activity over a three-year forecast time horizon. The Comprehensive Report is the guiding document for each academic responsibility center's formal budget hearing with the Office of the Provost.

An important note to administrative units: Changes in income may be proposed but cannot be included in your budget until they are approved by OBP. As a reminder, an increase in income does not authorize an increase in expenditure. A decrease in income, however, must be matched by an equal (or greater) decrease in expense.

Table 1: Timetable for USC Budget and Planning Cycle

December 6, 2019	Preliminary FY21 Administrative Center budgets due.
January 2020	Budget parameters determined. Undergraduate tuition, revenue assessments, fringe benefits, indirect cost rates, and administrative budget parameters are set. Read access given to TBO users to retrieve budget documents.
Week of February 17, 2020	TBO open for input.
February 20 through March 4, 2020	Revenue meetings held. Senior business officers meet with the budget office staff to discuss revenue forecasts.
February 28, 2020 March 9, 2020	Administrative Center TBO budget submissions are due no later than noon Friday, February 28, 2020. Academic and Auxiliary TBO budget submissions are due no later than noon Monday, March 9, 2020. Academic areas with early budget hearings may have earlier TBO due dates. OBP will contact those centers.
March 11 – April 1, 2020	Budget hearings Budget hearings scheduled as necessary with the appropriate Senior Vice President or Dean. If budget changes are required, OBP will notify the SBO and re-open TBO for revisions. Once a budget is approved by OBP, the TBO budget will be marked as Final/Approved. No further changes will be allowed after budgets are marked Final/Approved. Lastly, no further changes will be permitted after noon on April 1, 2020.
March 16 – May 19, 2020	Detail budgets on KBC. Detail account budgets are entered online in the Kuali Budget Construction System. The system will open March 16, 2020 and the deadline for input is May 19, 2020.

Profile of The Budget Online (TBO)

The Budget Online (TBO) covers a three-year planning horizon. This system can be accessed through the worldwide web (<https://obp-web-app1.usc.edu/tbo/>). TBO is also designed to serve as an online resource. For instance, memos, reports, and enclosures can be accessed by users online at any time. Off-campus access to TBO must use VPN. Please refer to ITS' website for more information regarding VPN access (<https://itservices.usc.edu/vpn/>).

TBO budget submissions are approved on a rolling basis and all units are required to submit a three-year budget forecast by the submission deadline. TBO is comprised of several schedules designed to collect revenue, expense, and other related information. Individual units may have access to all or a portion of available schedules, based on their level of activity. A comprehensive list of available schedules follows:

REVENUE:

Current Unrestricted Tuition Units & Dollars Schedule: Use this schedule to enter tuition units. The dollar calculation for summer I and II tuition uses either the nominal or discounted rates, as applicable. Summer tuition units should be entered across summer I and summer II to align with the start and end dates of the class since summer tuition revenue may cross between two fiscal years. Fall and spring calculations use discounted rates. Starting with fiscal year 2002, the university began using a university-wide average rate to calculate undergraduate tuition for both the fall and spring semesters. Discount rates for graduate tuition continue to be school specific. For these rates, please refer to the Budget Parameters Display in TBO. Additional information on how tuition dollars are derived can also be found in Appendix B of this manual.

Current Unrestricted Other Income & Transfers Schedule: Sales & service, auxiliary enterprises, investment income, other sources, and miscellaneous income related to current unrestricted activity should be entered on this schedule. Please note that miscellaneous income (line 5) requires OBP approval prior to use and is not subject to the participation tax.

Current Endowments & Gifts Income Schedule: Gift receipts to current funds, other funds (i.e. student loans, annuity & living trusts, etc.), and endowment principal, should be displayed on this schedule. As in prior years, endowment will continue to be estimated based on the number of shares held and/or purchased. TBO includes an added feature labeled "Shares Adjustments". This section is intended for those units who wish to move currently held shares from one classification to another (i.e. from Designated – Scholarships & Fellowships, to Unrestricted Endowment). Before any such adjustments are entered in TBO, units are required to obtain approval from the University Comptroller's Office.

Current Endowments Other Income & Transfers Schedule: Other income and transfers related to current endowments must be displayed on this schedule.

Current Gifts Other Income & Transfers Schedule: Other income and transfers related to current gifts must be displayed on this schedule.

EXPENSE:

Current Unrestricted Expenditures Schedule: Unrestricted direct expense (compensation and current expense) entries should be made here. Facilities-based indirect expense and allocated central costs (ACC's) are also shown on this schedule for applicable centers. Costs for future years will grow by the estimated inflation factors shown. The final approved budget for a center will include indirect costs as shown on this schedule.

Current Unrestricted ID Income Itemization Schedule: This schedule is used to itemize detailed information about sources of interdepartmental income (ID Income). The purpose of this schedule is to ensure that the amount of interdepartmental income is matched with an expense item in the budget of the school or center identified as the source of the income.

Current Unrestricted Non-Mandatory Transfer (NMT) Itemization Schedule: This schedule is used to itemize detailed information about non-mandatory transfers. The purpose of this schedule is to ensure that the amount of non-mandatory transfer is matched with a corresponding non-mandatory transfer in the budget of the school or center identified as the income source or income recipient.

Current Unrestricted Budget Request Itemization (Administrative Centers only): The Current Unrestricted Budget Request Itemization will be the primary document to guide programmatic discussions with senior administration to determine funding allocations. This schedule must include all funding requests for FY21.

Current Endowment Expenditures Schedule: Current endowment direct expense entries for compensation and current expenses are made on this schedule. Please note that TBO is programmed not to allow negative carry-forward balances at final submission.

Current Gifts Expenditures Schedule: Current gifts direct expense entries for compensation and current expenses are made on this schedule. Because centers have varying Recovery of Indirect Costs (RIC) rates for these accounts, look for the option in TBO to select an automatic 15% or to enter your own number. Line 39 on this schedule provides additional instructions. As with the Current Endowment Expenditures schedule, TBO is programmed not to allow negative carry-forward balances at final submission.

Sponsored Projects Expenditures Schedule: Sponsored projects direct expense entries for compensation and current expenses are made on this schedule.

OTHER:

Headcount Schedule: This schedule identifies headcount and average merit increases for individual units. Centers with compensation expenditures are required to complete this page.

REPORTS:

Current Unrestricted Summary Display: This report is used to display – in summary form – major categories of the current unrestricted budget. Academic responsibility centers can also view their subvention information, as well as participation.

Budget Parameters Display: All budget parameters, with the exception of those outlined in the “What’s New” section of this manual, can be found on this report.

Revenue Meeting Report – PDF: This report is particular to academic responsibility centers. Its primary purpose is to provide a uniform format for discussion at revenue meetings. For responsibility centers, subvention, if any, is determined uniquely for each unit.

Comprehensive Report – PDF: A comprehensive report is available to all users in a Portable Document Format (PDF). This is also the report that will be distributed during budget hearings for applicable centers.

