MEMORANDUM

TO: Divisional and College Business Officers

FROM: Colleen Dove, Executive Director of Financial Operations, Division of Finance and Administration

DATE: March 27, 2017

SUBJECT: FY 2018 Working Budget - Phase I (BPM Ledger 2)

As mentioned in the Budget Office’s communication on March 7th (Attachment A), we are opening the Budget Preparation and Maintenance System Working Budget (BPM WB) this morning to all users for budgeting of accounts beginning with 28, 293, 294, and 295. The system is being opened for budgeting only; i.e., no salary setting. In Phase II, scheduled to open on April 20th, we will expand BPM WB to include salary setting and budgeting of the other types of budgetable accounts. Please note that units may begin budgeting these accounts in Phase I and complete them in Phase II. We are not requiring balancing, checklists, or tracking sheets in Phase I.

We have attached guidance, for your use in developing your detailed budgets.

Enclosures
# University of Maryland
# FY 2018 Working Budget Instructions - Phase I – BPM Ledger 2

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### ATTACHMENTS:

- A – Communication from BFA on March 7, 2017 Regarding Phase I – BPM Ledger 2
- B – Budgeting Internal Funding Sources - Overview
I. **PHASE I – BPM LEDGER 2 FUNCTIONALITY**

Except for setting of salaries, the Phase I – BPM Ledger 2 system has all the functionality provided in FY 2017’s BPM WB. Please refer to the FY 2017 BPM WB New User Manual for details on how to enter budgets in BPM. This new user manual may be accessed at:


II. **CONTACTS**

We have asked each college/division to appoint “super users” to assist other users with questions or issues. Please contact your college/division business officer if you are unsure who the designated super users are. If you experience technical issues with BPM WB or have non-BPM WB related questions, please contact your “super user” first if he or she is available. Should you or your super user still have questions, the following contacts are provided:

For questions on how to develop a budget or budgeting of transfers, please feel free to contact:

For Academic Units:

- Dylan Baker  X55632  dbaker@umd.edu
- Dan Ramia  X53009  dwramia@umd.edu

For Non-Academic Units:

- Theresa Beck  X55636  tbeck@umd.edu
- Susan Boblitz  X55638  sboblitz@umd.edu
- Danny Catalano  X57827  dannyc@umd.edu

If you have developed your budget but just need to know how to enter it into BPM or if you experience technical issues with the system, please contact:

- Susan Boblitz  X55638  sboblitz@umd.edu
- Danny Catalano  X57827  dannyc@umd.edu

Please note, we have developed a Technical Issue Reporting Form that users may find useful for reporting BPM technical issues. The information requested on the form will help us identify the “fix” needed. The BPM Technical Issue Reporting Form is available at:


Additionally, page 9 of the FY 2016 BPM WB Training and User Manual has instructions regarding technical requirements for the system to work properly.
III. GENERAL BUDGETING

A. Itemized Employee Position Budgets (Filled and Vacant, Object Codes 1011 – 1016)

Every itemized position in BPM WB should be budgeted. For filled positions, the position dollar budget should reflect the actual salary expected to be paid from that account in FY 2018. For vacant positions, the position dollar budget should reflect the amount the position is expected to be re-hired at. The budget FTE should reflect the percentage of time the dollar funding represents.

Please take a close look at your vacancies. If the vacancy is not expected to be refilled, please move the dollars off the position to the account/object code in your budget where you expect to spend the funding.

Please note the FY 2018 budget currently being reviewed by the Maryland Legislature does not include an allowance for salary increments or cost of living adjustments.

B. Other Salary Budgets (Object Codes 1018 – 21XX)

Please budget what you anticipate to pay in these object codes in Fiscal 2018. To help in developing budgets by object code, we have loaded FY 2016 actuals for your reference.

C. Fringe Benefits

BPM WB has a fringe benefit calculator available to assist users in self-support units budgeting the fringes on their accounts. Please refer to page 51 of the FY 2017 BPM Training and User Manual for how to navigate to and within the calculator.

The fringe benefit calculator allows users to see, in a spreadsheet-like format, the estimated fringe benefits by employee. Users can adjust the amounts in the spreadsheet and then easily update the object code budgets simply by clicking on a button. The calculator computes the fringes for filled positions and also allows users to budget fringes for vacant positions, if they are anticipated to be filled in FY 2018. The calculator computes the fringes based on salaries, such as retirement and social security, using the FY 2018 rates and the proposed salaries. For health, the actual health subsidy from a recent pay period was loaded and then annualized for FY 2018, taking into account that subsidies will be charged in 24 pays again and that the State expects inflation on the subsidy rate. Retiree health is a percentage of the health subsidy. The fringe benefit calculator also allows users to add anticipated leave pay-outs and tuition remission by employee. The preliminary fringe rates for FY 2018 are as follows:
### Object Code | Fringe Type | FY 2017
--- | --- | ---
2710 | Health | Take bi-weekly health (including medical & dental) from a recent FY 2016 payroll. Multiply by 24 to annualize at FY 2018 rates and then multiply by 7% for FY 2018 inflation.
2711 | Retiree Health | 
- 58% surcharge on current employee health benefits for employees in the State Retirement System (Health above X 58.00%)
- 29% surcharge on current employee health benefits for employees in the Optional Retirement Program (ORP, object code 2705). (Health above X 29%)
2712 | Other Post-Employment Benefits | 
- 0% - There is no surcharge on current employee health benefits for employees in the State Retirement System
- 0% - There is no surcharge on current employee health benefits for employees in the Optional Retirement Program (ORP)
2720/2760 | Employee Retirement/Pension | 19.74% on FY 2018 earnings of employees in these plans
2715/2755 | Teachers’ Retirement/Pension | 17.39% on FY 2018 earnings of employees in these plans
2705 | Optional Retirement (TIAA, etc.) | 7.25% on FY 2018 earnings of employees in these plans
2769 | Police Retirement | 43.04% on FY 2018 earnings
2725 | Social Security | 7.65% on FY 2018 earnings up to $127,200 & 1.45% of FY 2018 earnings over $127,200
2780-2789 | Deferred Compensation match | -0- There is no match in FY 2018
2770 | Unemployment Compensation | $0.28 per $100 of payroll
2775/2776 | Tuition Remission | Pending Board of Regent approval, we are anticipating the standard tuition rates at UMCP for undergraduates will increase by 2% to be $353 per credit hour and graduate will increase by 5% to be $683 per credit hour.

