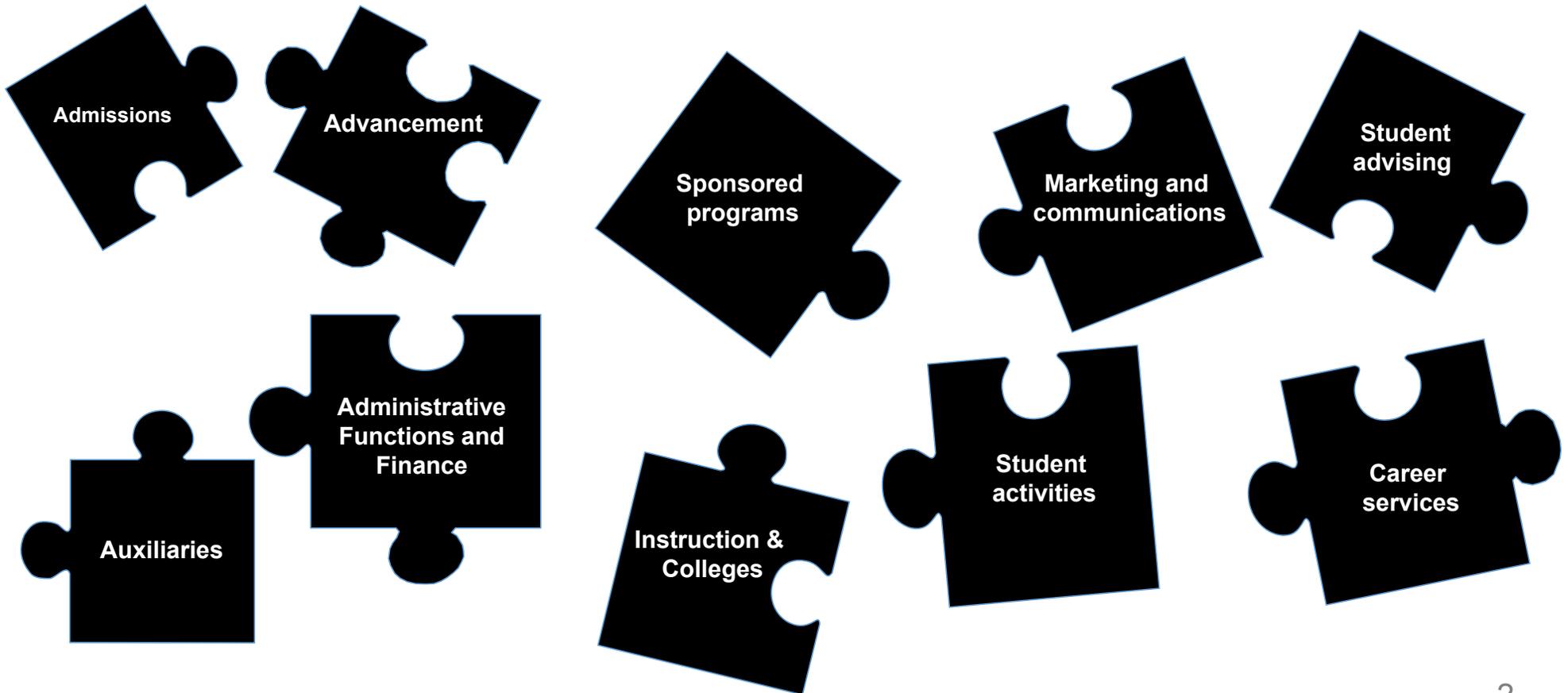


Budget, Finance, Accounting Bootcamp

September 13, 2018

Brent Johnston
University Budget Officer
Office of Planning and Budgets

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*



Contacts



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Financial Structure



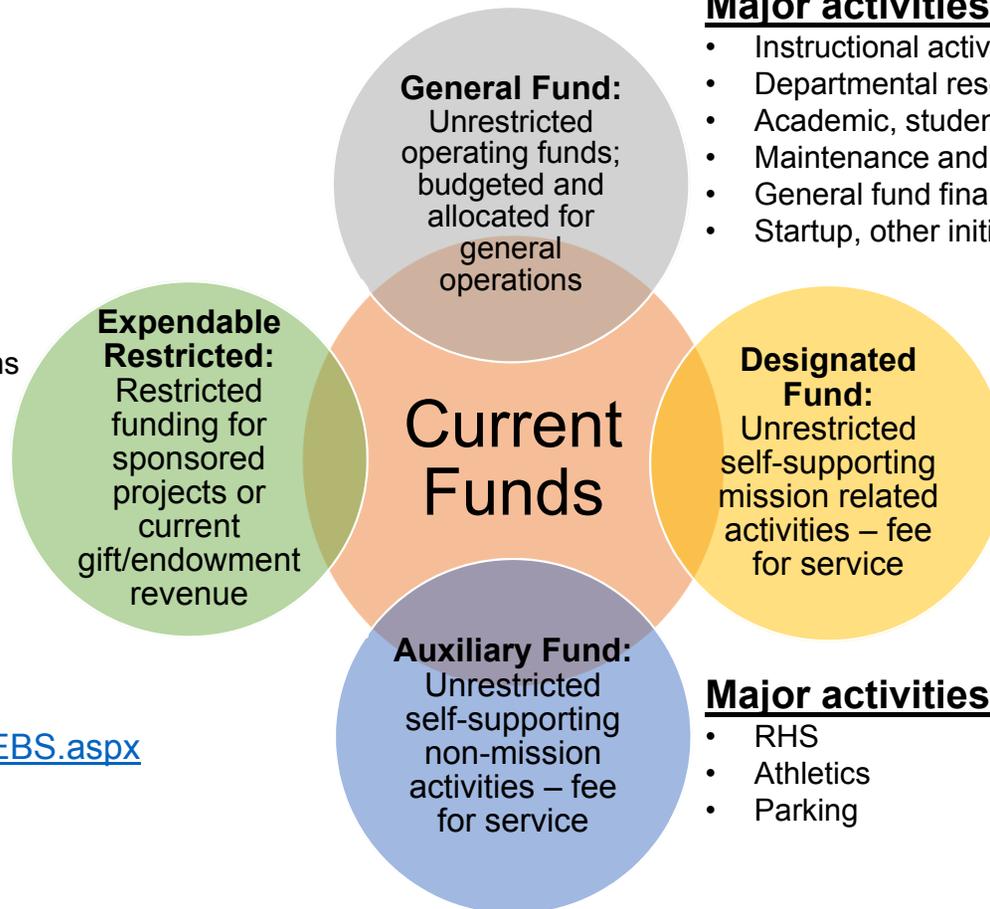
Fund Accounting Concepts

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

Fund Structure Overview

Major activities:

- Sponsored programs
- Gifts
- Endowment



Major activities:

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

Major activities:

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

Major activities:

- RHS
- Athletics
- Parking