Submission Checklist: Once you have finished entering your budget information in TBO, you must complete the submission process by attaching a narrative, a faculty sabbatical detail file (academic units only), and “submitting” your budget. This is done via TBO; no hardcopy reports are to be sent to the Office of Budget & Planning. All units are required to submit a narrative *not to exceed three pages*. Through the submission checklist process, TBO will perform a variety of basic checks and recommend corrections if necessary. Once the budget is submitted, users will have viewing capabilities only.

Forecasting for Academic Responsibility Centers

Budgetary discussions will continue to focus on academic and programmatic priorities.

REVENUE MEETINGS

Each school has been scheduled for a revenue meeting to discuss FY20 projections, and FY21 through FY23 revenue forecasts. The focus of the initial meeting is revenue with an emphasis on tuition units and income. The revenue meetings include the unit’s SBO and members of the Office of Budget and Planning. In-depth discussion of academic priorities will take place at the subsequent budget hearings.

BUDGET HEARINGS

Each school has been scheduled for a budget hearing. The focus of the budget hearings will be academic and programmatic priorities and how they are quantified in the budget. In addition, the Healthcare System will present their budgets to the Office of Budget and Planning as well as the Provost's office. The focus of these meetings is to ensure business plans are in alignment with the overall mission of the university. Priorities should be evident in the allocation of additional funding available to a school when comparing the FY20 projected to FY21 forecast expenditures.

ENROLLMENT PLANNING

Student enrollment is the primary source of unrestricted revenues for the university and for most schools, and deserves close attention in the budget process. The university is committed to continuing quality improvements in the undergraduate population and, at the same time, managing undergraduate enrollment within capacity constraints. Each school will receive new and transfer student targets in their forecast package. Targets are developed by the Provost's Office based on student quality considerations and academic plan goals. For Fall 2020, targets have been set for both new freshmen (3,059) and transfer students (1,345). For Spring 2021 the target for new freshmen is 300 to 350 students. Schools should use caution when forecasting tuition units for these students, since our experience in predicting yield for this cohort is limited. Tuition units forecast should be developed with these targets in mind. During revenue meetings total undergraduate tuition will be tested to ensure that the university undergraduate tuition forecast is reasonable. If adjustments are necessary, OBP will ask schools to reflect requested changes in TBO.

Tuition and Fees

The Current Unrestricted Tuition Units & Dollars Schedule is devoted to describing changes in tuition units, non-credit tuition, and fees. Volume changes in credit tuition are stated in

terms of credit units. The Budget Online contains the budgeted tuition units for FY20. After actual tuition units for FY20 are projected on the CU Tuition Units & Dollars Schedule, they will be converted into tuition dollars and shown at the bottom of the screen. OBP staff can help you with current year projections.

Tuition revenue budgets are calculated by multiplying the tuition units by the unit tuition rate listed in TBO on the Budget Parameters Display Report. Summer I and II units are distinguished in order to calculate tuition dollars using the correct tuition rate – Summer II units are charged at the prior year rate; Summer I units use the same rate as the current academic year.

The **tuition rate** for undergraduates will increase by 3.5% in FY21, and is forecast to increase by 3.5% in FY22 and in FY23. Graduate and professional programs may use a different tuition rate increase with prior approval of the Provost. In order to meet printing deadlines, requests for a different rate change should be submitted to the Office of Budget and Planning no later than **Friday, February 14, 2019**.

As in past years, schools are asked to project a planned number of tuition units for **undergraduate enrollment**. Forecasts for new undergraduate students must reflect the targets that have been set for each school. See the *Three-Year Fall/Spring Enrollment Target* program specific document. If appropriate, you are also asked to break out general education tuition units from other regular undergraduate units.

Beginning in FY02, undergraduate tuition was allocated to teaching units according to the average university-wide unit value for that semester. For Fall 2019, the average unit value was \$1740.42. For Spring 2020, the average unit value was \$1,742.96. For FY21, the FY20 budgeted rates of \$1,737 for Fall 2019 and \$1,736 for Spring 2020 have been increased by approximately 3.5% and anticipated changes in student load have been taken into account. Changes in the average student load affect the average unit value. For example, if students take more units for the flat rate tuition, the average unit rate will decrease. The budgeted tuition average rate is \$1,798 for Fall 2020 and \$1,797 for Spring 2021.

To forecast undergraduate tuition income in future years, each school will be using the university-wide average per-unit values for fall and spring regular session income. Summer sessions are calculated with the nominal tuition rate.

For **graduate enrollment**, you are asked to report PhD tuition units separately from all other graduate units; that is, the CU Tuition Units & Dollars Schedule sections pertaining to the Graduate Regular category should **not** include PhD tuition units. There is a separate section for estimating PhD tuition units taken in your school **regardless** of major. The revenue associated with these units, along with other central resources, will be used by Graduate Programs to allocate funding (Subvention-Graduate Programs) in support of academic priorities.

Professional programs such as Dentistry, Medicine, and Pharmacy charge a fixed tuition per semester or year; prior to FY06, these units typically forecasted tuition income in dollars based on the number of enrolled students. Beginning with FY06, programs with professional tuition were required to estimate related revenue in TBO by displaying units taught. This requirement extends to differential tuition.

Differential tuition is charged for selected regular session programs and courses in several schools. Schools charging a differential tuition rate are asked to enter the projected tuition units for these programs on the CU Tuition Units & Dollars Schedule. All rates for tuition computation can be found on the Budget Parameters Display. If your case is more complicated, contact OBP staff for assistance.

Online is used for forecasting tuition units that are associated with courses offered online. The tuition units entered in this section should reflect 100% of the units taught. Please refer to the Budget Parameter Display section of TBO to review the “online USC share” percentage on line 66. If the online course is offered in partnership with a third-party, the online USC share percentage represents the percentage of the tuition income the school retains. This tuition category was added to properly calculate participation, non-collectible and FIF taxes on the tuition income. Taxes on online programs with outside partnerships are calculated only on the tuition revenue USC retains.

A further classification of tuition units is divided into summer II, fall, spring, and summer I terms.

Non-credit tuition rates are set by each school to reflect its particular market, and should be entered on the CU Tuition Units & Dollars Schedule, Line 68.

Course fees for undergraduate level courses were eliminated beginning in fiscal year 2018 and are assumed to stay at current rates for the three-year forecast period for graduate level courses. Fee income may still change if you expect more or fewer graduate students in fee-bearing courses. Estimated income related to fees should be entered on the CU Tuition Units & Dollars Schedule, Line 69. New graduate course fees or increases in existing graduate course fees are discouraged but not proscribed. Requests for new fees or changes to existing fees should be submitted to the Provost for review. As part of the background information supporting the school’s request for a new/revised graduate course fee, please include a list of all current class fees charged by the school. Also include any extraordinary costs that justify a charge in excess of normal tuition and the anticipated proceeds. To ensure that University publications on which students and families rely are accurate, requests received by **January 10** and approved by **January 24** will be effective in the next academic year. Please note that no fee increases will be allowed mid-year or once a fee has been published (in print or online).

The rate for **non-collectible tuition** will remain at 1.5%. This rate covers our current default experience and a share of collection costs. This fee is automatically calculated in TBO.

