Budget, Finance, Accounting Bootcamp

September 22, 2017

Brent Johnston
University Budget Officer
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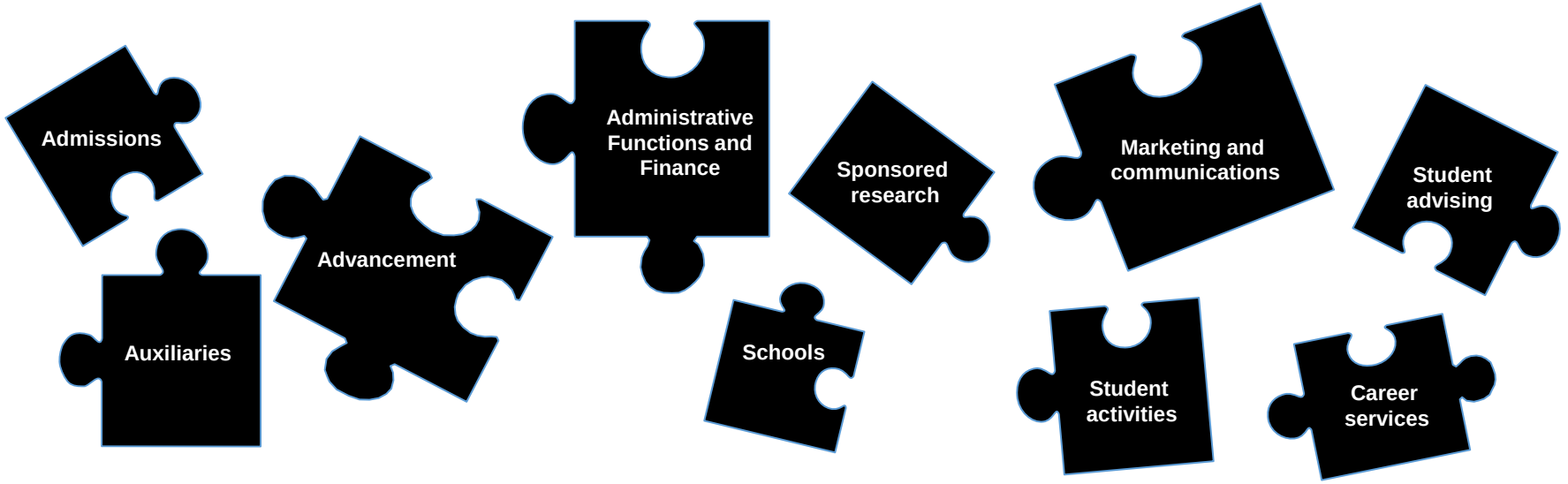
The multiplicity of the university



Purpose & Agenda

To provide an overview of the financial structure, policies, processes, and language as you assume financial responsibility for your unit

1) *Fund and account structure*
2) *Sub-funds/object codes*
3) *Some specifics on the general fund*
4) *Fringe Benefits*
5) *Budget and planning*
6) *Endowment spending*
7) *Resources and contacts*