Manual of Business Procedures:

<https://ctrl.msu.edu/combp/mbp5EBS.aspx>



Office of Planning
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MICHIGAN STATE UNIVERSITY

Fund Group Chart

Fund Group Code	Fund Group Name	Restricted Status
AF	AGENCY FUND	Restricted (arm's length)
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:

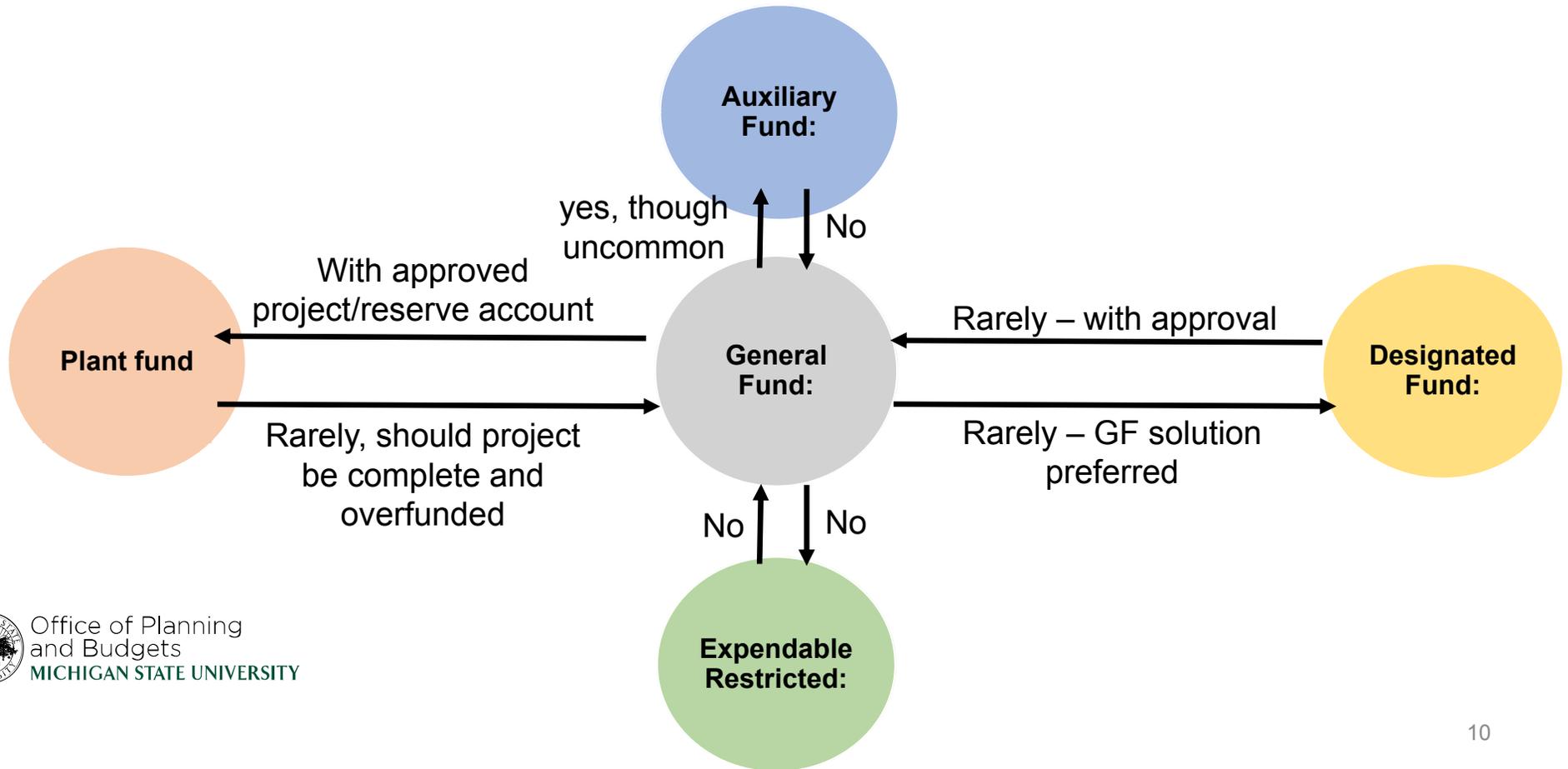
- **General Fund** – unrestricted operating funds that are budgeted and allocated for the general operations of a unit/department.
- **Designated Fund** – unrestricted self-supporting activities (activities generally include an instructional, research, or public service component) that furnish goods 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