The university directs a portion of undergraduate tuition revenues to fund need-based and merit-based **financial aid**. In FY20, the student aid pool collected 30.0% of undergraduate tuition. This rate will increase to 30.5% in FY21. The rate is expected to increase again by 0.5% in FY22 and FY23.

Facilities Improvement Fund

During the FY95 budget cycle, the university proposed a special tuition increase designed to fund (1) a \$10 million capital project to begin renovating the residence halls, and (2) annual maintenance budgets growing to \$5 million per year for residence halls, and \$11 million for the University Park and Health Sciences campuses. The trustees approved a two-step surcharge: an initial 5.9% tuition increase in FY96, including 1.9% for plant, a subsequent 4.9% increase in FY97, including a 1.4% plant surcharge, and growing at the rate of tuition increase thereafter. As originally planned, the facilities improvement fund (FIF) charge was applied to undergraduate tuition revenue, net of the student aid rate discount for financial aid. In FY97, a similar accommodation was instituted for graduate student aid, assuming an average graduate aid rate of 14.8% based on the prior year experience. Rather than reduce the total FIF recovery, the rates were adjusted to preserve the budget intended for the facilities improvement fund.

Below is a summary of the FIF factors in the initial two-year implementation period, adjusted for graduate aid in FY97. In FY12 an additional amount slightly less than 0.1% was added to the FIF rate to provide funding for the security initiative surrounding the UPC campus. The rate remained unchanged for FY13 and increased in FY14 through FY18 for student academic priorities. For FY19 and FY20 the rates remained unchanged for undergraduate tuition revenue and increased by 0.50% for non-graduate tuition revenue in FY20. For fiscal year 2021 the rates will remain unchanged and no increases are anticipated in fiscal years 2022 and 2023.

Table 2: Facilities Improvement Fund Rates

For undergraduate tuition (incl. UG special session starting in FY16):

	Sum II	Fall	Spring	Sum I
FY96		1.223%	1.223%	1.223%
FY97	1.265%	2.206%	2.206%	2.206%
FY97 Adj.	2.374%	2.374%	2.374%	2.374%
FY98-FY07	2.374%	2.374%	2.375%	2.374%
FY08	2.660%	2.660%	2.660%	2.660%
FY09	2.950%	2.950%	2.950%	2.950%
FY10	2.87%	2.87%	2.87%	2.87%
FY11	2.95%	2.95%	2.95%	2.95%
FY12	3.00%	3.00%	3.00%	3.00%
FY13	3.00%	3.00%	3.00%	3.00%
FY14	3.28%	3.28%	3.28%	3.28%
FY15	3.56%	3.56%	3.56%	3.56%
FY16	3.70%	3.70%	3.70%	3.70%
FY17	3.84%	3.84%	3.84%	3.84%
FY18	3.98%	3.98%	3.98%	3.98%
FY19	3.98%	3.98%	3.98%	3.98%
FY20	3.98%	3.98%	3.98%	3.98%
FY21	3.98%	3.98%	3.98%	3.98%
FY22 est.	3.98%	3.98%	3.98%	3.98%
FY23 est.	3.98%	3.98%	3.98%	3.98%

For graduate, special session, and differential tuition:

	Sum II	Fall	Spring	Sum I
FY96		1.758%	1.758%	1.758%
FY97	1.794%	3.129%	3.129%	3.129%
FY97 Adj.	2.870%	2.870%	2.870%	2.870%
FY98-FY07	2.870%	2.870%	2.870%	2.870%
FY08	3.27%	3.27%	3.27%	3.27%
FY09	3.67%	3.67%	3.67%	3.67%
FY10	3.55%	3.55%	3.55%	3.55%
FY11	3.67%	3.67%	3.67%	3.67%
FY12	3.75%	3.75%	3.75%	3.75%
FY13	3.75%	3.75%	3.75%	3.75%
FY14	4.15%	4.15%	4.15%	4.15%
FY15	4.55%	4.55%	4.55%	4.55%
FY16	4.75%	4.75%	4.75%	4.75%
FY17	4.95%	4.95%	4.95%	4.95%
FY18	5.15%	5.15%	5.15%	5.15%
FY19	5.15%	5.15%	5.15%	5.15%
FY20	5.65%	5.65%	5.65%	5.65%
FY21	5.65%	5.65%	5.65%	5.65%
FY22 est.	5.65%	5.65%	5.65%	5.65%
FY23 est.	5.65%	5.65%	5.65%	5.65%

STAFFING AND SALARY ADMINISTRATION PLAN

The quality and commitment of the university's faculty and staff are central to the university's operations. Few budget decisions are more important than the staffing and salary administration plans of deans and directors. During the budget cycle, compensation budgets are developed that take into account both volume changes (including personnel promotions, additions, terminations, layoffs, and turnover savings) and raises (recognizing promotion, merit, and market parity problems). Each center will work out a staffing and salary program tailored to its own operating requirements and within its own budget targets or balancing constraints.

The university's goals for compensation administration remain the same: to set compensation at levels necessary to attract and retain highly qualified employees performing at the highest levels. Although primary responsibility for compensation decisions are held at the school or department level, approval requirements vary based on the reason for a change in pay, the type of compensation, and the amount of increase.

All proposals for changes in compensation require the approval of the staff employee's manager and manager's manager. Additional approvals by a Dean/Vice President and/or Senior Vice President or Provost may be required. Human Resources Administration publishes Staff Compensation Administration Guidelines that describes requirements established by the university and monitors compliance with those rules.

The contributions of individual faculty and staff should be recognized and addressed in the budget. Funds for raises must be accommodated within budgets that meet target

expenditure levels or balance to zero. Major staff reorganizations should address the impact on working relations with other units on campus, as well as the impact on service levels to faculty and students.

The following sections of the manual, as well as materials in the budget package, provide information to help evaluate and present compensation plans.

Compensation Profile Reports

A staffing and salary administration plan entails both volume and rate changes. For academic units, faculty turnover data are particularly important. Along with the planning of volume changes, you should evaluate the compensation profile of current personnel. Various compensation reports can be found in Workday.

TBO Note

The Budget Online (TBO) shows personnel volume changes in two places: as headcount changes for faculty and staff on the Headcount Schedule, and as dollar changes on various funds' expenditure schedules. The paragraphs below provide additional information on how to present your compensation plan using TBO.

The Headcount Schedule

The Headcount Schedule focuses on year-to-year changes in faculty and staff, showing the level of growth or reduction in personnel resources planned for the next three years. The schedule includes exempt and non-exempt staff, faculty, tenure-track, non-tenure-track (including part-time lectures), and graduate assistants. Student workers are not included; however, librarians on special contract status should be reported with the faculty. All positions should be included whether they are paid from designated or unrestricted funds. This schedule also includes headcount and average merit increases which should be representative of dollars budgeted in that fiscal year.

Compensation in the Current Unrestricted Budget

Use the Current Unrestricted Expenditures Schedule to enter salaries for each category of compensation. Users can simply enter the total dollar amount needed for each category – with amounts reflecting both raises (cost rise) and volume increases. Compensation charged to designated accounts is forecast separately, and is entered on one of the following three schedules (discussed later in this section): Current Endowment Expenditures, Current Gifts Expenditures, or Sponsored Projects Expenditures.

