ATTACHMENT A

The Provost’s Office budgeting guidelines are intended as a supplement to the general information which has been provided by the University Budget Office. (https://finance.duke.edu/budget/instruct/) If you need further information or clarification to develop your budget, please contact any member of the Provost’s Office financial staff for assistance.

As in the past, the FY17/18 budget will include all 1XX, 3XX, 4XX, 66X and 7XX Betterment accounts including any projects under $100K. For projects $100K and greater, please follow capital budget guidelines.

As a separate process, in May 2017 all schools will be required to develop, at a minimum, a three-year financial plan. The out-year plan will be prepared using the PBF Multi Year Layout along with the approved FY 2017/18 budget as the starting point. Out-year planning parameters along with additional information will be provided in late spring to assist with this process.

The Provost Office will take your PBF budget on your due date using PBF workflow. We ask that you notify our office (Scott Franklin & Carrie Slaughter) when you are ready to transfer your proposed budget to us.

The creation of any new BFRs will require manual changes to the package structure used to submit your budget. When requesting a new BFR, please ask about the implications to PBF work-flow.

Academic Support Units receiving budget allocations need to insure that the submitted budget does not exceed the stated budget allocation referenced in your annual allocation letter. Any variance to the allocation must be requested as an incremental request via the budget letter submitted to the Provost and NOT included in the PBF submission.

Your budget submission should include a budget summary letter addressing any significant highlights and issues. This letter should include an overview of the programmatic objectives supported by the budget, key financial issues, and the connection to your long range academic and financial goals. ALL MATERIALS MUST BE SUBMITTED ON 8 ½ x 11 PAPER including the organizational charts. In addition to the budget letter, your submitted material should include:

1. Documentation for any use of Strategic funds (SIP), including a statement of purpose, an expenditure plan,
and the details for any personnel expenditures supported with the funds.

2. A summary of budgeted faculty salary increases including a rationale for any planned promotions and documented equity adjustments as well as any increases at or above 5%. This required justification will provide the basis for the Provost's consideration of recommended salaries.

3. Verification that all Transfers and Appropriations have been balanced and documented within your budget. All funding transfers must be balanced before submitting your budget. Units, developing their budget, are in the best position to document the sources and destination of any funding transfer using the “Appropriation and Transfers” functionality in the non-position layouts. If budgeted correctly, all internal transfers within your unit or school should net to $0 across all of your funds. Any net balances in your transfers suggests a cross funding situation that must be coordinated with the other unit. (Further information can be found in Attachment B – section 3)

4. A complete and current organizational chart for your unit. Additionally, it is helpful when employee names are provided rather than just position titles. Please provide this information in chart format with reporting relationships rather than a list of employees.

5. Capital Budget Requests. All capital projects over $100K with a useful life of more than two years should be included on the capital budget worksheet to be distributed separately. Follow the capital budget guidelines that will be distributed separately from this document.

6. All submissions should include a copy of the Board Report (C-4) for the new budget year with explanations for any significant changes from the prior year budget.
Attachment: B:
Supplemental 17/18 Budget Instructions for the Provost Area

1. Position Budgeting
2. Budgeting Tuition and Fees (rate/units)
3. Transfers and Appropriations
4. Budgeting Debt Service
5. Purchasing Plant and Equipment/Minor Acquisitions ($500 - $5,000)
6. Capital Budget
7. Service Center Recharge Rates
8. Completing the Consolidated Operating Budget Summary (All Funds)
9. Sponsored Funds
11. Work-Flow and Budget Submissions

1. Position Budgeting

The annual position budget in PBF should be developed using one of the PBF position layouts (Package or BFR). In PBF, the exempt and non-exempt position layouts have been consolidated into a single layout presentation that includes buttons for funded positions, owned positions, and student funding. To facilitate the syncing of salary data between the funded and owned buttons, the layout includes a “Copy Funded Salaries to Owned” Button. (The owned detail terminology in PBF refers to positions that reside and are managed in a BFR with-in your security realm. The PBF funded view records all positions funded by your area regardless of position ownership.)

General PBF Reminder

We have pre-loaded salaries into PBF with the current FY16/17 salaries as of December 1st. You will need to update the compensation to reflect the budgeted wage increases anticipated with the new budget. Reminder, all funding sources for each individual should total to 100% after your have completed your budget.