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://ctrl.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
	<i>Transfer In</i>		4100-4106
Expense	Expense Expenditure	EX	6000-7999 (7000's are expense budget)
	<i>Transfer Out</i>		6100-6106

Account and Transaction Elements

Account Attributes

Centrally Controlled

- Campus Code
- RC Code
- Organization Code
- Fund Group Code
- Sub-Fund Group Code
- Account Number
- Account Type Code
- Category Code
- Higher Ed Function Code
- Source of Funds Code
- Fiscal Officer
- Account Supervisor
- Account Manager
- Account Expiration Date

Unit Controlled

- Mission Code
- Program/Initiative Code
- Use of Funds Code
- Sub-Account Number
- Financial Reporting Code

Transaction Attributes

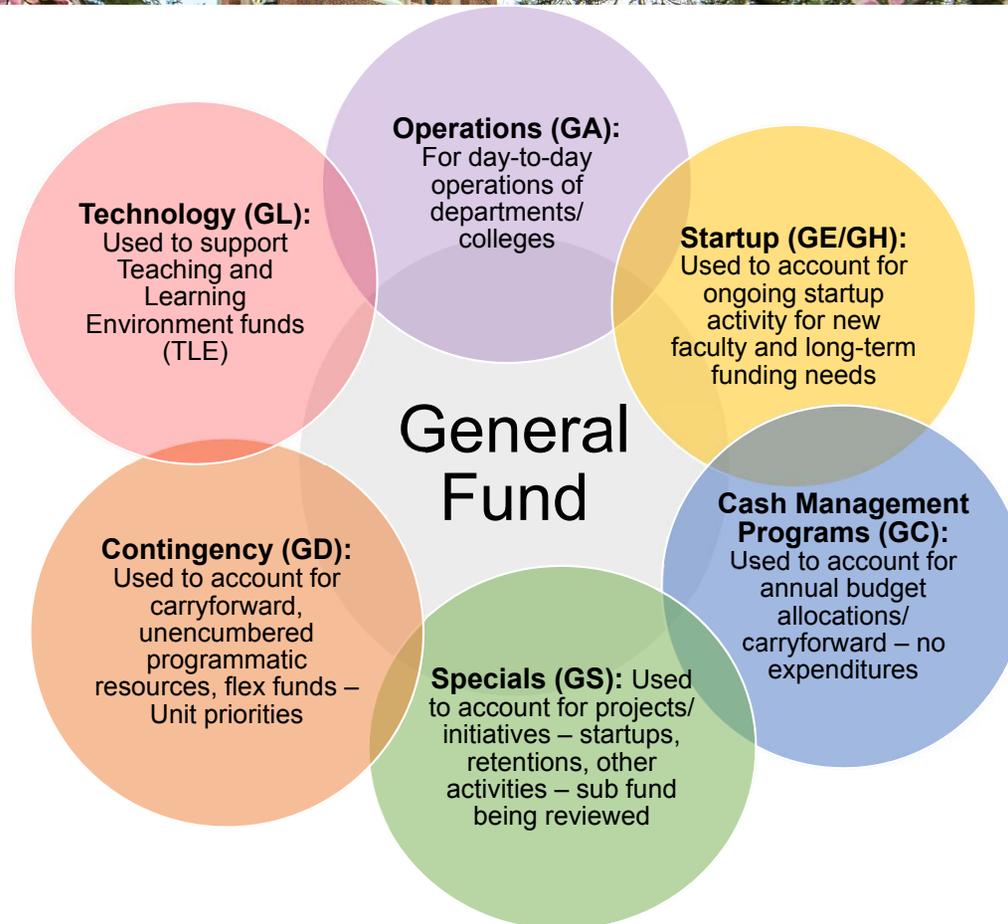
Centrally Controlled

- Document Number
- Chart
- Account Number
- Object Code
 - Object Level
 - Object Sub-Type
 - Object Consolidation
- Reference Origin Code

Unit Controlled

- Sub-Object Code
- Project
 - Project Mgr principal name
- Org Ref ID (Text)
- Line Description (Text)

General Fund Account Structure



Manual of Business
Procedures:

<https://ctrl.msu.edu/download/mbp/ex5GeneralFund.pdf>