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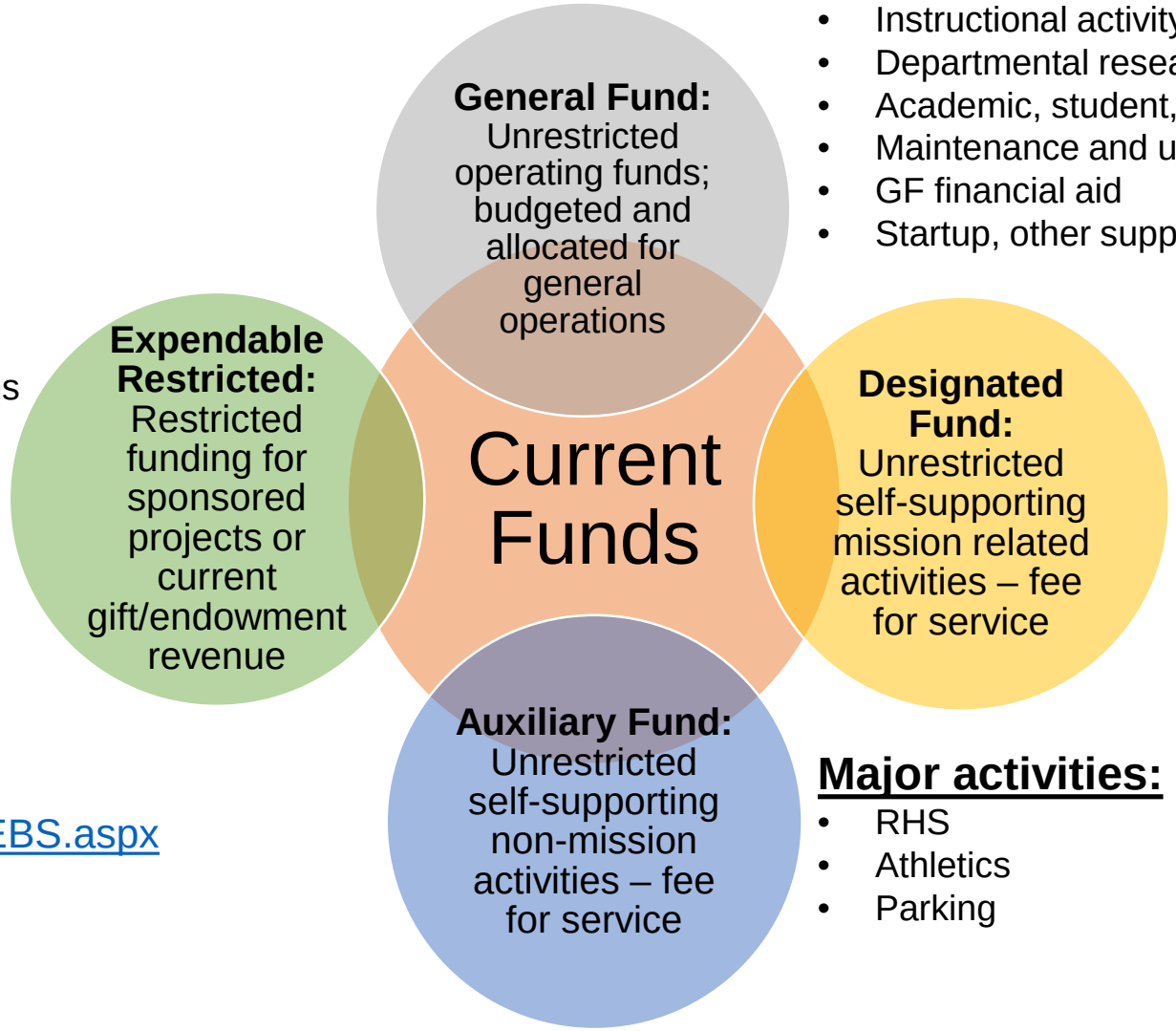
Financial Structure

Fund Accounting Concepts

- Follows Governmental Accounting Standards
- Segregates funds by sources
- Helps ensure funds are used for intended purposes
- Maintains separation of restricted (endowments, gifts, grants) from unrestricted (auxiliary services, general fund, fee-for-services) funds

Fund Structure Overview



Major activities:

- Instructional activity
- Departmental research activity
- Academic, student, institutional support
- Maintenance and utilities
- GF financial aid
- Startup, other support activities

Major activities:

- Sponsored programs
- Gifts
- Endowment

Major activities:

- Non-credit instruction
- Study abroad
- MSP/Clinical operations
- DCPAH

Major activities:

- RHS
- Athletics
- Parking

Manual of Business Procedures:
https://ctlr.msu.edu/combp/mbp5EBS.aspx

Fund Group Chart

Fund Group Code	Fund Group Name	Restricted Status
AF	AGENCY FUND	
GF	GENERAL FUND	unrestricted
DF	DESIGNATED FUND	unrestricted
XF	AUXILIARY FUND	unrestricted
RF	EXPENDABLE RESTRICTED FUND	restricted
NF	ENDOWMENT FUND	unrestricted or restricted
LF	STUDENT LOAN FUND	unrestricted or restricted
TF	RETIREMENT AND INSURANCE	unrestricted
PF	PLANT FUND	unrestricted or restricted