Supplemental/provisions for faculty and staff should be budgeted using the “Add Supplements/Provisions Button” located in the Planning Layout. Biweekly staff provisions for OT/Shift Premiums or other types of supplemental pay need to be budgeted using the “Add Supplemental/Provision” button. Student wages are budgeted on the Student Wage button included in the layout.
When making multiple entries, please document each provision detail in the notes to provide transparency to the budget assumptions. (Please do not create new positions to break out multiple provisions.)

*****Please note that Line Items related to Supplemental /Provisions entries will be consolidated “Upon Save” into a single line in PBF with the note from the final entry overwriting all previously entered comments. When entering multi-lined provisions linked to single individual or unspecified entries linked only the fund codes, the budgeteer should consolidate the provisions and notes into a single entry with a consolidated itemized comment to document the entry. (Best Practice may be to maintain a separate provision itemization that can be included as a payroll addendum with your budget submission.)

Note: New positions should not be budgeted via the Supplement/Provisions button or the Shift Premium button. Please create any new positions in PBF using the “Create New Position” button.

As a reminder, fringe benefits are calculated at each save by clicking the “Calculate and Save” button in the layout. Please, note, if you use the “Save Only” button, your fringes will not calculate and thus your budget can not be balanced until you have successfully calculated and saved your data using the “Calculate and Save” button.

Current position data has been pre-loaded into PBF based on the payroll system as of December 1st. Any changes after this date must be manually entered into the PBF position layouts by creating a PBF new position number. (When creating a new position in PBF with an existing Duke HR position number, please cross-reference the actual Duke HR position number using the comments fields located in the position layouts.) PBF position numbers for positions created as part of last year’s budget have been updated with the Duke Position number where a cross-walk between the temporary old budget and HR position number could be established. Each department is expected to verify the position lists in PBF prior to submitting their budget. As in the past, new proposed positions, created in PBF, are for budgeting purposes only. Once approved, new positions will need to be created via i-Forms and will be subject to the Position Management or Vacancy Management review processes and Rewards and Recognition review and classification.

Faculty:

The salary pool for wage increases will be up to 2.5% for FY 17/18. All individual faculty positions should be budgeted and documented at the actual recommended salary. Proposed faculty salaries should be rounded to the nearest $50. Please note, any increases for proposed promotion, retention or equity should be budgeted for affected individuals by adjusting the salary increase for the individual. Such increases as well as any proposed faculty salary increase at or above 5% should be annotated accordingly. The documentation included with the budget submission will provide the basis for the Provost's consideration of recommended
salaries.

Vacant and new positions for faculty should be budgeted and annotated. Vacant positions have been pre-loaded into PBF. Cost distributions for these vacant positions have been pre-loaded into PBF based on the most recent cost distribution for the primary holder of the position. These cost distributions need to be reviewed carefully for the 17/18 budget.

All provisions should be itemized and documented in the PBF notes field. Provisions that are definitively associated with an individual faculty member should be attributed to the faculty member’s position management number. Examples include, but are not limited to, faculty serving in administrative roles such as chairs or center directors, special arrangements for benefits such as tuition reimbursement, etc.

Provisions for general expenses should not be attributed to a specific position management number. However, clear documentation should be provided in the notes. Examples include, but are not limited to, provisions for adjuncts covering a variety of courses, summer ninths, awards programs (such as “best teacher”), etc. (Provision amounts should be itemized in the notes to provide transparency when the provision lines are consolidated to a single line.)

It is very important that tenure and tenure-track faculty salaries be budgeted in the appropriate GL account and PSA which in the PBF annual budget is determined by the selected job codes entered into the position layouts.

- GL Accounts: 601300, 603000, 603100, 600200, 603300, 603400, or 603600.

- Job Codes for members of the academic staff at Duke University and Medical Center who hold the rank of
  - Professor (Tenure), Job Code 1541
  - Associate Professor (Tenure), Job Code 1542
  - Assistant Professor (Tenure), Job Code 1543
  - Professor, Job Code 1545
  - Associate Professor, Job Code 1546
  - Assistant Professor, Job Code 1547.