## D) Operating Revenue and Expenditures

Budget both revenues and expenditures for the amount anticipated to be recorded as actuals in FY 2018 at the object code level. To help in developing budgets by object code, we have loaded FY 2016 actuals for your reference. Both the operating revenue and operating expense screens have a feature “Allocate Proposed Budget Based on FY16 Actuals”. One method to enter the budgets would be to enter the entire budget on one object code, then click on “Allocate Proposed Budget Based on FY16 Actuals”, to spread the budget out based on past experience.
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You can then adjust the budgets on individual object codes, as necessary. Please note that a few transfer object codes have been redesignated as revenue object codes. Please see section F – Transfers for more information.

E) Allocations and FY 2018 Commitments

Please note that allocations and FY 2018 commitments will be provided in Phase II—BPM Full Version. This includes the Designated Research Fund Initiatives (DRIF) allocation.

F) Transfers

As mentioned in BFA’s communication on March 7th, the university would like to implement full budgeting of all activity as much as possible. A step in that direction is the comprehensive recordation of transfers. To help with consistent budgeting of the transfers, a workgroup reviewed all the existing transfer object codes, updated them, and documented the intended use of each. Please refer to Attachment B – Budgeting Internal Funding Sources – Overview.

Units will need to ensure that transfers are 1) budgeted, to the maximum extent possible and 2) coordinated with the other organization to ensure the transfer uses the same object code on both sides of the transaction and the same dollar amount so that the transfer zeros out at an university level.

In a few isolated exceptions, both sides of the transfer cannot be budgeted by the BPM users. These include transfers to:

--Cost Share accounts (ledger 22 or 23),
--Restricted accounts (ledger 4 or 5, with a few exceptions in AGNR and MFRI),
--Maryland Industrial Partnerships (MIPS), and
--Plant Reserves or Projects (ledger 7 or 8).

In these few cases, please go ahead and budget the side of the transfer that is budgetable by the user in BPM.

At the beginning of Phase II, each division will be provided major known transfer commitments from either the Provost or General University with further instructions.

G) Budgeted Use/Growth of Fund Balance

If, after budgeting all the expenditures and transfers expected to be incurred in FY 2018 and the revenues expected to be realized in FY 2018, the unit determines that it is projected to add to (grow) or subtract from (use) fund balance, the unit may budget this plan in BPM.
In these situations, please budget in the following object codes, as appropriate:

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<th>Example</th>
<th>Object Code</th>
<th>Budget a Positive or Negative Amount</th>
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<td>The department expects to receive funding in FY 2018 but anticipates spending some or all of it in future years.</td>
<td>0966 – Budgeted Growth of Fund Balance</td>
<td>Positive</td>
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<td>For example, a faculty member receives “start-up” funds in FY 2018 but expects to spend it over a three-year period.</td>
<td></td>
<td>For the amount of funding not expected to be expended in FY 2018; i.e., revenues exceed expenditures</td>
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<tr>
<td>The department expects to spend into funding received in years prior to FY 2018.</td>
<td>0968 – Budgeted Use of Fund Balance</td>
<td>Negative</td>
</tr>
<tr>
<td>For example, a faculty member received start-up funds in FY 2017 and did not spend it all in FY 2017, and expects to spend some or all of the remaining funds in FY 2018.</td>
<td></td>
<td>For the amount of funding from prior years expected to be spent in FY 2018; i.e., expenditures exceed revenues</td>
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Object codes 0966 and 0968 are budget only object codes; i.e., no actuals should be recorded against them in KFS during FY 2018.

IV. **BALANCING, TRACKING SHEET, AND REVIEWS**

Units will not be required to finalize their budgets in Phase I; therefore, units will not be required to balance, conduct final reviews, or submit tracking sheets until Phase II. Please note that Phase I—BPM Ledger 2’s purpose is to allow more time for data entry as we are now requiring the E&G Designated (Accounts beginning with 294 and 295) to be budgeted. In Phase II, BPM’s purpose will be to set salaries, finalize the budgets on the accounts budgeted in Phase I, and to enter and finalize the budgets on the remaining accounts. We will provide a review checklist with the Phase II-BPM WB Full Version instructions in April.

Please note that in Phase II, we will be requiring Ledger 2 accounts to be self-balanced; i.e., revenues and expenditures within the account should net to zero.