Fund Groups

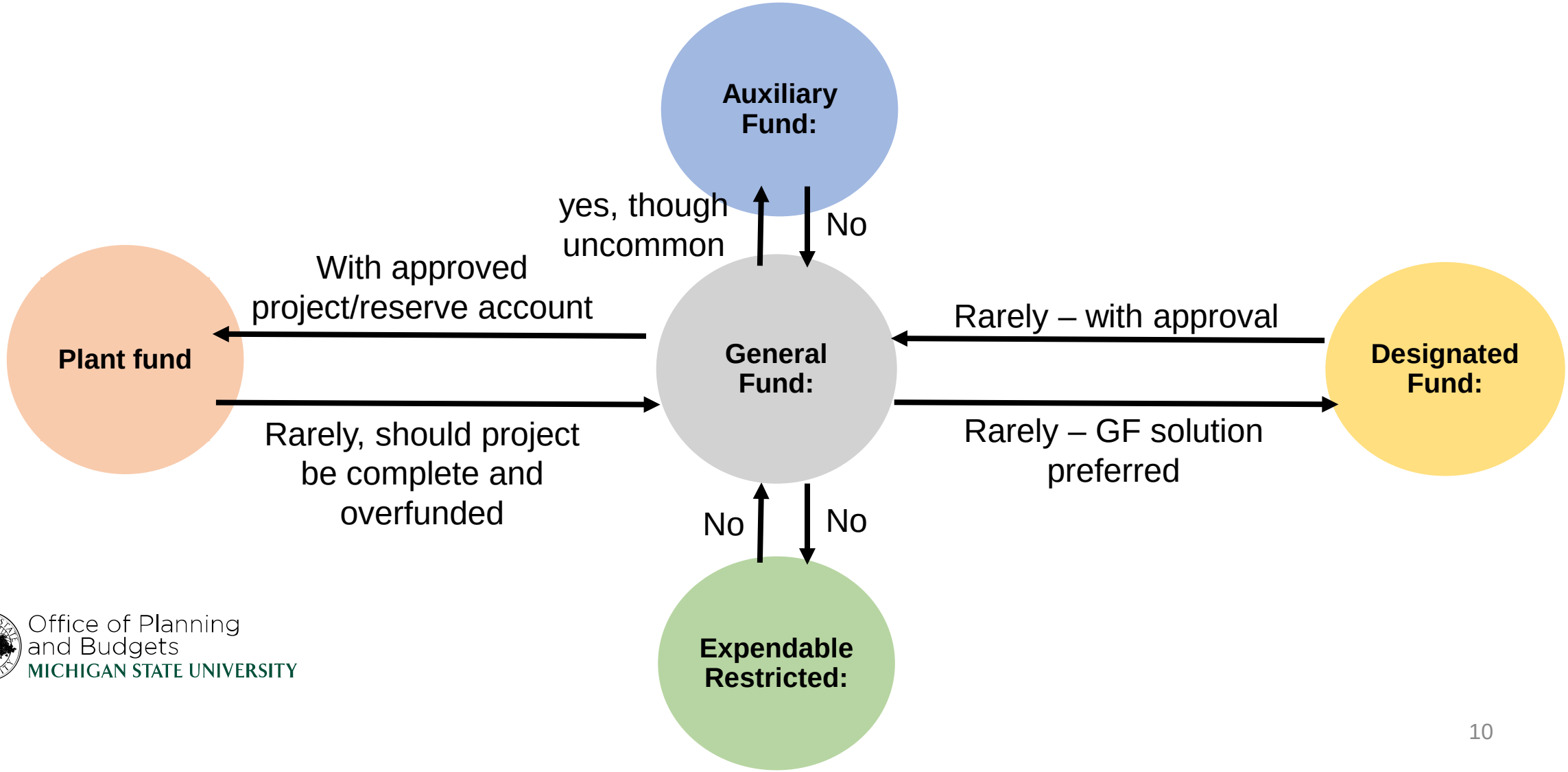
Current Funds:

- **General Fund** – unrestricted operating funds that are budgeted and allocated for the general operations of a unit/department.
- **Designated Fund** – unrestricted self-supporting activities (activities generally include an instructional, research, or public service component) that furnish goods or services to the campus community and/or the general public for a fee.
- **Auxiliary Fund** – unrestricted self-supporting activities (activities that generally lack an instruction, research, or public service component) that furnish goods or services to the campus community and/or the general public for a fee.
- **Expendable Restricted Fund** – restricted funding for sponsored projects/programs or current gift revenue and endowment income spending accounts restricted for specific use.

Non-current Funds:

- **Endowment Fund** – unrestricted or restricted funds invested "in perpetuity" of which only a portion of the market value is distributed each year for spending (i.e. spending policy distributions).
- **Plant Fund** – unrestricted or restricted funds used for purchasing, maintaining and recording of the University's property, plant, and equipment.
- **Student Loan Fund** – unrestricted or restricted funds used for the administration of student loan fund programs (For Central Use Only).
- **Retirement & Insurance Fund** – unrestricted funds invested and used for various self-insured retirement and insurance programs (For Central Use Only).
- **Agency Fund** – funds on deposit at MSU and managed by University employees, but to which MSU does not have any legal ownership.

Fund to Fund Transactional Activity



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MICHIGAN STATE UNIVERSITY

Sub-Funds

Sub-funds break down Funds to group accounts with similar activities. Sub-funds begin with the first letter of the fund group.

Common sub-funds:

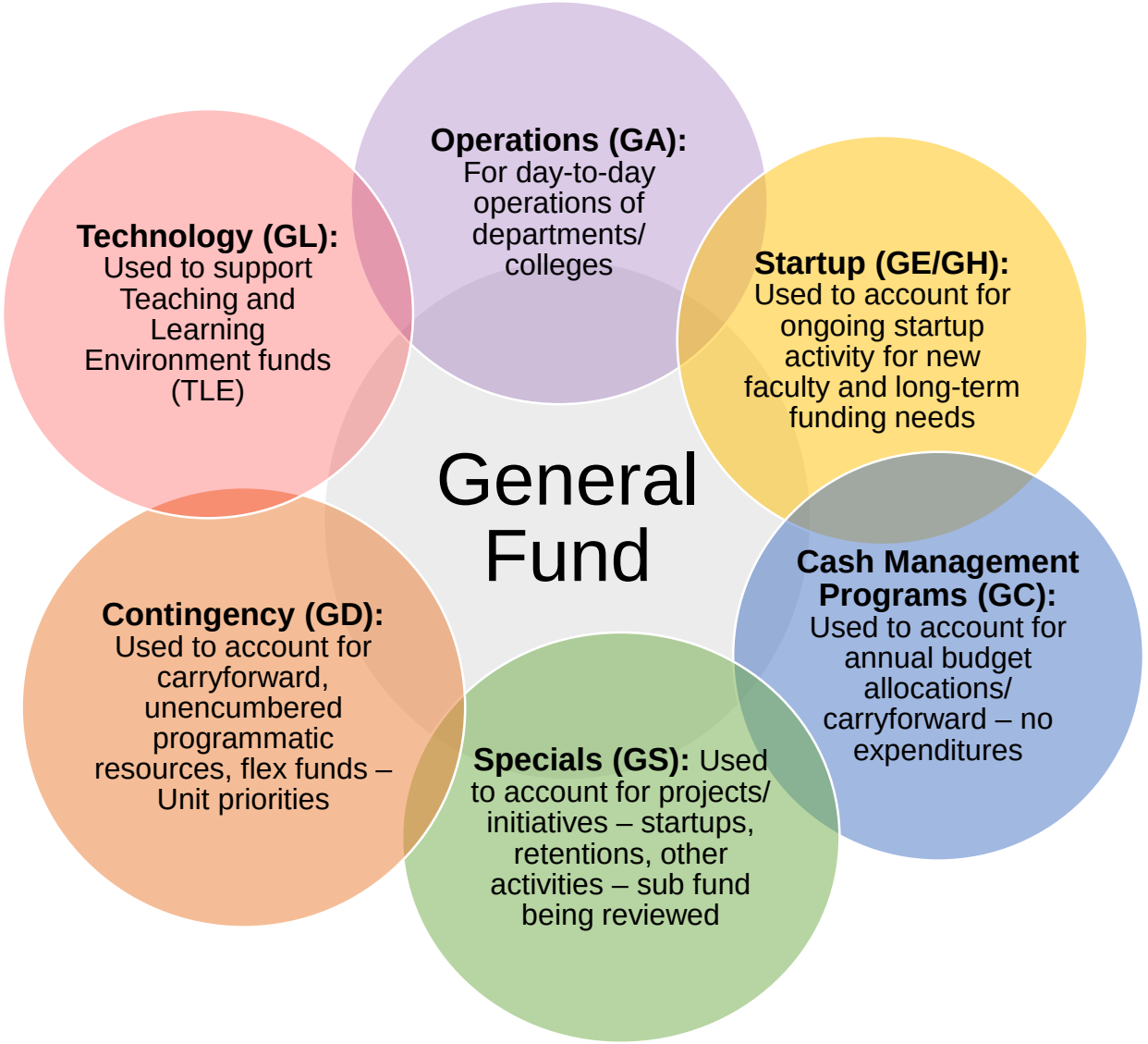
- **GA – General Fund Operations**: Accounts for day-to-day operations of university departments.
- **GE – General Fund** Startups – Faculty: Accounts for faculty startup agreements.
- **DS – Designated Operations** (Self-Supporting): Accounts for activities generally having instruction, research, or public service components (conferences, seminars, medical services, etc.).
- **RC/RG – Expendable Restricted Contracts and Grants**: Accounts for sponsored project/program activities where the university is granted funds.
- **RN – Expendable Restricted Gifts**: Accounts for restricted gifts where the donor has specified how the funds must be spent.
- **XT – Auxiliary Other**: Accounts for self-supporting and fee for services activities that provide goods or services to the campus community and general public, but lacks the instruction, research, or public service components.

Fund and Sub-Fund information is available in the Manual of Business Procedures Section 5 http://ctlr.msu.edu/combp/mbp5EBS.aspx

Object Code Ranges

Basic Accounting Category	Object Name Type	Object Type Code	Numeric Ranges
Asset	Assets	AS	1000-1999
Liability	Liabilities	LI	2000-2999
Fund Balance	Fund Balance	FB	3000-3999
Income	Income-Cash	IN	4000-5999
	Transfer In		4100-4106
Expense	Expense Expenditure	EX	6000-7999 (7000's are expense budget)
	Transfer Out		6100-6106

General Fund Account Structure



Manual of Business Procedures: https://ctlr.msu.edu/download/mbp/ex5GeneralFund.pdf

General Fund Transactions

\To From	GA	GC	GD	GS	GE	GH	GR
GA	Yes	Yes*	Yes	Yes, for specific approved purposes	Yes	Yes	Yes, for research related activity
GC	Yes	Yes*	Yes	Yes, for specific approved purposes	Yes	Yes	Yes, for research related activity
GD	Yes	Yes*	Yes*	Yes, for specific approved purposes	Yes	Yes	Yes, for research related activity
GS	Yes	Yes*	Yes	Yes	Yes	Yes	Yes, for research related activity
GE	No	No	No	No	Yes	Yes	No
GH	No	No	No	No	Yes	Yes	No
GR	Yes	Yes*	Yes	Yes	Yes	Yes	Yes