**Staff:**

The salary merit pool for wage increases will be up to 2.5% for FY 17/18. Staff compensation should be budgeted at the pool rate. Reclassifications and promotions are permitted with justification. Additional
information regarding the performance evaluation program and the salary setting process will be provided in the spring, as appropriate.

Please note, any increases for proposed promotions, reclassifications should be budgeted for affected individuals and annotated accordingly. This may be done by adjusting the salary increase for the individual or may be budgeted as a documented provision.

Provisions should be itemized and documented in the PBF notes field. Provisions that are definitively associated with an individual staff member should be attributed to the staff member’s position management number. Examples include, but are not limited to, planned reclassifications, proposed equity adjustments, etc.

All provisions for general expenses need not be attributed to a given position management number. However, clear documentation should be provided in the notes. Examples include, but are not limited to, provisions for balance of the salary pool for performance-based increases, awards programs, overtime, shift premium, etc.

Vacant and new positions for staff should be budgeted and annotated. Vacant positions have been pre-loaded into PBF. Cost distributions for these vacant positions have been pre-loaded into PBF based on the most recent cost distribution for the primary holder of the position. These cost distributions need to be reviewed carefully for the 17/18 budget.

Managers may provide additional funds for salaries to support equity, retention and promotion by reallocating funds within their approved overall budget targets. Such reallocations should be documented, and must be approved by the Provost’s Office before communicating with the employee.

2. Instructions for Budgeting Tuition and Fees:

All tuition and fees should be budgeted using the unit and rate button in the non-position layout in PBF. Please utilize the notes field and create multiple lines to separate enrollment components to insure clarity with current budget assumptions.

PBF Unit & Rate Report Note:

*Non Position Report NP2 provides unit and rate details.
*Non Position Report C20 provides a printable view of the Fund/GL/Line view of your budget that includes comments

3. Appropriations and Transfers
All appropriations and transfers should be documented in the “Appropriation and Transfers” button located in the PBF non position layouts; utilizing the notes field to provide additional documentation as needed. Please note, entering this field does not budget the other side of the transfer. The purpose of the appropriation and transfers offset functionality is to simply document the source or destination of the funds so that the entire transfer can be verified as balanced at the university level. If budgeted correctly, all internal school/unit transfers and appropriations across your funds should balance to $0 in your budget. Any remaining net debit or credit balances in the transfers and appropriation section of the board report should reflect the net impact of cross funding to or from your school/unit (Central Support to your unit, Cross funding between units for shared positions or activities, etc). The Appropriations and Transfers Report (NP1) is the best source to review the details behind your budgeted transfers. If recorded correctly, the “Appr & Transf Offset” report column should always have an offsetting fund and BFR value linked to the entry. Once exported, data from this report can be sorted by the offsetting fund’s BFR to identify and manage any external funding transfers. Any transferred funding to and from your unit included in the budget, must be confirmed with the other unit prior to submitting your final budget. Budgeted 16/17 transfer offset entries have been pre-loaded for use in the 17/18 budget development.

4. Budgeting Debt Service

Please refer to the memorandum of current debt service obligations provided by Treasury Operations. This memo will be distributed late January. Please contact Amy Oates or Scott Franklin if you have any questions about debt service payments.

5. Purchasing Plant and Equipment/Minor Acquisitions ($500- $5,000)

Plant and equipment/minor acquisitions can be purchased on current operating codes (1XX funds) or on 4XX codes established for purchasing minor acquisitions. Purchases for plant and equipment/minor acquisitions use the GL Account series 67XX00. Plant and equipment refers to tangible property which has an estimated life of at least two years. If the cost of an item is less than $5,000 it is considered a "minor acquisition."

Most schools and departments have established 4XX reserve funds for purchasing minor acquisitions (such as computers and printers). These reserve codes are funded from current operating codes and should be budgeted using GL Account 694300 Reserve for Minor Acquisition Betterments. The University Budget Office will prepare this monthly transfer between the 1XX and 4XX codes (betterment transfers between 4XX funds are prepared by the department). The credit entry to the 4XX fund will use GL Account 801100. Make sure the debit and credit entry are both budgeted with the corresponding entry noted utilizing the Appropriation & Transfer button.
- For the 1xx-xxxx-694300 debit entry, include the corresponding 4xx-xxxx-801100 credit entry in the notes field.
- For the 4xx-xxxx-801100 credit entry, include the corresponding 1xx-xxxx-694300 debit entry in the notes field.

