



**FY14
BUDGET PREP INSTRUCTIONS
for Detailed Budget Entry**

**ADDENDUM
4/30/2013**

Topics:

- 1. Budgeting for UMF/MMF Merger & Closing MMF Chartstrings in EFS**
- 2. Budgeting for 27 Pay Dates**

**Budget Entry Final Deadline for RRCs:
June 7, 2013**

**University Budget and Finance
<http://www.budget.umn.edu>**

1. Budgeting for UMF/MMF Merger & Closing MMF Chartstrings in EFS

The merger of the University of Minnesota Foundation (UMF) and Minnesota Medical Foundation (MMF) impacts the EFS Chart of Accounts (COA), fund management, payroll distributions, billing processes, scholarship processing and FY14 budget entry in EFS. Departments that currently receive funding from the MMF in EFS Fund 1702 MN Medical Foundation will be affected by the change.

UMF/MMF COA Impacts

CF1 Values –

CF1 values in the EFS COA are used to identify the UMF and MMF fund numbers for resources received from those foundations and expenditures against those resources. The CF1 values are a 10 character value with the first three characters identifying the foundation (UMF or MMF). The alpha characters are currently followed by three zeros (000). The final four characters of the CF1 values are the four-digit UMF or MMF fund value. Examples: UMF0001234, MMF0004321.

In support of the merger, Accounting Services worked with the foundations to create new CF1 values beginning with UMF to replace all of the current MMF values. The format for the new, converted values is UMF followed by 001, and then followed by the four-digit MMF fund value currently in use. The “1” in the 6th character spot will indicate that the CF1 value represents a UMF fund that was converted from the MMF. Example: MMF0009876 converts to UMF0019876.

Fund Values –

The EFS COA currently utilizes the following fund values to identify financial activity related to funds received from the UMF and MMF:

- 1701 – U of M Foundation
- 1702 – MN Medical Foundation

Use of Fund 1702 will be phased out in FY14 as noted below under Fund Management.

RRC Managers, please notify ISOs within your RRC that chartstrings with Fund 1702 should not be billed after July 1, 2013.

Chartstrings with MMF CF1 values and Fund 1702 should not be budgeted or used for revenue or expenditure transactions in FY14.

Departments should review other ChartFields (DeptID, Program, Project, CF2, etc.) to determine whether or not they are affected by this change.

Fund Management and Conversion

MMF funds will continue to be received and spent in chartstrings with fund 1702 and MMF CF1 values through the end of FY13. Balances in Fund 1702 at the end of FY13 will be rolled over to FY14 as carryforward balances in Fund 1702. In FY14, units will enter non-mandatory transfers out/in from EFS chartstrings with Fund 1702 and MMF CF1 values to chartstrings Fund 1701 and UMF001 CF1 values (Accounts 610203/600203 different Fund, same DeptID). Do not enter transfers

of funds to convert balances from Fund 1702 to Fund 1701 until after July 1, and make sure that they are posted to FY14 and not FY13.

All FY13 transactions related to funds currently in the MMF should continue to be posted to Fund 1702. In FY14, only transfers out should be posted to Fund 1702 to bring chartstring balances to \$0 (or transfers in, if the chartstring balance is less than \$0). In FY14, Fund 1701 should be used for all financial activity related to UMF/MMF funds.

Payroll Distributions

A chartstring with a current payroll distribution on Fund 1702 is the one situation that results in the need to create an FY13 budget line in Fund 1701. Salary and fringe distributions on Fund 1702 must be moved to Fund 1701 as of the pay period beginning on June 17, 2013 (payday: July 10, 2013), which is the first pay period of FY14. In order to do so, units will need to enter \$1 budget lines (with next day reversal) to create combo codes reflecting the new Fund value. (CF1 values must also change from MMF values to UMF values when they are part of a payroll distribution chartstring.)

Units are responsible for communicating distribution changes to their HR/Payroll staff and for creating FY14 budget lines (in addition to the FY13 budget lines) in order to maintain combo codes in active status.

Billing Processes (Transfers of Funds from Foundations to EFS)

Requests for MMF funds to be moved to the University (EFS) will continue to follow MMF processes through the end of the fiscal year. Deadlines established by the MMF will apply to FY13 fund requests.

Billing processes and deadlines for transferring funds from the UMF to EFS are unaffected by the merger. Once the deadline for moving MMF funds to EFS for FY13 has passed, all future requests to move formerly MMF funds (now UMF funds) to EFS will follow the processes and deadlines established by the UMF for all UMF funds.