General Fund Transaction Snapshot

* required fiel

Document Overview — hide

Document Overview

* Description:	HC Seminar Transfer Safferman Correction	Explanation:	HC Faculty allowance was processed as $0.00 instead of $3k. Adding $3k to account for correction.
Organization Document Number:		Secured Field:	********

Financial Document Detail

* Year:	2018 refresh	Total Amount:	3,000.00

Accounting Lines — hide

Accounting Lines hide detail

From/Decrease

	* Chart Code	* Account Number	Sub-Account Code	* Object Code	Sub-Object Code	Project Code	Organization Reference Id	Current Amt	Base Amt	Actions
1	MS MICHIGAN STATE UNIVERSITY	GA017191 Honors College GF Operating - GEN Operations - HONORS COLLEGE DEAN	SEMRS HC Seminars	7054 UNALLOCATED APPROPRIATIONS BUDGET				3,000.00	0	
	Line Description									
	HC Seminar Transfer Safferman Correction									
	Monthly Lines show									

To/Increase

	* Chart Code	* Account Number	Sub-Account Code	* Object Code	Sub-Object Code	Project Code	Organization Reference Id	Current Amt	Base Amt	Actions
1	MS MICHIGAN STATE UNIVERSITY	GS019975 SPECIAL - GEN Specials - BIOSYSTEMS AND AGRICULTURAL ENGINEERING	780 HONORS SEMINAR - SAFFERMAN	7054 UNALLOCATED APPROPRIATIONS BUDGET				3,000.00	0	
	Line Description									
	Monthly Lines show									

General Ledger Pending Entries — show

Notes and Attachments (0) — show

Ad Hoc Recipients — show

Route Log — show

send ad hoc request | save | reload | approve | disapprove | close | copy

Fringe Benefits

- MSU recovers costs related to fringe benefits through Specific Identification
  - Covers four significant fringe cost categories
    1) Retirement – 10% of salary (if participating)
    2) FICA – 7.65% (portion capped at specific salary)
    3) Healthcare, dental, prescription drugs - $14,180
    4) Other/misc - 1.4% - life insurance, workers comp, other misc benefits
  - At present, most general fund accounts have fringe benefits charges redirected to centrally supported cost pools - redesign being conceptualized, additional information forthcoming
  - Graduate assistant fringe benefits charged where incurred
    - GA specific identification varies from above – assessed bi-weekly

https://www.cga.msu.edu/PL/Portal/DocumentViewer.aspx?cga=aQBkAD0AOQA1AA==#General

General Fund Revenue Projection Algorithm

State Appropriations

- Monitor state actions

Tuition

- Size and composition of entering class
- Core and professional college tuition rates
- Monitor debt level across student levels

Investment and Other Income

- Monitor market performance for sustainability and adjustment

Research Facilitation Pass-Through

- Federal budget impact on indirect cost realization
- Ability to sustain 3% growth projection for research facilitation pass-through

Revenue-Based Initiatives Pass-Through

- Review pass-through revenue projections

General Fund Allocation Projection Algorithm

Employee Compensation

- Increase faculty salary components
- Monitor peer group faculty standing
- Plan increases per bargaining agreements
- Assess health care and salary increment trade-0ff

Supplies and Services

- Approximate inflation

Financial Aid

- Allocations to build/sustain non-resident student populations
- Assess aid needs as tuition policy changes

Benefits

- Transition of health care plans

General Fund Allocation Projection Algorithm

General University Operations

- Analysis of planning profiles submissions
- Strategic priorities
- Critical space and capital projects