If you continue to accumulate reserves in a 7XX betterment account for capital equipment (items greater than $5,000), use GL Account 692300 Reserve for Capital Betterments in the current operating code. The University Budget Office will prepare this monthly transfer (betterment transfers between a 4XX and 7XX funds are prepared by the department). The credit entry to the 7XX fund will use GL Account 801700. Make sure the debit and credit entry are both budgeted with the corresponding entry noted utilizing the Appropriation & Transfer button.

- For the 1xx-xxxx-692300 debit entry, include the corresponding 7xx-xxxx-801700 credit entry.
- For the 7xx-xxxx-801700 credit entry, include the corresponding 1xx-xxxx-692300 debit entry.

**General PBF Reminder**

Use the Transfers and Appropriation Offset button to document the appropriation offset entries for plant and equipment/minor acquisitions.

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### 6. Capital Budgeting

All capital projects over $100K with a useful life of more than two years should be included on the capital budget worksheet (will be sent at a later date). In addition, associated leased space information should be included where appropriate. Capital budgets will be reviewed during the budget meeting with the Provost and/or Jim Roberts. If you have general questions about capital budgeting, please contact Carrie Slaughter.

### 7. Service Center Recharge Rates

Recharge rates should be part of the budget development process. For detail information and guidelines, please refer to the University's Office of Budgets and Analysis budget instruction. ([http://finance.duke.edu/accounting/gap/m200-300.php](http://finance.duke.edu/accounting/gap/m200-300.php))

### 8. Preparing the Total Operating Funds Budget (Board Report Format)

All units are expected to develop a total operating funds budget. Unless you are adding to or spending down accumulated fund balances, the Other Operating funds should balance. A deficit in the Other Operating simply means that a unit is spending down prior year unspent funding accumulations. (Please document any significant planned additions or reductions to accumulated fund balances.)
During the year, the Board of Trustees and Senior Officers receive periodic reports on the operating funds comparing budget to actual results along with year-end projections. The Board format report (Report C4) include funds from the 1XX, 3XX, 4XX, 66X, and 7XX code series. In order to insure accurate reporting to the Board, it is important that you take time to develop budgets in each these fund series. Please note, 7XX budgets should include betterments, projects under $100K, and transfers to capital projects $100K or greater.

In recognition that the specific funds for every new activity anticipated in the new budget may not be known as of yet, **Temporary budget only codes**, have been established in most units. If used correctly, entries into these funds will roll-up into the appropriate categories for the board report. *(Please remember that Temporary accounts cannot be used in the unrestricted (1XX) fund series.)* **In PBF, these budget only codes exist in the standard SAP cost center format and begin with the pre-fix 498.** If you have any questions regarding the use of temporary codes, please call the Provost’s Finance and Administration Office at 684-3501.

**Operating Funds include:**

- **Current Operating Funds (1xx)**
- **Other Operating Funds**
  - **Allocated funds (4xx)**
  - **Restricted (3XX) excluding Sponsored Funds**

Endowment spendable accounts have been pre-loaded with estimated endowment income distributions supporting your new year budget. While the Board of Trustees have not approved the new year spending rate, the pre-load assumes that the FY17/18 spending rate for financial aid will be flat with the FY16/17 spending rate. The FY17/18 spending rate for non-financial aid is expected to decrease by 3% from the FY16/17 rate (due to the elimination of a one-time bonus) but, these funds will not impact available spending until FY18/19. Please note, the pre-loaded estimate does not reflect any impact for UMIFA risk, which will not be known for sure until June 30, 2017 for non-aid endowments and June 30, 2018 for aid endowments. The pre-loaded information reflects the impact of spending policy requirements. (i.e. the spending lag with non-aid endowments)

- Reminders about Endowment Income
  - **Non Aid Distributions** provide operating support in the year following the distribution of endowment income. The current year non aid endowment income (earned in FY16/17) distributes on June 30, 2017 and will be available for spending in the FY 17/18 budget.
Financial Aid Distributions provide operating support in the year that endowment income is generated. The distributions are transferred to your 398xxxx funds each quarter and are available for immediate scholarship support. (Note: Any potential UMIFA is determined based on the year end underwater status of the source endowment recorded on June 30th of each year. If a fund is determined to be in an underwater status on this date, income distributed in prior quarters will be returned to the endowment corpus by period 14 of year end close. Any resulting overdrafts must be cleared by year end.