The deadlines for submitting requests for fund transfers from the foundations to EFS before the close of FY13 are:

UMF – May 15, 2013

MMF – June 1, 2013

Contact the foundations for further details.

Permanent University Fund (PUF) target chartstrings also will require updating to reflect new chartstrings with Fund 1701, but not until mid-August, 2013. Target chartstring updates should be entered in EFS prior to the first quarter FY14 distributions for September, but should NOT be entered until after the final FY13 distribution for June is posted in early August.

Scholarship Processing

The Office of Student Finance will convert chartstrings on existing item types used for scholarship payments to the new Fund and CF1 values. Contact the Office of Student Finance at fiscal@umn.edu with questions related to scholarship processing.

Budget Development

Revenue and expense budgets related to foundation funds that are converting from the MMF to the UMF must be entered in EFS during detailed budget entry for FY14 using the UMF fund number (1701) and the new CF1 values (beginning with UMF001). No revenues or expenses should be budgeted on Fund 1702 or on CF1 values beginning with MMF.

Units with anticipated carryforward balances in Fund 1702 for the end of FY13 should budget a carryforward balance for FY14 and a non-mandatory transfer out (Account 610200) to move that balance to Fund 1701. Units should budget for a transfer in (600200) in the corresponding chartstring with Fund 1701 that will receive the transferred carryforward balance.

Budget Example:

	Fund 1701 (CF1 UMF0019876)	Fund 1702 (CF1 MMF0004321)
Carryforward	\$0	\$100 (estimate)
Revenues	\$500	No budget
Expenses	\$500	No budget
Transfers Out		\$100
Transfers In	\$100	

(The transfer in and transfer out should be reversed if a negative carryforward amount is anticipated.)

Capital Assets

Inventory Services will provide further instructions regarding how to handle capital assets on Fund 1702 in a separate communication.

Contact EFS Customer Support (612-624-1617 or finsys@umn.edu) with any questions.

2. Budgeting for 27 Pay Dates

Every 11 years, the University's biweekly pay calendar results in a fiscal year containing 27 pay dates rather than the usual 26. The next fiscal year in which 27 pay dates are scheduled is FY21, but the University is acting now to reduce the budgetary impact of paying for a full extra pay period in a single fiscal year.

The strategy for addressing the 27th pay date issue is twofold:

1. Salaried Employees:

The appointment year for salaried employees will be revised to reflect a year beginning on July 1 and ending on June 30. In any given fiscal year the annual salary will be divided by the number of pay dates in the year to determine the pay amount issued per paycheck. Years with 26 pay dates will be divided by 26, while years with 27 pay periods will be divided by 27.

The Office of Human Resources will lead the policy and process revisions, to include addressing such issues as calculation of summer salaries for faculty and other employees with pay based on a term of less than 12 months. The goal is to neither advantage nor disadvantage any employee, but to pay salaried individuals their annual salary each fiscal year. Communication to employees on the plans for salaried employees will be distributed when final.

No changes to accounting or budgeting processes are being implemented with regard to salaried employees.

2. Hourly Employees:

Departments will be charged for a full year's worth of work for an hourly employee in each fiscal year. Expense representing an extra day or two per year (over the expense for 26, 2-week pay periods) will be posted to departmental chartstrings, and that accrued expense will offset personnel costs in years with 27th pay dates. Hourly employees will continue to be paid for each hour worked at a \$\$/hour rate for hours within the pay period associated with the pay date, so the amount per paycheck will not be affected by a year containing 27 pay periods.

The 27th pay date accrual process for hourly employees will apply to only non-sponsored chartstrings. Sponsored projects are charged only for hours worked on a project, so there is no need for an adjustment.

Accrual entries for the 27th pay date will begin in FY14. Departments need to budget now for the FY14 accrual.