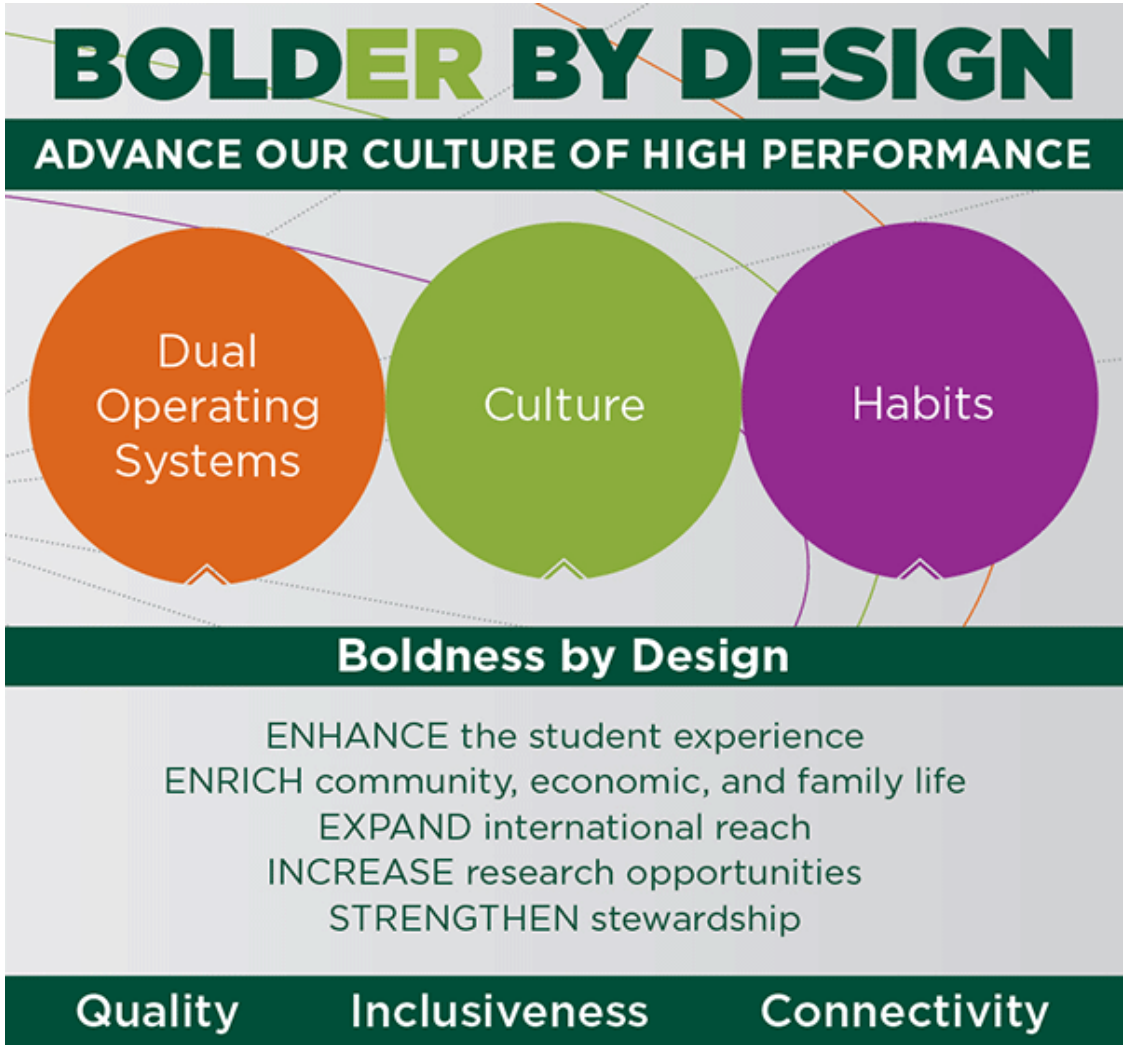
Revenue Based Initiatives and Research Facilitation Pass-Through

- Per annual performance amounts

One percent Program Efficiency and Reinvestment Funds (PERF)

- Each unit is assessed a percentage reduction, which has been 1 percent over the past ten years. The funds generated through this process are reallocated across the university for initiatives identified through the planning process.