Office of Planning
and Budgets
MICHIGAN STATE UNIVERSITY

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 field

Document Overview ▼ hide

Document Overview

*** Description:** HC Seminar Transfer Safferman Correction

Organization Document Number: _____

Explanation: HC Faculty allowance was processed as \$0.00 instead of \$3k. Adding \$3k to account for correction.

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
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									
1 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
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									
1									
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

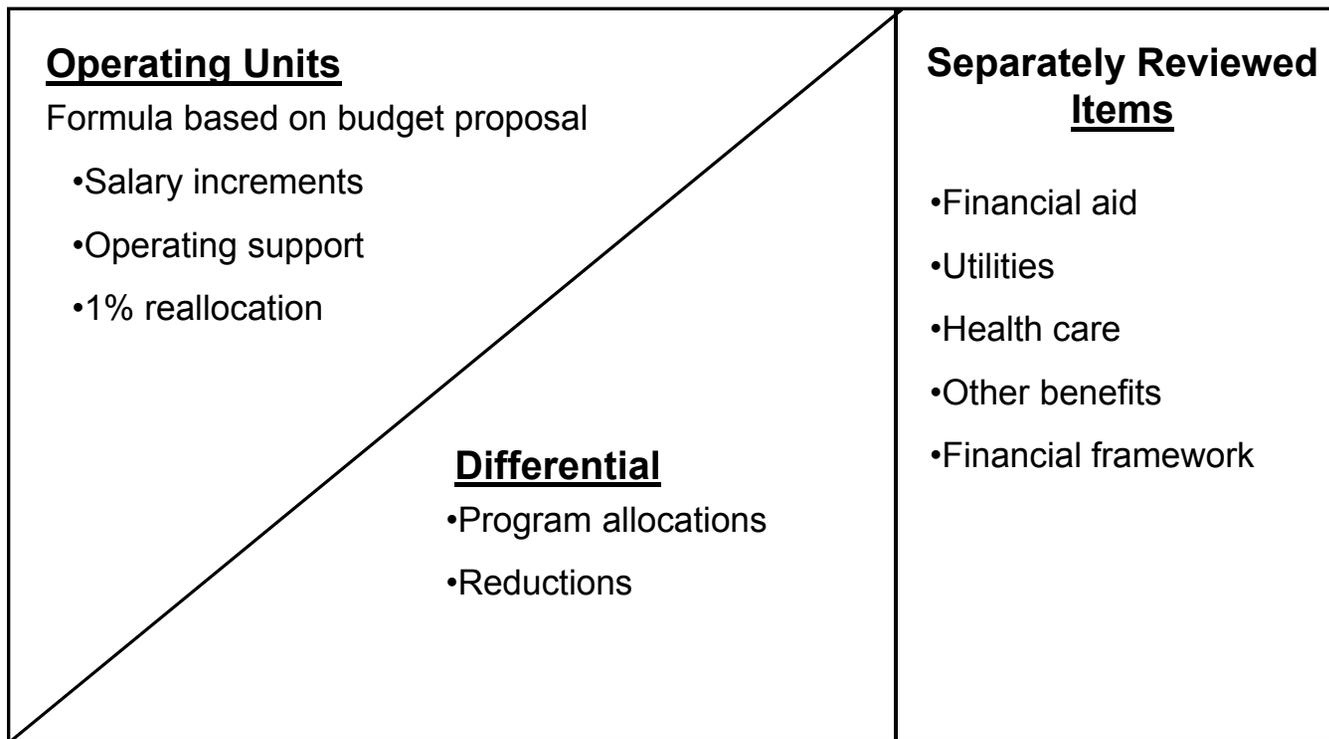
Fringe Benefits

- MSU recovers costs related to fringe benefits through Specific Identification
 - Covers four significant fringe cost categories
 - 1) Retirement – 10% of salary (if participating, mandatory after five years, age 35)
 - 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
 - Graduate assistant fringe benefits charged where incurred
 - GA specific identification varies from above – assessed bi-weekly

