

UNIVERSITY OF PENNSYLVANIA
Office of Budget and Management Analysis

[Guidelines for Budgeting Expense]

Budgeting Salaries and Wages

Salaries are budgeted in PLANNING using the Salary Forms. Schools and Centers may elect to budget by person in PLANNING. Any School or Center that chooses to budget by person should speak with the University Budget Office about setting up the PLANNING system and data in a format that will allow person level budgeting. Schools and Centers that are not budgeting by person may use the "Anyone or no one" individual to budget total salaries in each ORG/PROG/CREF/FUND combination.

In general, Compensation will be evenly spread over 12 months, and no timing adjustments are necessary in making budget entries. However, summer salaries should be budgeted only in the summer months. Be careful to budget at a fine enough level of detail to show standing faculty compensation separate from other Academic Salaries and Non-Academic Salaries.

Budgeting Salary Reserves

Your salary budget should be the amount that you actually intend to spend on salaries in the coming fiscal year. If you are planning to reserve funds for possible market adjustments and special situations that cannot be associated at present with a specific position, use the Salary Reserve Object Codes (5180-5183) to establish these reserves.

If you are expecting your actual total wage and salary expenditures to be less than the total of the stated wages and salaries for all existing positions in your School or Center, due to anticipated salary savings from positions that will be unfilled for all or part of the coming fiscal year, you should budget a credit in the appropriate Salary Reserve Object Code. As always, a note should be appended to the budget line to explain why you are budgeting a negative number. No actuals should be posted to these object codes; they are for planning purposes only. These object codes are subject to Full-Time EB for planning purposes.

If you have faculty or staff who are paid by other institutions, and you are budgeting individual salaries in PLANNING, you may budget the salary to the appropriate receivable object code in order to ensure that you are covering the complete salary. The receivable object codes (12xx and 15xx) will not appear in the Compensation section of your outline budget in the Financial Statements, and will not affect your operating performance. These amounts are included in reports in the Cash Effect - Other Activity line.

Budgeting Employee Benefits

Employee benefits are automatically calculated in PLANNING. The calculation occurs as the salary object code is entered into the system and is visible in the Summary Screens/Forms after the system is aggregated.

Budgeting Dependent Tuition

Object Code 5196 is used for the Dependent Tuition charge. For the charge for Service Centers, only the CNAC and CREF of the original payroll charge remain, the ORG is the surrogate, the Fund is 000000, and the PROG is 7493. The charge for Grants and Contracts goes to the same CNAC-ORG-CREF used by the grant, the 000000 Fund, and Program 7494. Non-Government Grants and Contracts will be charged Dependent Tuition. To budget this charge, use Fund 599998 in Object Code 5196.

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PLANNING will calculate the amount for both the regular EB charges and for the Dependent Tuition Benefit charge based on the amounts of full-time EB-chargeable salaries and wages included in your PLANNING budgets. In order for this calculation to be accurate, you will need to create line items in PLANNING to reflect the total amount of full-time EB-chargeable salaries and wages you expect to spend in funds that are not otherwise included in your PLANNING submission. You may use the surrogate funds 479998, 479999, 599996, 599997, 599998, 599999, 649999, and 659999 for this purpose.

On a nightly basis, PLANNING will calculate the dependent EB charge and will sweep this charge to the 000000 fund in the same ORG and CREF as the original compensation charge.

Budgeting Current Expense

PLANNING will automatically budget over 12 months, but you may choose to spread any Current Expense expenditure amount in a different manner if you believe that this will aid in the financial management of your School or Center during the coming fiscal year.

Budgeting Debt Service

Please budget principal payments in a 278x series Object Code (2783 for Internal Capital Project Loans and 2784 for EPLPs) and interest payments in Object Code 5604. Include any debt service shown in final amortization schedules issued by the Treasurer's Office for your Center's capital projects, as well as projected debt service for capital projects that are not yet closed out or are still in the planning stage. The latter should appear not only in your Budget file but also in your Input Assumptions schedule.

Budgeting Depreciation

On standard University General Ledger 1xx and 2xx reports, there are two lines within the capital section, Accumulated Depreciation and Depreciation Expense, which net to zero and have no impact on your operating performance under RCM. You no longer need to budget these object codes since they will be budgeted centrally.

Budgeting for Interest on Interim Construction Loans

These payments should be estimated in total and budgeted in the month of July. You may either budget interim interest for all of your projects on a single line in Program 8999 or budget this interest on a project by project basis, using corresponding Program Codes. Actual interim interest will be posted at the specific Program level.

If any of your construction projects incur interim financing, you should budget the appropriate interest amounts in the General Unrestricted Fund (000000 Fund) in Object Code 5604 for interest to be charged and Object Code 4780 for interest to be credited. Interim construction financing is now being automatically recorded monthly in the General Ledger in the Capital Construction Fund (000010 Fund) and interest is being accumulated in STAT Object 'INTF' in your School or Center's Surrogate ORG in the 000000 Fund. Charges and credits accumulate based on the TIF planning parameter applied to your average balance each month. Charges (or credits) accumulated in one fiscal year are expensed (or credited) the following July (i.e., at the beginning of the subsequent fiscal year).