Bolder By Design Strategic Framework



http://bolderbydesign.msu.edu/

Provost Priorities

Provide support for faculty resulting in greater scholarly productivity and instructional effectiveness	Recruiting and retaining a diverse faculty	Creating a more supportive work environment - WorkLife Office	Creating a more positive campus climate - Healthy Campus Initiative	Creating a more positive campus climate - Policy changes and education	Continue to emphasize the University's elevating expectations
Pursue multiple strategies for expanding, enhancing, elevating scholarship	Increase competitiveness in key areas - Global Impact Initiative	Build academic infrastructure to support emerging work - new academic departments	Build physical infrastructure to support emerging work - Bio Engineering, Grand Rapids, Business	Expand research infrastructure that supports emerging work	Continue to identify and hold to metrics for improvement
Pursue multiple strategies for enhancing student success: retention, graduation, achievement	Use analytics to understand the teaching and learning process - The University Innovation Alliance	Use technology to enhance teaching and learning - Hub for Innovation in Learning and Technology	Create new models for curriculum and instruction	Use the Higher Learning Commission accreditation process to encourage progress around learning outcomes	Continue to look at institutional outcomes and goals

Values-Driven Data-Oriented Planning

- **Continuing discussion: Board of Trustees, President, Provost, Deans, Governance, Community**

- **Fall--Strategic Planning**
  - Major challenges/opportunities (e.g., intellectual, educational, research, outreach) facing the unit
  - Goals, outcomes or benefits anticipated, and contribution to **BbD**
  - Supports sustainable programmatic visions that are dynamic and responsive
  - Identify requests that align with priorities, build unique advantage, and add value
  - Build internal and external alliances
  - Use metrics to demonstrate results and accountability with clear outcomes and impacts
  - Investment from multiple sources; both internal and central
  - Reward high performing units and address non-performing and lower-priority areas

Values-Driven Data-Oriented Planning

- **Spring- -Internal Budget Issues**
  - Solidify programmatic plans including reductions
  - Problem/opportunity addressed (current baseline metrics)
  - What will be done
  - Accountability: outcomes and milestones related to college and **BbD** metrics
  - Continue integration of college and university priorities
  - Continue progress on Boldness by Design initiatives and links requests with strategic directions outlined in the fall
  - State economic condition indicates a period of flat resource growth
  - Most investments come from reallocated funds from elsewhere in the institution
  - Seek multiple strategies for achieving goals

General Fund Allocation Projection Algorithm

Budget Item	2017-18 Current Proposal	2018-19 Illustrative Pro Forma
State Appropriations	1.9%	2.0%
Tuition and Fees	2.8% Resident Lower Division 3.8% Resident Upper Division 4.0% Non-Resident Undergraduates 2.0% Resident Graduate Professional 0.0% Non-Resident Graduate Professional	Freeze FY19 resident freshmen tuition rate to incentivize Go Green Go 15 credit initiative, within the context of a 3.2% change in tuition & fee revenue
Total Tuition & Fee Revenue	$976.9	$1,014.4
Financial Aid	4.5%	4.5%
Graduate Assistants	2.0%	2.0%
Faculty Salaries	2.5%+0.5%*	2.5%+0.5%*
Utilities	-7.0%	0.0%
Health Care	5.0%**	5.0%**
Financial Framework		
Competitiveness	$2.5	$2.5
Technology	$2.8	$5.0
Performance Efficiency Reallocation	-1.0%	-1.0%
Base Budget Reduction	-1.0%	-0.5%
Total	**$1,362.1**	**$1,401.4**

* Includes 2.5% general merit and 0.5% market pool administered centrally
** Health care budget augmented by amounts previously committed to collective bargaining groups due to claims experience

Policy and Procedure References

Manual of Business Procedures: http://ctlr.msu.edu/combp/

Budget Resource Guide: https://opb.msu.edu/budgetApp/download/2017-18InstructionsForCompletingUnitBudgets.pdf

Other technical budget process resource guides: https://opb.msu.edu/functions/budget/cognos.html

Raise Process Guides: https://opb.msu.edu/functions/budget/cognos.html

Research Facilitation Policy (IDC): to be distributed

Online Course Credit Policy: https://opb.msu.edu/functions/budget/documents/OCCIpolicy.pdf

Planning Profile Summary: https://opb.msu.edu/functions/institution/pps.html

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