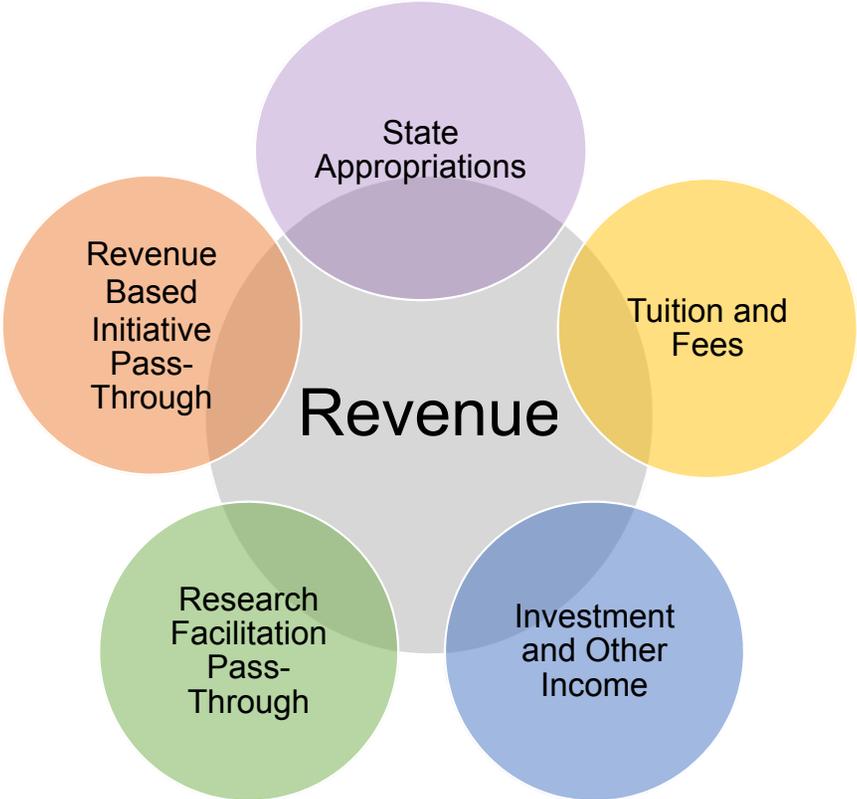
Budget and Planning



Dimensions & Practice



General Fund Revenue



General Fund Revenue

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

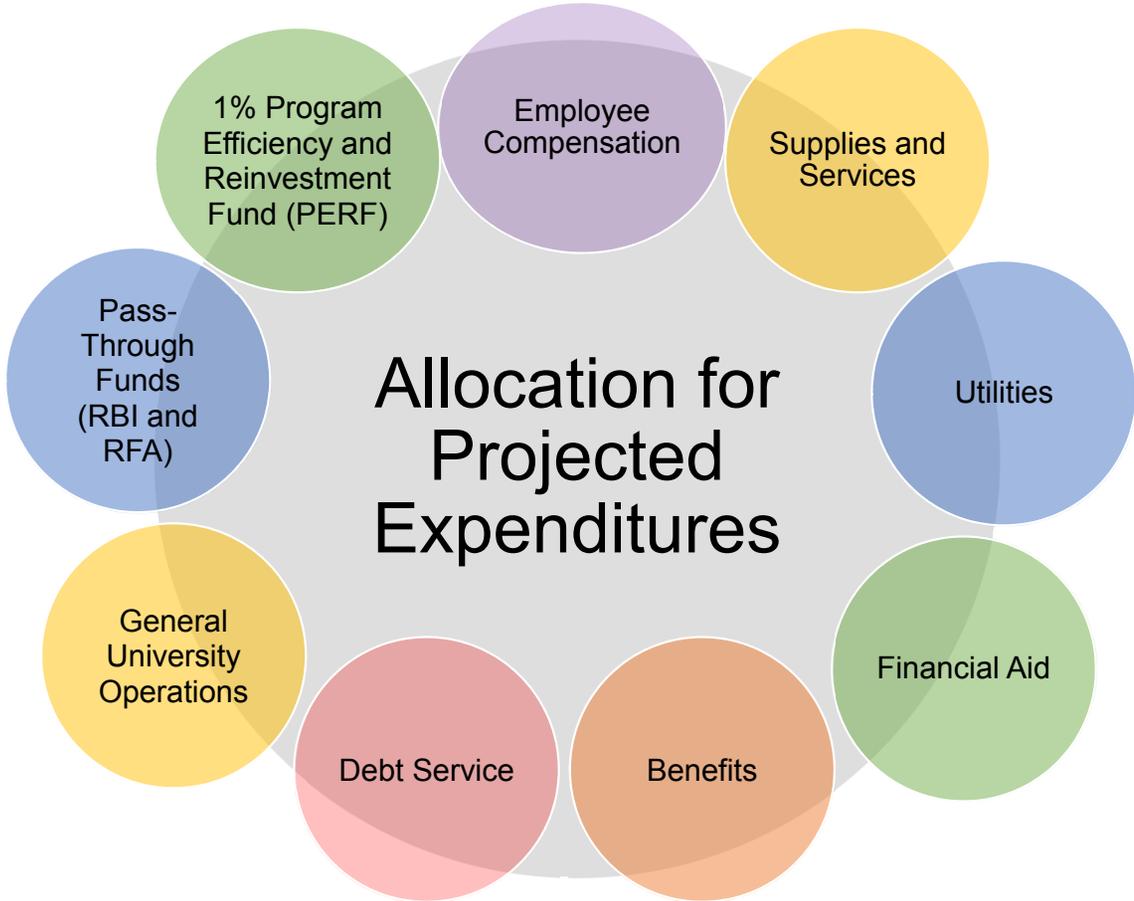
Research Facilitation Pass-Through

- 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 Allocations



General Fund Allocations



Employee Compensation

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

Supplies and Services

- Approximate inflation

Financial Aid

- Allocations to build/sustain non-resident student populations
- Assess aid needs as tuition policy changes – need, merit, etc

Benefits

- Transition of health care plan design, market and legislative environment



General Fund Allocations



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.



General Fund Revenue Projection Algorithm

State Appropriations

- Monitor state actions

Tuition

- Size and composition of entering class
- Core and professional college tuition rates
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General Fund Allocation Projection Algorithm

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General Fund Allocation Projection Algorithm

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Budget Development Highlights



- Anticipate largest and most diverse incoming class in MSU history
- Propose two-year budget for continuity
- Longer term enrollment and programmatic challenges and opportunities
- Restructure 2019-20 undergraduate tuition and fee rates to block structure
- Investment income used to fund just-in-time, debt service, campus infrastructure and other programmatic requirements
- Budget outcomes by year



Enrollment & Programmatic Challenges

- Maintain higher education's value proposition for students and their families
- Focus on exceptional programming accessible to Michigan students
- Programmatically address K-12's inconsistent preparation of college-bound students