In order to collect uniform compensation information, categories of compensation have been standardized across all funds.

Table 3: Personnel Categories and Payroll Object Codes

MFS Group Code	Personnel/Payroll Category	Payroll Object Code
2.11	Full-Time Faculty	Please refer to Kuali/Cognos for the most recent list of compensation object codes by Payroll Category.
2.13	Part-Time Faculty	
2.15	Faculty Stipends/Early Retirement	
2.17	Faculty Sabbaticals	
2.19	Sr. Admin & Exempt Staff	
2.21	Non-Exempt Staff	
2.23	Wages	
2.25	Other Compensation	
2.31	Employee Benefits	
2.33	Faculty Sabbaticals Offset	
2.35	EB Expense/Staff Early Retirement	
2.37	Graduate Assistant Stipends	
2.39	Other Salary & Wages without EB	
2.41	Temporary Employment	

Here are notes for specific categories of compensation:

Faculty Sabbaticals. To the extent possible, your estimate of FY21 sabbatical costs should be based on the salaries of individual faculty who have requested sabbatical leave in the coming academic year. The amounts should relate to the sabbatical totals in the Headcount Schedule.

Based on overall availability of funds, schools may have to share sabbatical costs with the employee benefits pool. For the budget, the offsetting ID income will be set equal to proposed sabbatical salaries plus employee benefits. For all units, the allowance in the

final budgets may be less if total sabbatical requests exceed the amount set aside in the employee benefits pool.

Note that the Provost's Office reviews sabbatical requests for eligibility in accordance with university policy. ***The Office of Budget and Planning does not authorize changes in sabbatical offset budgets.***

During the year, the actual ID income credit for sabbaticals is limited to the lesser of, (1) the sabbatical offset budget, or (2) actual sabbatical salaries (plus employee benefits). In all cases, the sabbaticals must be in accordance with the *Faculty Handbook* and approved by the Provost's Office.

Graduate Assistants. The Graduate School establishes the minimum stipend levels for graduate assistants. Each school forecasts its own expenditures in the appropriate expenditure schedule. Major changes in the number of graduate assistants should be approved by the Graduate School before they are included in your budget proposal.

Employee Benefits. The basic university employee benefits rate of 33.5% in FY20 will remain the same in FY21. Future rates will reflect current trends in both expenses and recoveries. Currently, it is anticipated that the rate will increase to 34.0% for FY22 and FY23.

The employee benefit rate for government accounts is 32.0% for FY20 and although a final rate has not been determined, we are projecting that it will remain the same for FY21 through FY23 planning years. Table 4 gives a history of these rates.

Table 4: Employee Benefit Rates

Fiscal Year	Non-Government	Government
1982-1983	21.00%	21.00%
1983-1984	23.00%	23.00%
1984-1985	27.00%	24.30%
1985-1986	27.50%	24.60%
1986-1987	28.50%	24.60%
1987-1988	28.50%	24.60%
1988-1989	28.50%	25.70%
1989-1990	29.80%	28.90%
1990-1991	29.80%	28.90%
1991-1992	29.80%	28.00%
1992-1993	31.00%	29.10%
1993-1994	32.00%	29.60%
1994-1995	32.00%	31.30%
1995-1996	32.50%	31.50%
1996-1997	32.50%	30.60%
1997-1998	32.50%	31.50%
1998-1999	32.50%	29.10%
1999-2000	32.00%	26.00%
2000-2001	32.00%	26.50%
2001-2002	32.50%	27.00%
2002-2003	33.00%	27.00%
2003-2004	33.75%	30.00%
2004-2005	34.00%	33.00%
2005-2006	32.00%	32.00%
2006-2007	31.50%	30.00%
2007-2008	32.00%	27.50%
2008-2009	32.75%	30.00%
2009-2010	34.00%	30.00%
2010-2011	34.00%	31.60%
2011-2012	34.00%	31.60%
2012-2013	33.50%	32.80%
2013-2014	33.50%	32.80%
2014-2015	33.50%	31.10%
2015-2016	33.50%	31.10%
2016-2017	33.50%	33.20%
2017-2018	33.50%	33.20%
2018-2019	33.50%	33.20%
2019-2020	33.50%	32.00%
2020-2021	33.50%	32.00%*
2021-2022	34.00%*	32.00%*
2022-2023	34.00%*	32.00%*

* These rates are only estimates and are subject to change

S&W Not Subject to Employee Benefits. The federal work-study (FWS) contribution rates were last adjusted in February 2016. The current institutional (departmental) FWS contribution rates are 30% for on-campus jobs, and 30% for approved off-campus community service jobs. We do not anticipate a need to change the FWS institutional share at this time. However, based on FWS earnings throughout the rest of FY20, and to continue to provide FWS awards to as many

students as possible, it may be necessary to adjust contribution rates at a later date. Further information will be provided from the Office of Financial Aid if an adjustment to the current rates is necessary after final funding levels have been established in early April.

Compensation in Designated Funds

Salaries and wages paid on designated accounts are forecast on one of the following three schedules: Current Endowment Expenditures, Current Gifts Expenditures, or Sponsored Projects Expenditures. The estimates you make for designated salary expense should incorporate both raises (cost rise) and volume adjustments.

As noted in Table 4, the current 32.0% employee benefits rate for sponsored projects is estimated to remain the same for FY21. The employee benefit rate for all other designated funds follows the general university rate of 33.5%.

OTHER INCOME AND EXPENSES

Intercenter Bank

The intercenter bank has been eliminated. The accumulated balances for academic centers were transferred to each unit's provost reserve account in December 2006. No intercenter withdrawals or payments should be included in the forecast packages. Any deficits are expected to be covered through the use of departmentally designated funds.

Indirect Income

The participation rate is set at a level that provides funding for university priorities. Beginning with FY19 the participation rate may vary across schools. For FY20, the participation rate was 9.6% for most schools. In general, the participation rates shown in TBO's Budget Parameters Display will increase to 9.8% for FY21 and 10.0% for FY22 for most schools although variations may exist. Each school's participation rate is determined by the Provost's Office with input from the Office of Budget and Planning. In TBO, participation will be calculated based on revenue forecasts for FY21 through FY23. Participation is calculated based on actual revenues during the fiscal year; therefore, your actual participation charge in each fiscal year will vary from the budgeted amount.

Net indirect income is the sum of participation and subvention and participation tax is applied to the following types of income.

Table 5: Revenues Subject to Participation

Object Code	Revenue Type	Charged for Participation
01XXX	Tuition and fees net of bad debt and credit card fees	Yes
01XXX	Non-credit tuition	Yes
09600	Student aid rate	
095XX	Facilities improvement rate	
03XXX	Endowment income	
06XXX	Gifts	
0652X	Recovery of indirect costs - Endowment	Yes
0653X	Recovery of indirect costs - Gifts	Yes
0651X	Recovery of indirect costs - Sponsored projects	Yes (net of CapRic)
02XXX	Sales and service income	Yes
00XXX	Auxiliaries income	
04XXX	Investment income	
08100	Other sources	Yes
09400	Indirect income	

Other Income: Sales & Services, Auxiliary Enterprises, Other Sources

Direct income not classified as tuition, endowment, gifts, or recovery of indirect costs, is itemized in the appropriate Other Income & Transfers Schedule (based on fund). Generally, academic centers call their other direct income "Sales and Services", auxiliaries use "Auxiliary Enterprises", and administrative centers use the "Other" classification. Units with these types of revenues would enter dollar amounts in one of the following schedules (based on fund): Current Unrestricted Other Income & Transfers, Current Endowments Other Income & Transfers, or Current Gifts Other Income & Transfers.