The 27th Pay Date Accrual Process

The 27th pay date accrual will be accomplished through the following steps:

- a) **Calculate the Accrual** – each year, prior to the start of detailed budget entry, central will calculate the cost of 1/10th or 2/10ths of salary and fringe costs for hourly employees only by RRC, Fund, DeptID, and Program. The calculation usually will be based on the 10th pay period of the fiscal year (the point at which headcount and other employee-related counts for the budget model, surveys, etc., usually occur). A spreadsheet for each RRC showing the total applicable salary and fringe dollars, and the 1/10th or 2/10ths calculation that will be used to budget for the following year will be distributed to RRC managers.
- b) **Budget for the Accrual** – RRC managers will ensure that budgets for the following year are entered for the accrual amount at the Fund-DeptID-Program level. Budgets will be entered in Accounts 700800 Salaries-27th PD Accr-FinBdg and 710800 Fringe-27th PD Accrual-FinBdg. The full chartstring (Fund-DeptID-Program-Account) and the amount budgeted must match the spreadsheet provided by central and described in a). (Additional instructions are provided below under Budgeting for the 27th Pay Date Accrual in FY14.)

- c) **Post the Accrual** – central will create a journal to charge the accrual in the following fiscal year. The journal will reflect the chartstrings and amounts in the spreadsheet provided to the RRCs for budget purposes. The journal will debit the departmental chartstrings in Account 700801 Salaries-27th Pay Date Accrual and 710801Fringe-27th Pay Date Accrual and will credit a liability Account in a central chartstring.

Since accruals are posted to chartstrings in effect in the previous fiscal year, some cleanup may be necessary when chartstrings change. The following considerations apply to the development of a cleanup entry:

- *The Fund, DeptID and Function of the accrual expense should match the Fund, DeptID and Function of the original salary and fringe expense.*
- *If the accrual entry is moving to a chartstring with the same Fund, DeptID and Function during the same fiscal year in which it was posted, then the expense should be redistributed using a correcting journal on Accounts 700801 or 710801 (but only to chartstrings with the same Fund, DeptID and Function).*
- *If a cleanup entry occurs after the year in which the original accrual entry was posted or if the intent is to provide funds to cover the expense from a chartstring with a different Fund, DeptID and Function, then funds should be transferred using accounts in the 60XXXX and 61XXXX series.*

Contact Emily Larson (e-lars@umn.edu) with questions on chartstrings or correcting entries.

- d) **Reduce Expense in Fiscal Years with 27 Pay Dates** – in years with a 27th pay date, expense for all pay periods will be recorded in the general ledger based on payroll distributions to departmental chartstrings. Then, within the accounting period of the extra pay date, central will create a journal to offset that expense at the Fund-DeptID-Program level, either in total or in part, based initially on the amounts accrued in previous fiscal years. Calculations and analysis related to the offset transaction will be discussed prior to the affected accounting period. The next fiscal year with 27 pay dates is FY21. Additional details of the offset transaction will be provided as we draw closer to that time.

Budgeting for the 27th Pay Date Accrual in FY14

Departments are required to budget for the 27th pay period accrual in FY14. Spreadsheets with the accrual amount calculation are being distributed to RRC managers, who must then distribute them to the staff who do detailed budget entry for their departments.

The timeline for the FY14 27th Pay Date accrual is as follows:

October, 2012	April, 2013 (future years: Jan or Feb)	April-June, 2013	March, 2014	March-June, 2014
Payroll runs for 10 th Pay Period of FY13	FY14 accrual amounts & chartstrings identified - spreadsheets distributed to RRC managers	Departments enter accrual budgets for FY14	FY14 accrual journals posted to chartstrings on spreadsheets	Departments enter cleanup transactions if necessary

Please ensure that budgets meet the following requirements:

- Budget only at the Fund-DeptID-Program Account level – do not include optional ChartFields.
- Budget the salary accrual in Account **700800 Salaries-27th PD Accrl-FinBdg.**
- Budget the fringe accrual in Account **710800 Fringe-27th PD Accrual-FinBdg.**
- Budget exactly the amounts reflected in the spreadsheets distributed by central to RRC managers.
- Enter budgets on the Budget Detail page of UM Final Budgeting – 27th pay date accrual does not affect Position Budgeting.

Pay increases, changes in fringe rates, funding shifts, and other factors make it unlikely that the accrual amounts will equal the additional cost in the years with a 27th pay date. The total accrual will be monitored each year and modeled against projections of cost in the upcoming fiscal year with a 27th pay date to determine if mid-course adjustments to the annual charge are needed. The current cycle in particular may require a mid-course adjustment as the University is already in the 4th year of the 11 year cycle for the 27th pay date that will occur in FY21.

In the rare instance where some form of this accrual process is already taking place, contact your budget officer or Julie Tonneson (tonne001@umn.edu) immediately to discuss a plan to transition to the standard methodology outlined above.