- Prepare for increased competition for Michigan/domestic non-resident/international students – MSU's incoming international class projected to decline
- Address increasing demand for Business and Engineering (inclusive of broader STEM disciplines) programming through innovative new offerings



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

<u>Budget Item</u>	<u>2018-19 Current Proposal</u>	<u>2019-20 Current Proposal</u>
State Appropriations	1.8%	2.0% (assumption)
Tuition and Fees	No increase for resident freshmen, \$360 per academic year for non-resident freshmen Increases of \$360 per academic year for resident and non-resident Core/Professional sophomores -seniors \$540 per semester for resident and non-resident junior & senior Business and Engineering students 4.0% for most graduate students	No tuition increase for all undergraduate students A new rate structure that includes per credit rates for students taking 11 credits or less, block rates for students taking 12-18 credits, and a hybrid block/per credit structure for students taking 19+ credits 4.0% for most graduate students
Total Tuition & Fee Revenue	\$1,002.8	\$1,051.5
Financial Aid	4.5%	7.1%
Graduate Assistants	2.0%	2.0%
Faculty Salaries	1.5%+0.5%*	2.5%+0.5%*
Utilities	-6.1%	0.0%
Health Care	5.0%**	5.0%**
<u>Financial Framework</u>		
Competitiveness	\$2.5	\$3.2
Technology	\$3.5	\$6.5
Performance Efficiency Reallocation	-1.0%	-1.0%
Base Budget Reduction	<u>-1.0%</u>	<u>0.0%</u>
Total Budget	\$1,391.5	\$1,449.2

* 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

General Fund Carryforward

- **University policy for assessing year-end balances**
- **Pertinent to the GF only, other funds roll-forward automatically**
- **Most GF sub-funds now carryforward automatically**
- **GF operational funds (GA, GC, GD sub-funds) assessed against a percentage of GF budget (4% in FY18)**
- **Operational balances in excess of threshold require written memo to OPB/CFO for carryforward**
- **All requests from FY18, FY17, FY16, FY15, FY14 approved as submitted**