An important note to administrative units: Changes in income may be proposed but cannot be included in your budget until they are approved by OBP. As a reminder, an increase in income does not authorize an increase in expenditure. A decrease in income, however, must be matched by an equal (or greater) decrease in expense.

Other Direct Expenses

The projected actual and forecast columns on any of the expenditures schedules are used to adjust the budget to show current year performance as well as future year forecasts. A few comments are offered about particular expense categories:

University Services – Other ("other" here means other than O&M or new space). This group is an aggregation of services purchased within the university, including Bookstore purchases, Town and Gown catering, and even internal charges within your unit. You should enter dollar amounts to reflect your own mix of university-purchased services.

There are three direct expenses that are driven by rate changes determined for you:

1. **Telephone Usage** (object code 25100). As of FY08, this object code is used for all telephone use expenses not included in the Technology Connection Charge. Expenses in this category include cell phones, calling cards, aircards (for laptop computers), and international calls. You should only budget funds in the object code if you plan on purchasing these services from central information technology services. Purchases made directly with outside vendors (such as Verizon Wireless and Sprint) should be budgeted in the appropriate M&S object code. Please refer to the ITS website for the list of services included in this category.
2. **Telephone Equipment** (object code 25200). As of FY08, this object code is used for all telephone equipment expenses not included in the Technology Connection Charge. Expenses in this category include desk sets, phone cords, and Ethernet cables. You should only budget funds in the object code if you plan on purchasing these services from central information technology services. Purchases made directly with outside vendors should be budgeted in the appropriate M&S object code. Please refer to the ITS website for the list of services included in this category.
3. **Technology Connection Charge** (object code 25300). Prior to FY07, this object code was used for Network Access charges. As of FY08, this object code is used for all expenses included in the monthly Technology Connection Charge. Expenses in this category include dial tone, local and nationwide calling, and network connections. This charge will be billed based on a unit's total number of benefits-eligible employees plus TA's (Teaching Assistants) and RA's (Research Assistants) counted at 1/3. Non-benefits eligible employees (part-time faculty less than 50% time) and casual student workers are not included in the calculations. This charge will increase by 10.0% in FY21 and is expected to increase by 10.0% for both FY22 and FY23.

ID Income (object code 05000) As part of the budget package submission, units are required to complete the ID Income Itemization Schedule. This is a schedule of activities for which ID income is collected, and the sources of that income (for example, sponsored projects or other on-campus units) are identified. The information is required in verifying

that the budgets of both the paying center and the payee center are developed with the same expectations for service and cost. The itemization detail is required for FY21 only.

Non-Mandatory Transfers (object code 15590) As part of the budget package submission, units are required to complete the NMT Itemization Schedule. This is a schedule of activities for which NMTs are collected or disbursed, and the sources of that income or expense are identified. The information is required in verifying that the budgets of both the paying center and the payee center are developed with the same expectations for service and cost. The itemization detail is required for FY21 only.

An important note to administrative units: Changes in ID Income and Non Mandatory Transfers (NMTs) may be proposed but cannot be included in your budget until they are approved by OBP. As a reminder, an increase in ID Income or credit NMTs does not authorize an increase in expenditure. A decrease in ID Income or credit NMTs, however, must be matched by an equal (or greater) decrease in expense.

Student aid in the form of **Departmental Awards** (object code 16000), **TA Remission** (object code 16500), **Federal RA Remission** (object code 16600), and **Non-Federal RA Remission** (object code 16801) may be adjusted by a school-determined volume change or cost rise. You should keep in mind that a year-to-year increase that is less than the tuition increase means you will have fewer real dollars to spend. Schools are required to budget for continuing pre-doctoral merit award fellowships in FY21, as identified by the Graduate School. Budget amounts for new fellowship awards are at the discretion of the school, but must meet minimum compensation levels as determined by the Graduate School.

Effective with the Fall 2020 semester, the minimum stipend rates paid to graduate assistants (the term graduate assistants includes teaching assistants, research assistants and assistant lecturers) shall be as follows:

.50 time	\$30,500 for the academic year;
.33 time	\$20,130 for the academic year;
.25 time	\$15,250 for the academic year.

All graduate assistants at the .25 level or above shall be provided a health and dental care package as described in the Graduate School Dean's memo. This memo will be included as a General Document in TBO.

Academic units with undergraduate programs may have the opportunity to utilize balances in designated accounts (both gift and endowment income) for their contribution to the central undergraduate aid pool (*Undergraduate Aid "buy down"*). In many cases, account restrictions are general enough to allow support of all undergraduate majors within a school. If a school can fund their contribution to the central aid pool with designated resources, an equal amount will become available in their unrestricted budget for other expenditure categories. To request an aid buy down, please submit your proposal to OBP along with your budget package no later than **Monday, March 2, 2020**.

INDIRECT COSTS

What Are Indirects?

Under responsibility center management, each responsibility center is accountable for the full costs of its operation, including its share of the support and service functions provided by university administrative centers. These support costs are sometimes called “overhead” or “indirect” costs to emphasize that the responsibility center does not directly manage the expenses. Examples of services funded through the allocation of indirects are building maintenance, library operations, payroll, and enrollment services.

Beginning in FY00, the indirect cost pools were divided into two groups: Allocated Central Costs (ACC’s), where all responsibility centers contribute a proportional share; and facilities-based indirects where the direct connection between a center’s activity and facilities-based indirects can be made. For instance, the utilities indirect cost pool is allocated to buildings based on the previous year’s actual consumption of water, gas and electricity. An energy conservation program undertaken in a building can reduce utilities immediately, even though the impact on indirects is not felt until the following year.

In FY01, electrical and related systems costs transitioned to a direct charge. It was hoped that this change would provide responsibility centers with more immediate budgetary feedback about the effects of their energy conservation decision. However, there was no evidence that direct billing had any impact on behavior. The billing process was costly for both central administration and individual responsibility centers. Therefore, these costs were moved back into the facilities-based indirects starting in FY07.

Allocated Central Costs (ACC’s) are those costs that benefit the university overall and cannot be directly linked to any one responsibility center. These costs (ACCs) will continue to be allocated to responsibility centers as indirects.

In FY00, a baseline for each responsibility center’s share of allocated indirect costs was established. In each subsequent fiscal year, the centers’ ACCs were set equal to the baseline plus a cost rise factor that equals the overall percent increase in the ACC pool.

The ACCs fund both the direct expenditures of administrative units plus the space costs for all administrative space. Similar to responsibility centers, administrative centers have space-related costs. These costs are “bundled” with the ACC pool before distribution to the responsibility centers.