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Budgeting Principal and Interest on Loans for Closed Projects

These payments should be budgeted by Program as two lines, one for Principal (Object Code 2783) and one for Interest (Object Code 5604) as specified on the schedules you received from the Treasurer's Office. You should budget these amounts in the month of July.

Budgeting Student Aid

Be careful to budget Student Aid in the appropriate object codes, so that the component of Student Aid that will be counted as contra-revenue, the component of Student Aid that will be counted as Compensation, and the component of Student Aid that will be counted as Current Expense all appear in the appropriate categories.

For contra-revenue Graduate/Professional Student Aid, please be sure to budget the aid in the months in which you will process it. For the contra-revenue aid distribution that is based on course units, budget the fall distribution in December, and the spring distribution in June.

Budgeting University Fellowships

Each year, the Provost's Office informs each School of its University Fellowship allocation. Each School should budget the expenses related to this allocation and a corresponding credit to Object Code 4833 in the School Surrogate ORG in Fund 000007. The expense should be budgeted in the appropriate ORG that is managing the fellowship (either the Dean's Office or the academic department) with the Program set to show the graduate group and the CREF set to show the type of fellowship as appropriate. The expense Object Codes should be: Object Code 4186 Student Aid ("University Fellowship") or Object Code 5046 ("Educational Fellowship").

Budgeting Research Assistantships Matching Fund

You should budget expected Matching Fund support in Fund 000008 for Research Assistants and Research Fellows to match the aid expense you expect to incur for these students in your Sponsored Program Funds. Budget RA/RF expense in the corresponding Student Aid Object Codes, 4188 and 4189, and budget offsetting credits in the Student Aid Subvention Object Code 4833.

Budgeting Health Insurance Premiums Paid on Behalf of Students

Health Insurance Premiums paid by participating Schools on behalf of their graduate students should be budgeted in Fund 000007, the University Fellowships Fund, using Object Code 5360. In order to assist Schools in securing the resources required to provide this benefit, the Provost is providing Student Aid Subvention to cover a portion of the costs of this benefit for a transition period. For FY2002 through FY2006, the transitional Student Aid Subvention will be calculated as 50% of the expense posted to Fund 000007 in Object Code 5360. In FY2007, the transitional Student Aid Subvention will begin to phase out and will drop to 37.5% of the expense. The transitional Student Aid Subvention then will be reduced to 25% of the expense in FY2008 and to 12.5% of the expense in FY2009. By FY2010, Schools will be expected to build the entire cost of providing this aid into their budgets.

Budgeting Expense Credits

The use of the Expense Credit Object Codes (550x) should be limited to Service Centers or to those specific organizations (e.g., General Counsel) that have a single office that is part of both the University and the Health System. The supporting detail - who is doing the reimbursing, and for what - must be documented using the PLANNING Cell text fields.

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In all other instances, an expense incurred by one organization on behalf of another organization should not be reimbursed using an Expense Credit Object Code (550x). Instead, both the debit side and the credit side of the reimbursement should use the same expense Object Code, so as not to overstate total expense across the University.

Certain units that provide services to the entire University and levy internal charges to fund those services, such as ISC and Business Services, have special needs and are being handled separately. If you believe you have a special need that cannot be handled appropriately by debiting and crediting the same Object Code, please contact the University Budget Office.

In cases in which resources are simply being transferred from one School/Center to another, or from one ORG within a School/Center to another, and no reimbursement is involved, you should budget a Resource Transfer, not an Expense Credit.

Budgeting Allocated Cost Charges

These charges should be budgeted as specified in your guarantee letter. Budget the annual amount and allow PLANNING to divide it by 12.

Please budget development charges in Program 7310, object Code 5810, and University Services charges in Program 7000, object Code 5802.

If you expect to add new facilities during the next few years, please be sure to adjust your O&M and Facilities Renewal Charges accordingly. It is best to contact the University Budget Office and Facilities and Real Estate Services to obtain a building specific estimate for additional Allocated Cost charges.

If you do not have a specific estimate from Facilities and Real Estate Services or the Budget Office, assume that new space will add \$15 to \$22 per gross square foot to your annual O&M charges, with office space falling at the low end of this range and wet lab space at the high end. Assume incremental Facilities Renewal Charges equal to 1% of the new facilities' construction costs. For information on how your allocated costs are calculated, see [Calculating Allocated Costs](#).

Budgeting Prior Year Cash Position (aka Carryforward)

Actual carryforwards are automatically calculated on BEN reports and in the briefing books used for your budget review meetings. However, if you still find it useful to budget your projected carryforwards, use Object Code 0001 to show the planned starting position of your funds, whether or not you are planning to spend this entire amount in the coming fiscal year.

In the Current Operating Budget column of standard 1xx and 2xx reports, this amount is automatically populated with the actual carryforward amount, so there is no need to budget this amount in the Current Operating Budget. That is why Object Code 0001 is not available when entering or amending the Operating Budget using the online Budget Journal Entry screen.

Budgeting Final Year End Adjustments

Object Code 4840, Final Year-End Adjustment, is normally used for year-end deficit-curing transfers, and should normally be budgeted only when such a transfer is planned and authorized in your School/Center budget guarantee letter.