Building New Tools for Units



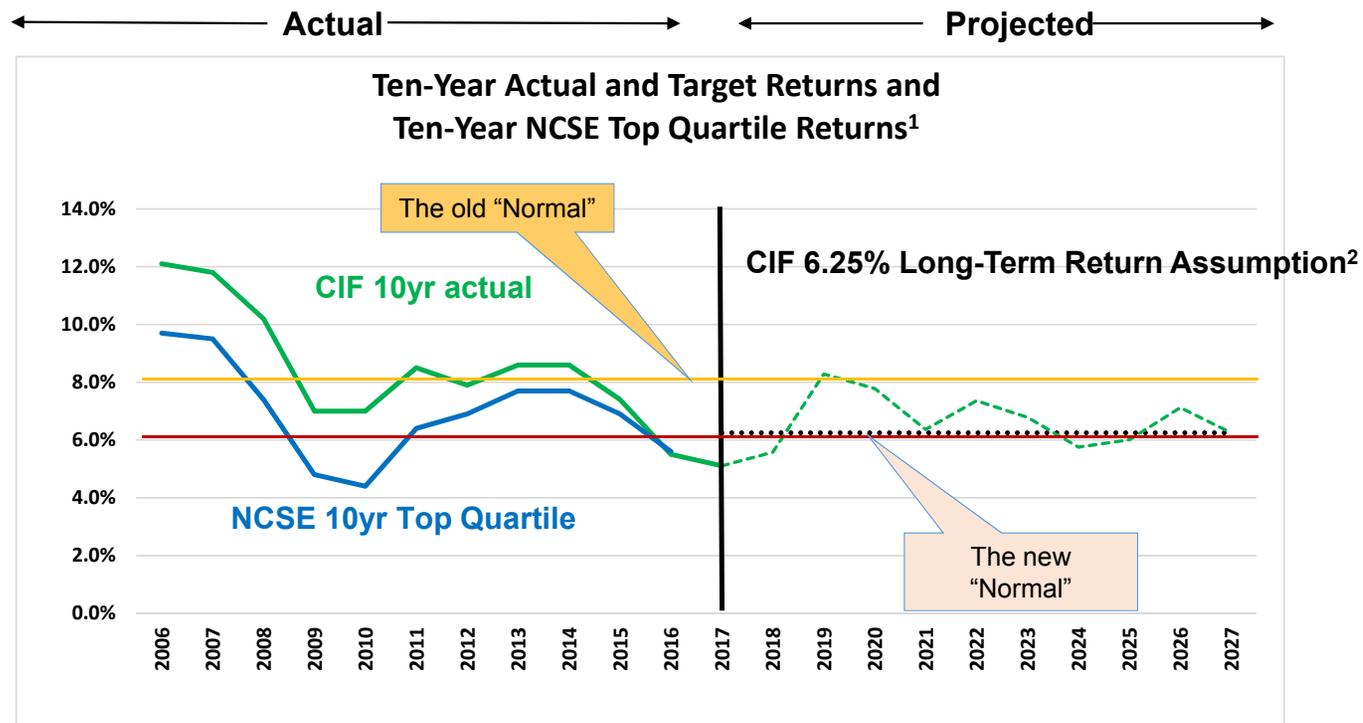
- Improving planning and reporting capabilities across Cognos platform
 - Leveraging emerging analytics environment correlated with disciplined approach to account and transaction structure
 - Planning Analytics replaced Enterprise Planning application, replacing many manual processes with value-added approaches
- Increasing departmental need to develop long-term budget plans across fund types
- Improved ability to review departmental metrics conveniently across contexts
- Leverage available data to inform long-range plans
- Allow high level scenario development to quickly assess order of magnitude