Forecasting and Distributing Indirect Costs

Indirect costs are calculated on the basis of historical or current budget data, with future year charges varying by a simple inflation (or deflation) rate and any volume changes.

Space-related pools are assigned by the latest space survey data and grow according to estimated inflation rates. If a center is planning to move into a new building, the related space costs are estimated and billed directly for the remainder of the fiscal year and will be added to the facilities-based indirects in future fiscal years. If a school changes its current usage of existing buildings, the space-related indirect costs will be adjusted for the upcoming year. To ensure early recognition of space changes, the Office of Budget and Planning should be notified as soon as possible of planned moves.

The forecast of each center's share of ACC is calculated by applying the appropriate inflation rate to the current year's ACC share.

The Budget Online (TBO) shows each responsibility center's share of the indirect cost pools (see Budget Parameters Display report).

SPACE MANAGEMENT AND CAPITAL PLANNING

Space is costly. The accuracy of current and future space usage data is important for budget projections. Deans and directors are asked to review how well current space is serving the needs of curriculum, research, and other program activities and to describe any changes in future space occupancy.

In the past, centers occasionally made arrangements to lease space to one another. The current space management policy prohibits such arrangements and most leases have been discontinued. Any leases that are ongoing among centers should be discontinued. **Please contact Shally Kwon at 213-740-4244** to determine the amount of usage based indirect adjustment that is required to eliminate the lease.

Centers with capital projects under consideration or in progress are asked to describe the planned use of new or renovated facilities and to estimate timing and cash flows for each project. Forecasts of gifts to plant may be entered in the Current Endowments & Gifts Income Schedule.

Appendix D contains additional information about capital projects:

- (1) A summary of the capital projects protocol,
- (2) A discussion of capital accounts and debt financing,
- (3) A memo on the FY21 borrowing rate, and
- (4) Forms to initiate and amend capital project accounts.

A center-specific debt service schedule is available on The Budget Online (TBO). Centers with approved loans are asked to review the schedule and make additions or changes as needed to reflect current progress on capital projects.

If you would like to discuss integrating capital plans into your forecast on TBO, or if you have questions about debt financing, please call Shally Kwon (213-740-4244) or Luisa Uyeda (213-740-4214).

New Space Costs

For new or remodeled space scheduled to come on-line in the current year, and in the subsequent year, a projection of the maintenance costs (O&M plus utilities) is provided in a separate schedule with the budget materials. The estimate is prepared by the Facilities Planning and Management Office, based on costs in similar facilities and pro-rated for the fraction of the year the new or renovated building is expected to be in use.

Since they are only estimates, new space costs are included as a direct cost (a line item in Current Expenditures Schedules) so that the center will have an opportunity to monitor expense as it is incurred. If actual costs are less than budgeted, the difference will be available for center use in other activities. If the estimate is too conservative and costs exceed budget, the center must absorb the difference from other expense object codes. Thus, it is important for budget staff in the responsibility center and in Facilities Management to agree on a maintenance projection that is as accurate as possible. Questions about the calculation or assumed project completion date can be raised with Kin Tam (213-740-5062) or Kwok Ng (213-740-3178) in Facilities Management Services.

TBO Note

A center-specific schedule of existing debt service obligations is available in TBO. If the schedule agrees with your records, the year-to-year changes should be entered as Capital Financing in the appropriate Current Expenditures Schedule. If you have any questions, please call Shally Kwon (213-740-4244) or Luisa Uyeda (213-740-4214).

Proposals for debt financing of new capital projects (construction, facility renovation, and equipment) require strong justification and should be reflected in TBO as additions to Capital Financing obligations. Appendix D-2 illustrates how to calculate loan schedules. A conservative strategy is to over-estimate the obligation, but there is a risk to that approach. If the actual repayment is less, you may ask to re-budget the excess Capital Financing (object code 23xxx) to another category of expense, but approval will depend on performance projections for the center and the university.

Interest during construction as a percentage of the total unfunded project costs should also be budgeted as Capital Financing (object code 23xxx), not as a Non-Mandatory Transfer. See the Appendix D for the memo regarding the borrowing rate.

DESIGNATED FUNDS

Academic centers are asked to summarize fundraising plans for all fund groups and to forecast expenditures in three major categories of designated funds—endowment income, gifts, and sponsored projects. These projections are entered in their respective income and expenditures schedules on The Budget Online (TBO). This information is then gathered and displayed in the Comprehensive Report (*available on TBO*) to show the school's annual consolidated budget.

Gift Receipts

The Current Endowments & Gifts Income Schedule includes a separate display for forecasting gift receipts to all types of fund groups:

Gifts to Current Funds

- Unrestricted
- Designated

Gifts to Other Funds

- Student Loan
- Annuity & Living Trusts
- Plant & Equipment

Gifts to Endowment Principal

- Pool: Unrestricted
- Pool: Designated – Scholarships & Fellowships
- Pool: Designated – Program with Overhead
- Pool: Designated – Program without Overhead
- Non-Pool Principal

TBO displays Gifts received in FY19 for reference. Although few schools have significant activity in student loans or annuity and living trusts, these fund groups are included for completeness. Gifts to plant are a more common fundraising goal, especially for schools contemplating major capital projects. Gift receipts for current funds and endowments are discussed in more detail below.

Current Fund Gifts

Current fund gifts may be either Unrestricted or Designated. Unrestricted gifts—generally contributions from support groups—provide direct support to the school's basic academic programs (operating budget). They are credited as income in the unrestricted budget. Other gifts are deposited to current Designated accounts and used for activities specifically designated by the donor.

To forecast unrestricted gift income from support group contributions, consider any changes in membership numbers, as well as proposed increases in individual or corporate membership fees. If appropriate, the school's development staff should be consulted to reflect their fundraising goals in both the unrestricted and designated gift receipts entries.

As designated gift funds are expensed, a 15.0% overhead charge may be assessed and credited to the school's unrestricted income. While the 15.0% overhead charge is a fair allocation of administrative expenses related to designated activities, a dean has the authorization to waive overhead on a specific designated account. Designated expenditures for scholarships and fellowships are exempt from the overhead levy.

TBO Note

TBO accommodates units that have an overhead charge other than 15.0%; a feature is included to allow users to select an automatic 15.0% calculation on expenditures entered, or to input a desired amount. (Line 39 on the Current Gifts Expenditures Schedule provides additional instructions).

Sponsored Projects

Sponsored projects expenditure activities can be forecast in detail in the Sponsored Projects Expenditures Schedule. The "sponsored projects" classification represents activity in all current designated fund accounts except endowment income (CE) and designated gift (CR) accounts. One other fund group, the agency (CA) accounts, are excluded from the forecast altogether since, by definition, these funds are not under direct university control.¹ "Sponsored projects" therefore includes the following fund types:

CG	Current Government
CP	Current Private
CPF	Current Private Federal

¹ An All Current Funds Summary (excepting agency activity) is available as part of the Comprehensive Report on The Budget Online (TBO). Centers with significant agency activity can contact OBP for the prior year's all funds report that includes agency funds.

