PREPARATION AND SUBMISSION OF THE INITIAL BUDGET PROPOSAL

Purpose of the Initial Budget Proposal
Each School and Center must submit an Initial Budget to the University Budget Office via PILLAR that reflects that School or Center’s proposed financial plan for the upcoming fiscal year and the subsequent four outyears. School and Center initial proposals form the basis for the budget discussions between Deans and Vice Presidents and Senior Management that take place each year. During this time, the individual plans of the Schools and Centers are also aggregated to see how they work as a whole.

Responsibility for the Submission of the Initial Budget
The Senior Business Officer in each School and Center is responsible for ensuring that its Initial Budget is submitted to the University Budget Office by the specified deadline.

The Senior Business Officer is also responsible for ensuring that the Initial Budget Proposal is consistent with the parameters, and other guidelines contained in that School/Center’s budget call letter, and with the input assumptions and associated supporting schedules.

Level of Detail Required in the Initial Budget
In general, Schools and Centers should budget to the level of detail that:

- Allows transactions to pass Funds Checking as determined by the level of Budgetary Control assigned to the account combination.
- Assists your School or Center in financial management and analysis.
- Facilitates meaningful budget-to-actual comparisons and projections during the fiscal year.

Wherever possible, Schools and Centers should maintain the same level of detail in their budget in the initial submission as they will have in their Original Budget submission.

In some cases, it may not be feasible for a School or Center to include a detailed budget in the Initial Budget submission for all planned activity because this level of budget planning is not possible by the submission deadline. Since it is important that the Initial Budget reflect each School and Center’s complete financial plan for the coming fiscal year, Schools and Centers may need to submit an Initial Budget that is partially detailed to the 26 digit COA level, and partially summarized in the Fund Group and Object Category level.

To exercise this option, a School or Center will need to determine how much of its total planned activity is reflected in the detailed budgets it is submitting in PILLAR. The School or Center will then need to estimate the remaining residual activity by Fund Group, and budget that remaining level of projected activity in PILLAR for each Fund Group using the following surrogate fund numbers:

- Designated Investment Income Funds: 479999
- Designated Operating Gift Funds: 649999
- Designated Capital Gift Funds: 659999
**Treatment of Project-Based Activity in the Initial Budget for the Fiscal Year**

The fiscal year portion of project-based activity will be included in the Initial Budget via PILLAR. For Grants and Contracts, each School should budget the total planned level of activity for the coming fiscal year in Fund 599999. Total income for all grants should be budgeted in Object Code 4600 and expenditures for all grants should be budgeted in the individual object codes in which you expect those expenditures to occur.

For University Research Foundation awards (URFs), Schools should budget planned activity for the fiscal year in fund 000002 in the Initial Budget. These lines should be removed from the School’s submission in the Original Budget, and will be budgeted centrally. (Because there is no surrogate fund for URFs, budgeting this in the Schools in the Original Budget would cause confusion with the real URF budgets.)

**Current-Year Projection**

Schools and Centers must submit a “Year-End Projection” for the current fiscal year in the PILLAR xxxxxxP1.pln file. This projection must include revenue and expenditure data for each Fund Group in which revenue or expense has occurred in the current fiscal year or is planned to occur. For any RCM Rows that show a significant variance from the Original Budget or from what the first six months of year-to-date actuals would suggest, please add a note to the appropriate line items documenting your understanding of the variance. We will rely on these explanations when we prepare our second quarter budget-to-actual variance analysis for the Trustees.

For the convenience of the Schools and Centers who have made significant changes to their Operating Budgets, the projection (P) file will be populated with a copy of your current operating budget as of late fall. If this is not a good starting point for your projection, you may simply delete these lines. DO NOT copy your Operating Budget lines into your B file (in any round). The timing in the Operating Budget (the entire year original budget in July, with only changes in later months) is significantly different from the timing in the Original Budget.

**Input Assumptions and Other Required Supporting Schedules**

To better link the budgeting process to the strategic planning process, we are again asking you to:

- document the key input assumptions made in building your budget
- define the outcomes that you expect to achieve if your budget is implemented as submitted. Four supporting schedules, contained in a single Excel workbook “budwbkXX.xls,” are used to collect key input information. Note that some of these schedules include new data requests this year as discussed below:

Input Assumptions are the crucial operational assumptions that underlie each School or Center’s budget submission. The Input Assumptions template presents the minimum input assumptions each School is expected to provide. All Responsibility Centers must complete the Staff Planning Assumptions section and, if applicable, the Capital Projects section. You are encouraged to supplement the input assumptions listed on the template with any additional assumptions you believe are crucial to understanding how your budget is constructed. Please note that the Input Assumptions template asks you to complete both a “Total Staff FTEs” line and a line for “Estimated Staff FTEs Supported by 4xxxxx, 5xxxxx, and 6xxxxx Funds.” The “Total” line should include all staff, and the “Estimated Staff supported by 4xxxxx, 5xxxxx, or 6xxxxx Funds” should be a subset of that total.
Effective Indirect Cost Recovery (ICR) Rate-Sponsored Programs
The Input Assumptions schedule includes a line for effective ICR rate. Only Schools need to complete this line. Effective ICR rates should be calculated by dividing total indirect cost recovery on Sponsored Program funds by total direct Sponsored Program fund expenditures. In other words, divide the “Grant and Contract Overhead Charges” line by the “Total Direct Expenditures After Expense Credits” line taken from the relevant BEN reports or PILLAR Financial Statements, looking at all Sponsored Program funds. In PILLAR, just run report “09. Sponsored Program Funds” and extract these two lines. Note that this measure of total Sponsored Program expenditures differs from the modified total direct cost (MTDC) base that is used by the federal government for calculating the University’s F&A rate. The MTDC has certain exclusions, including equipment, student aid, and sub-contracts over $25,000 that do not need to be made for purposes of this calculation.

Faculty and Academic Support Staff Planning Assumptions
Only Schools should complete this schedule. For large Schools, the data should be provided both for your entire School and also at a meaningful level of disaggregation (e.g., department or department grouping).

Standing Faculty Funding Template
Only Schools should complete this schedule. Information on this schedule should be consistent with that on the Input Assumptions schedule, the Faculty Planning Assumptions schedule, and the PILLAR files. All Schools are requested to summarize in the Standing Faculty Funding Template the total amount of their outstanding faculty commitments and commitments they anticipate making in the future. For this purpose, faculty commitments include all expenditures a School has explicitly obligated itself to fund in future periods, including salaries, support for research assistants and other research staff, space renovations, equipment, moving costs, and travel.

You should include a year-end actual as well as a five-year projection. Include in the totals all of your individual faculty commitments of $100,000 or more. This request is being made in response to a management letter comment from our external auditors and was developed with the input of the Senior Roundtable.

Service Delivery Goals
All Administrative Service Centers, Resource Centers, and Auxiliary Enterprises should complete this schedule. The “Service Delivery Goals” schedule should identify the major areas in which your Center expects to deliver service, and should present a measurable service delivery goal in each area so identified. Goals set forth should represent an attainable level of service, assuming your budget is approved as submitted. Actual results and a current estimate should be presented so that goals for next year can be evaluated in the context of current levels of service delivery effort.
Checklist for Completion of Initial Budget Submissions

Before submitting your Initial Budget, you should:

- Confirm all budgeted Resource Transfers and Expense Credits are documented in notes to the PILLAR files
- Review and resolve any PILLAR diagnostic messages
- Print Financial Statements 01 and 12

Initial Budget submissions should include:

*Budgets are submitted three times in a fiscal year.*

<table>
<thead>
<tr>
<th>Document</th>
<th>Required Centers</th>
<th>Form of Transmission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current-Year Projection</td>
<td>All Responsibility Centers</td>
<td>Electronic copy of PILLAR “P” file to Prudence/Plan/Submit</td>
</tr>
<tr>
<td>Five-Year Budget</td>
<td>All Responsibility Centers</td>
<td>Electronic copy of PILLAR “B” file to Prudence/Plan/Submit</td>
</tr>
<tr>
<td>Cover Memo from Dean, Vice President, Vice Provost, or Director</td>
<td>All Responsibility Centers</td>
<td>Hard copy to Provost, EVP, or Chief of Staff, as appropriate, with copy to Budget Office</td>
</tr>
<tr>
<td>PILLAR Financial Statement 01, General Purpose Funds</td>
<td>All Responsibility Centers</td>
<td>Hard copy attached to cover memo, with copy to Budget Office</td>
</tr>
<tr>
<td>PILLAR Financial Statement 12, Total Operating Budget</td>
<td>All Responsibility Centers</td>
<td>Hard copy attached to cover memo, with copy to Budget Office</td>
</tr>
<tr>
<td>Input Assumptions</td>
<td>All Responsibility Centers</td>
<td>Electronic copy of “budwbkXX.xls” to Prudence/Plan/Submit</td>
</tr>
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<td>Faculty and Academic Support Staff Planning Assumptions</td>
<td>Schools only</td>
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<td>Service Delivery Goals</td>
<td>All Responsibility Centers other than Schools</td>
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