Endowment and Endowment Spending

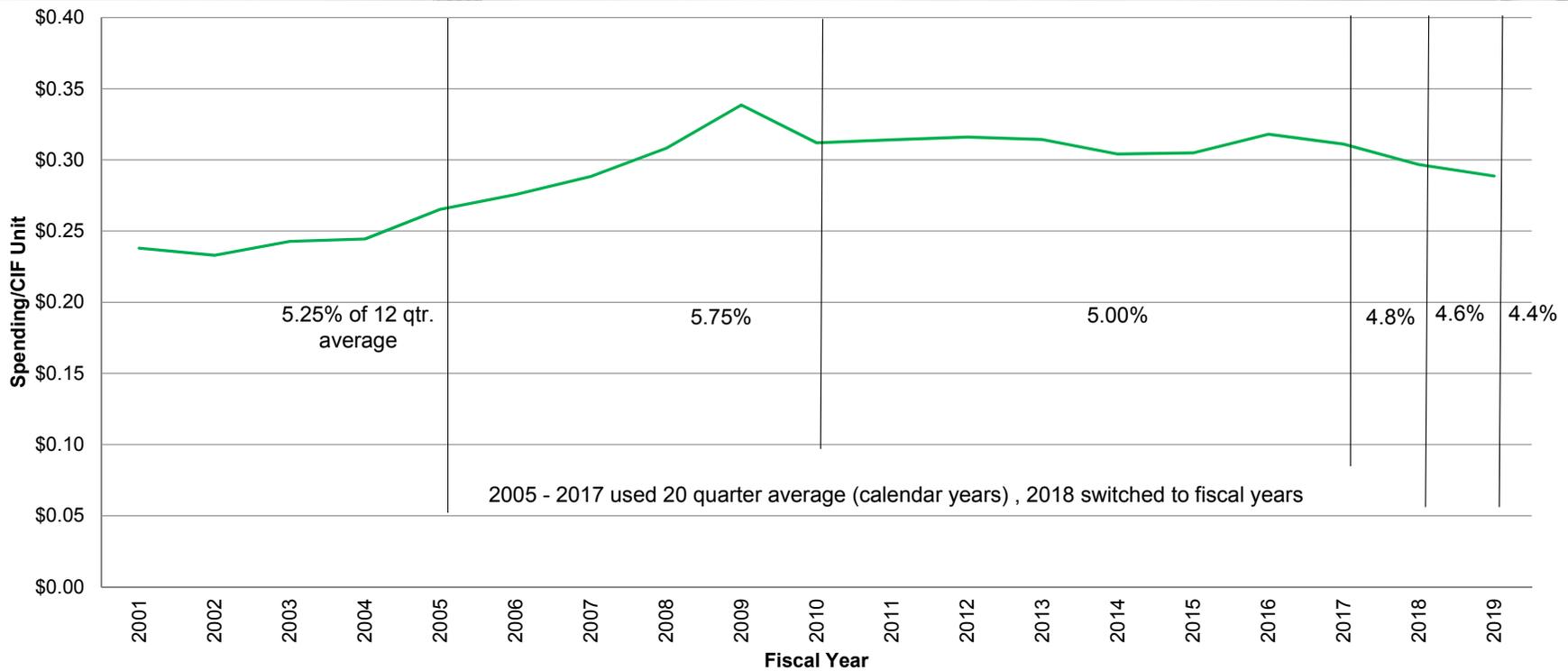


Ten-Year Investment Returns



- (1) Top Quartile performance information includes performance data from all institutions reporting to NACUBO-Commonfund Study of Endowments (NCSE)
- (2) Per review with MSU Investment Office, the midpoint of a 6%-6.5% range was selected for a 10-year projection

Common Investment Fund Programmatic Spending History



CIF Programmatic Spending Policy Calculation for the fiscal year ended June 30, 2019

Quarter	Common Investment Fund		
	Market Value	Units	Unit Value
10/1/2012	\$ 1,560,645,909	253,232,460	\$ 6.16289836
1/1/2013	\$ 1,636,377,543	264,968,615	\$ 6.17574102
4/1/2013	\$ 1,708,208,511	267,539,602	\$ 6.38488096
7/1/2013	\$ 1,815,650,030	287,734,851	\$ 6.31014986
10/1/2013	\$ 1,958,634,188	300,073,783	\$ 6.52717532
1/1/2014	\$ 2,107,720,160	311,214,590	\$ 6.77256218
4/1/2014	\$ 2,153,431,627	315,887,771	\$ 6.81707817
7/1/2014	\$ 2,248,899,052	321,573,020	\$ 6.99343200
10/1/2014	\$ 2,250,432,839	328,353,900	\$ 6.85368085
1/1/2015	\$ 2,282,746,649	334,739,759	\$ 6.81946672
4/1/2015	\$ 2,345,695,598	340,456,393	\$ 6.88985623
7/1/2015	\$ 2,388,400,926	346,342,137	\$ 6.89607378
10/1/2015	\$ 2,258,411,286	352,459,695	\$ 6.40757317
1/1/2016	\$ 2,312,015,128	360,496,423	\$ 6.41342044
4/1/2016	\$ 2,312,534,809	367,436,328	\$ 6.29370216
7/1/2016	\$ 2,332,045,114	375,344,883	\$ 6.21307289
10/1/2016	\$ 2,457,083,891	382,132,332	\$ 6.42992934
1/1/2017	\$ 2,465,894,117	386,725,357	\$ 6.37634454
4/1/2017	\$ 2,570,934,357	386,337,486	\$ 6.65463345
7/1/2017	\$ 2,656,350,705	388,288,141	\$ 6.84118423
Average Unit Value over 20 Quarters			\$ 6.56164278 (A)
Spending Percentage			4.40%(B)
Spending Rate (per unit)			\$ 0.2887 (A x B = C)
Pro Forma FY19 Eligible Units			401,911,143 (D)
Pro Forma FY19 distribution total based on eligible units			\$ 116,031,747 (C x D = E)

Resources and Contacts

Policy and Procedure References

Manual of Business Procedures: <http://ctrl.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

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

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