CPCT	Current Private Clinical Trials
CSL	Current State & Local
CSLF	Current State & Local Federal

It is a convention of fund accounting that Designated funds are counted as revenues only when they are spent. For sponsored project accounts, you will therefore be estimating expenditures rather than dollars awarded. Of course, the two estimates are related, and you may want to base your expenditure forecasts on the trend of proposal and award activity, lagged for the delay between award and expenditure.

The overhead on sponsored projects is an independent entry, reflecting your school's particular mix of sponsors and indirect cost recovery experience. Please note that the recovery of indirect costs shown in your unrestricted budget will be net of the amount credited to the Capital Plan.

Beginning in FY04, the portion of the indirect cost recovery for building depreciation and interest expense was credited to the Capital Plan (the central pool of funds that pays for the debt service for several research-related construction projects). The FY20 rate of 19.7% will remain unchanged for FY21 (12.805/65).

All contract and grant accounts with indirect cost function codes beginning with "11XXX" in the five-digit function code (on-campus research) are subject to the indirect cost recovery split. TBO will automatically adjust the recovery of indirect costs income for on-campus research to reflect this split.

For your information, **Table 6** shows the most recent pre-determined rates for overhead recovery on sponsored projects.

TBO Note

Indirect cost recovery is estimated at the bottom of the Sponsored Projects Expenditures Schedule. This amount, net of recovery that is earmarked for the Capital Plan (CapRic), will transfer to RIC-Contracts & Grants in your unrestricted budget (see TBO reports).

Table 6: Indirect Cost Rates for Sponsored Projects

Fiscal Year	Research			Instruction/ Training		CapRic
	On Campus	Off Campus	ISI/ ICT*	On Campus	Off Campus	
1985-1986	66.0%	39.9%	39.9%	94.1%	60.0%	
1986-1987	66.0%	39.9%	39.0%	94.1	60.0%	
1987-1988	66.0%	39.9%	39.9%	94.1	60.0%	
1988-1989	65.0%	38.9%	38.9%	94.1%	60.0%	
1989-1990	63.0%	36.9%	36.9%	94.1%	60.0%	
1990-1991	60.5%	34.4%	34.4%	94.1%	60.0%	
1991-1992	60.5%	34.4%	34.4%	47.6%	38.7%	
1992-1993	62.5%	26.1%	21.0%	35.0%	26.1%	
1993-1994	63.0%	26.1%	21.0%	35.0%	26.1%	
1994-1995	63.5%	26.1%	21.0%	35.0%	26.1%	
1995-1996	64.5%	26.0%	22.1%	65.5%	26.0%	
1996-1997	64.5%	26.0%	22.1%	65.5%	26.0%	
1997-1998	65.0%	26.0%	23.7%	66.0%	26.0%	
1998-1999	64.0%	26.0%	24.2%	66.0%	26.0%	
1999-2000	63.5%	26.0%	24.2%	66.0%	26.0%	
2000-2001	63.5%	26.0%	24.2%	66.0%	26.0%	
2001-2002	62.5%	26.0%	24.2%	66.0%	26.0%	
2002-2003	62.5%	26.0%	26.0%	55.0%	26.0%	
2003-2004	62.0%	26.0%	26.0%	55.0%	26.0%	17.74%
2004-2005	62.5%	26.0%	26.0%	55.0%	26.0%	18.40%
2005-2006	62.5%	26.0%	26.0%	55.0%	26.0%	18.40%
2006-2007	63.0%	26.0%	26.0%	55.0%	26.0%	19.05%
2007-2008	63.0%	26.0%	26.0%	55.0%	26.0%	19.05%
2008-2009	63.0%	26.0%	26.0%	55.0%	26.0%	19.05%
2009-2010	63.0%	26.0%	26.0%	55.0%	26.0%	19.05%
2010-2011	62.0%	26.0%	26.0%	55.0%	26.0%	19.35%
2011-2012	63.0%	26.0%	26.0%	45.0%	26.0%	19.35%
2012-2013	64.0%	26.0%	26.0%	45.0%	26.0%	19.35%
2013-2014	64.0%	26.0%	26.0%	45.0%	26.0%	19.50%
2014-2015	64.5%	26.0%	26.0%	45.0%	26.0%	19.50%
2015-2016	65.0%	26.0%	26.0%	45.0%	26.0%	19.60%
2016-2017	65.0%	26.0%	26.0%	45.0%	26.0%	19.70%
2017-2018	65.0%	26.0%	26.0%	45.0%	26.0%	19.70%
2018-2019	65.0%	26.0%	26.0%	45.0%	26.0%	19.70%
2019-2020	65.0%	26.0%	26.0%	45.0%	26.0%	19.70%
2020-2021E	65.0%	26.0%	26.0%	45.0%	26.0%	19.70%
2021-2022E	65.0%	26.0%	26.0%	45.0%	26.0%	19.70%
2022-2023E	65.0%	26.0%	26.0%	45.0%	26.0%	19.70%

* ICT Rates for FY2002-2003
and beyond

A Predetermined

E Estimate

Your entries for indirect cost recovery on sponsored projects will change as a function of both institutional rate change and any anticipated growth or decline in the volume of activity for your unit.

Endowments

The special feature of endowment funds is that principal amounts are held in perpetuity, and only the investment return is spendable.

As a rule, the university converts all endowment gifts into shares in the centrally managed endowment pool. (Conversion rates vary over time with the market value of the pool. At June 30, 2019, the market value of a pool share was \$676.76). Thereafter, shares participate in the investment performance of the university pool. See Appendix E for a history of pool performance and payout rates, as well as a comprehensive explanation of endowment funds and related financial issues.

Briefly, there are three ways to value endowment principal:

1. The dollar value of the original gift (called "book value"),
2. The number of endowment pool shares "purchased" at the time of the gift, plus any additional shares that accrue because annual income exceeds payout, and
3. The current market value (the total shares to date multiplied by the current per-share market value of the pool).

All three valuations are given in the Report of Endowment Principal and Share Balances that accompanies the forecast package for centers with endowment funds.

For endowments that are part of the endowment pool, the income earned in any year is a function of the time-weighted endowment shares in the principal account and the payout rate established by the university for that year. The payout for FY20 is \$30.33 per endowment pool share. Each pool share (including a share purchased with new gifts) earns \$30.33 if it is held for the full year, and proportionally less for fractions of the year.

The university's spending plan has been to keep annual spending within 4 to 6% of the 12-quarter average market value of a share. In FY93, a departure from that goal was approved by the Board of Trustees as a budget-balancing alternative to deeper expenditure cuts or higher tuition. The payout was set at \$12.82 per share (6% of the market value of a share at December 31, 1991) and remained at that relatively high level through FY96. In FY97, the payout increased by 1.8% to \$13.05 and by another 1.7% in FY98 to \$13.27.