General PBF Reminder

Using Inflator Functions:
*When using the “Inflate” button function, be sure to exclude the endowment income GLs using the data filters before running this function. The inflator function will over-write any previously entered information including pre-loaded endowment income. (Reminder, the use of visual filters or the search filter to bring specific lines forward, does not shield non displayed data from being inflated using the inflator function. If you have any questions on this subject, please ask before using the inflator function.

- Special Quasi Endowments (66X)
  - To capture the budgetary impact of special quasi endowment support on your budget, the Other Operating column of the Board Report includes activity occurring in the special quasi (66x) endowment funds. Withdrawals from special quasi funds should be recorded first as income (GL 310100) on the 66X fund and then transferred (GL 801600) to the unrestricted fund.
  - Please note that the dual purpose special quasi fund (start with 619x) do not appear on the board report. Best practice with special quasi funds is to use a single special quasi funds to plug a single entry into PBF recording the planned withdrawal from the fund grouping and then zero out entries on other special quasi funds.)

Example: Withdrawal of $500,000 from a special quasi endowment fund

<table>
<thead>
<tr>
<th>Credit</th>
<th>Debit</th>
</tr>
</thead>
<tbody>
<tr>
<td>661-1234 - 310100</td>
<td>661-1234 - 801600 500,000</td>
</tr>
<tr>
<td>190-1234 - 801600</td>
<td></td>
</tr>
</tbody>
</table>

- Betterment Funds (7XX)
  - Budget all revenue and expense activities in as much detail as possible.
  - Budget all transfers and appropriations as noted above under Attachment B, #5
9. Sponsored Activity

In addition to the Operating budget, all schools and units need to budget sponsored funds activity anticipated in the new budget year. In general, revenues and expenditures in the sponsored activity column should balance.

♦ Similar to the operating budget, sponsored funded salaries should be budgeted for both exempt and non-exempt staff in the PBF position layout. PBF has been pre-loaded with current payroll information updated as of December 1st.

♦ Revenue inflows and expenditure activity should be entered into PBF with as much detail as possible Refer to recent historical data as one source to estimate spending (including indirect costs) patterns if necessary. Use individual, existing sponsored codes where appropriate and feasible.

♦ As noted in bullet #8, Temporary codes (498x) codes can be used where appropriate. However, salaries need to be budgeted on permanent specific codes whenever possible.

10. Out Year Planning FY 2018/19 and 2019/20:

- Our formal multi-year planning process, for units required to develop out-year plans, will occur after the completion, and board approval, of the new year budget.
- The multi-year planning will occur in conjunction with the faculty search plans.
- Official planning parameters from the Provost will not be available until May.

11. Work-Flow and Budget Approval

As a reminder, prior to submitting your PBF budget to the Provost office, please verify the following items to make sure that your budget is complete.

- **Review transfer and appropriations** to ensure that they are balanced with all off-sets recorded appropriately.
- Open the Payroll Layout at the top of your package and then calculate and save your data noting any error messages. If error messages are present, be sure to make any needed correction and then re-save your data.
- Open the Non Position Layout at the top of your package and then save your data noting any error messages. If error messages are present, be sure to make any needed corrections and then re-save your data.
• **Review your Board Report** (C4), confirming that your budget is recorded in PBF as you expected. Please provide explanations for any significant changes from the prior year budget.

• **Email both Scott Franklin and Carrie Slaughter** to notify our office that your budget submission is complete and ready to be taken. (Reminder, your PBF budget does not need to be work-flowed by you.)

• **Email all required submitted documents**, including the budget letter, organization chart, additional reports, etc., to Scott Franklin and Carrie Slaughter.

If you have any questions regarding workflow or any function in PBF, please call our office (684-3501) for clarification.