Beginning in FY99, the payout target was adjusted to take into consideration above-average annual investment returns. The Board of Trustees approved a payout equal to a

percent of the 12-quarter average market value. The following table shows the rates from FY99 forward:

Table 7: Endowment Pool Distribution Rates

Fiscal Year	Payout Per Share	% of Avg MV	% Incr over PY
1998-1999	\$14.22	5.0%	7.2%
1999-2000	\$15.91	5.0%	11.9%
2000-2001	\$19.47	5.5%	22.4%
2001-2002	\$22.31	5.3%	14.6%
2002-2003	\$22.88	5.0%	2.6%
2003-2004	\$22.88	4.9%	0.0%
2004-2005	\$22.88	5.2%	0.0%
2005-2006	\$23.57	5.4%	3.0%
2006-2007	\$24.28	5.1%	3.0%
2007-2008	\$25.42	4.8%	4.7%
2008-2009	\$25.42	4.3%	0.0%
2009-2010	\$25.42	4.2%	0.0%
2010-2011	\$25.42	4.5%	0.0%
2011-2012	\$25.42	5.0%	0.0%
2012-2013	\$25.42	5.1%	0.0%
2013-2014	\$25.42	4.8%	0.0%
2014-2015	\$26.69	4.8%	5.0%
2015-2016	\$27.76	4.7%	4.0%
2016-2017	\$28.87	4.7%	4.0%
2017-2018	\$28.87	4.6%	0.0%
2018-2019	\$29.45	4.7%	2.0%
2019-2020	\$30.33	4.7%	3.0%
2020-2021	\$31.24	4.7%*	3.0%
2021-2022	\$31.86*		2.0%
2022-2023	\$32.50*		2.0%

* estimated

TBO includes a projection of each center's FY20 and FY21 endowment income (where applicable).

In the Current Endowment Expenditures Schedule, centers are asked to estimate gifts to endowment in the current year and in the three forecast years. It is important for income calculations to distinguish gifts for different types of endowment:

Pool Unrestricted	Program, Scholarships & Fellowships, and O&M
Pool Designated	Program and O&M with overhead Program and O&M without overhead
Pool Designated	Scholarships & Fellowships
Non Pool Principal	Program, Scholarships & Fellowships, and O&M

A time-weighting factor – set initially at 0.50 – may be adjusted in one month (1/12th) increments. (i.e. .0863, .167, .25, ..., .833, .917 or 1.00) for the different types of endowment and years of the forecast. With these forecast entries, plus current and prior year-ending market value/share, TBO will estimate future shares and income in a variety of timings and manifestations.

TBO Note

Please review the schedules related to endowments and gifts carefully. The Current Endowments & Gifts Income Schedule has been designed to estimate income based on the number of shares held and/or purchased. It also includes a section for non-pooled investments in order to better approximate total endowment income. Continuing from last year is the partitioning of designated endowment funds to determine whether or not the income is assessed 15% for the recovery of indirect costs before the remaining 85% is distributed to a current endowment income account for expenditure in the subsequent year. No overhead is recovered from designated endowment funds whose income is designated for scholarships and fellowships.

Forecasting the activity in endowment funds requires only a few entries. The amount in the FY20 projected column represents the number of designated and unrestricted endowment end shares at November 30, 2019. Additional gifts to endowment principal expected for the remainder of the current fiscal year should be entered on the Current Endowments & Gifts Income Schedule. TBO will then estimate income based on the number of end shares and the time-weighting factor. To forecast activity for future years, estimate gifts to endowment, make any necessary adjustments in the time-weighting factor (at .0833 increments – you are now allowed to forecast gifts on a monthly basis) for new gifts. Related expenditure projections and forecasts should be entered on the Current Endowment Expenditures Schedule. TBO calculates the rest, and reflects any unrestricted income amounts (for program, scholarships and fellowships, O&M and for recovery of

indirect costs) to the appropriate report. You will want to understand the assumptions for these calculations – they are described below and illustrated in Appendix E.

Gifts to endowment may be received throughout the year, but on average are assumed to participate in the pool for only half the year; that is, endowment income from new gifts is time-weighted by a factor of 0.50. The calculation assumes gifts will buy into the pool at the current year-end market value per share and will earn the full payout per share for six months during the year of receipt. It is further assumed that the market value, after adjusting for the payout, will increase by 2.0 percent per year. Based on the current endowment spending rule, the payout per share will increase to \$31.24 per share for FY21. The payout per share is projected to increase by 2.0% in FY22 and in FY23. You can achieve more conservative income calculations by reducing the time-weighting factor for new gifts. For example, a factor of 0.25 (3/12ths) says that new gifts earn income for three months of the first year; a factor of .75 (9/12ths) translates to nine months, and so forth. In TBO, the time-weighting factors have been adjusted to allow for 12 monthly factors (i.e. .0863, .167, .25, ..., .833, .917 or 1.00).

Recall that, by university convention, designated endowment income is available for spending the fiscal year following the year in which it is earned. Unrestricted endowment income (including the 15% overhead on designated program endowments) is spendable in the year it is earned. Suppose you anticipate a gift in FY21 to establish a designated endowed scholarship; the income will not show up in your designated income account until the end of FY21, and would not be available to spend until FY22. If the gift had been to establish a designated endowed chair, you would see 15% overhead in FY21 (spendable in the year it is earned), but the remaining 85% would not be credited to the account until the end of the fiscal year.

INDEX

- Agency funds, 34
- Allocated Central Costs (ACCs), 29–30
- Annuity and living trusts, 33
- Budget Development System (BDS), 7, 10
- Budget hearings, 10
- Capital Plan Recovery of Indirect Costs, 35
- Capital projects, 31, *See* Appendix D
- Compensation. *See* Salaries, 19
- Course fees, 16
- Deadline to submit forecast package, 6
- Departmental awards, 28
- Differential tuition rates, 16
- Endowment funds, 37–40, *See* Appendix E
- Endowment pool distribution rates, 38
- Enrollment Planning, 14
- Facilities Improvement Fund, 17
- FIF rates, 18
- Freshmen and transfer student targets, 14
- Fringe benefit rates, 22–24
- Gifts, 33–34
- Graduate fellowships, 28
- Headcount Schedule, 13, 20
- Help with workpackage
 - OBP staff to call, 5
- Indirect costs, 29
- Indirect income, 25–26
- Intercenter bank, 25
- Interdepartmental income
 - Offset for sabbaticals, 21
 - Offset for TA Remission, 28
 - Other, 27
- Investment income, 26
- Non-collectible tuition, 17
- Non-credit tuition, 16
- Non-mandatory transfers, 28
- Participation, 25
- Payroll object codes, 21
- PhD tuition, 16
- RA/TA tuition remission, 28
- Recovery of indirect costs
 - Endowment funds, 39
 - Gift funds, 34
 - Sponsored projects, 35
- Sabbaticals, 21
- Salaries, 19–24
 - Analysis of compensation profiles, 20
 - Personnel support schedule, 20
 - Restricted funds, 24
- Sales and services, 26
- Space costs, 31
 - Leasing space, 31
 - New space costs, 32
- Sponsored projects, 34–35
 - Fund Types, 34
 - Overhead recovery rates, 36
- Student loan funds, 33
- Subvention, 25
- Support groups, 34
- Teaching assistants, 22
- Technology Connection Charge, 27
- Telephone usage and equipment, 27
- The Budget Online (TBO), 11
- Tuition rate increase, 15
- Tuition units forecast, 15**
 - Professional programs, 16
- Undergraduate student aid, 17
- University Services-Other, 27