

Policy Title: Budget Control

Policy Type: Finance/Administration

New/revised: Revised

Old Policy #: 4:01:00:00

Approval level: Board of Trustees
 President
 Vice President
 Other (specify here)

Purpose: It is widely recognized that budget control is essential for effective financial management of any organization. In view of this, it is the purpose of this policy to provide clear and specific responsibility for proper budget management and control for the University. It is the control mechanism aspect of budgeting that is the focus of this policy.

Definitions:

Budgeting - the process whereby the plans of an institution are translated into an itemized, authorized, and systematic plan of operation, expressed in dollars, for a given period. Budgets are the blueprints for the orderly execution of program plans; they serve as control mechanisms to match anticipated and actual revenues and expenditures.

Policy:

I. Submission of Budgets

- A. It is recognized that a budget is a plan and that circumstances may necessitate revisions or changes to the original plan from time to time. The three submissions are described briefly as follows:
1. Proposed Budget - This is the original budget prepared in the spring that is for the fiscal year to begin July 1. It is normally submitted to the Board of Trustees spring meeting.
 2. Revised Budget - This budget is a revision of the proposed budget and is normally referred to as the "October Revised Budget". It is prepared as of October 31 after actual fall enrollments and other estimated costs and closing balances are known and is normally submitted to the Board of Trustees fall meeting.
 3. Spring Estimated Budget - This budget is the final budget submitted for the current year operations. It is submitted in the spring at the same time as the Proposed Budget for the coming year. This is the final approved budget for the institutions and therefore contains the control totals against which final year-end amounts are compared.
- B. It should be noted that the approval of a budget does not waive statutory, policy, or other restrictions for expending funds.

II. Operating Budgets

A. Level of Budget Control

1. Institutional budget control amounts are approved for the major educational and general functional classifications of Instruction, Research, Public Service, Academic Support, Student Services, Institutional Support, Operation and Maintenance of Plant, and Scholarships and Fellowships where applicable.
2. Auxiliary Enterprises are controlled on a profit or break-even basis.
3. Additionally, control amounts are approved for educational and general transfers, both mandatory and non-mandatory. Funds transferred to other funds whether mandatory or non-mandatory are restricted in the other funds for the designated purpose. This restriction, however, does not prevent subsequent reallocations or transfers to other funds.
4. All discretionary allocations of the fund balance must be approved.

B. Budget Revisions

1. Revisions within Functional Area
 - i. Institutions may make budget revisions within a given functional area at the campus level.
 - ii. The revisions should be properly documented and approved by the President, or his or her designee.
2. Revisions between Functions
 - i. Budget revisions from one functional area to another that exceed 1% of total expenditures must receive prior approval of the President if proposed at other than the three regular budget submission times.
3. Revision of Overall Expenditure Total
 - i. Budget revisions to one or more educational and general functional areas that increase the overall educational and general budget must receive prior approval of the President if proposed at other than the three regular submission times.
 - ii. The request for revision should be submitted in accordance with item 2 above and should include the source of funding for the proposed revision.

III. Plant Fund Budgets

A. Unexpended Funds

1. General

- i. The purpose of the Unexpended Plant Fund is to account for the unexpended resources derived from various sources to finance the acquisition of long-term plant assets and the associated liabilities.
- ii. These funds will be used for capital projects such as major additions and/or renovations to physical facilities.
- iii. All funds added or transferred into the Unexpended Plant Fund will be controlled by specific project.
- iv. Commitments or expenditures for any capital project shall be in conformance with all applicable state laws and requirements of the State Building Commission.

- v. All project budget revisions and the utilization of reallocated project balances shall be approved by the President or designee.
 - B. Extraordinary Maintenance
 - 1. Within the Unexpended Plant Fund, each institution shall establish an account for extraordinary maintenance to be used for unusual or unanticipated maintenance needs.
 - 2. The annual budget shall include a minimum balance in the extraordinary maintenance account. This minimum shall be the greater of 0.1% of plant funds or \$150,000.
 - 3. All projects in the extraordinary maintenance account shall be approved by the President or designee.
 - C. Renewals and Replacements
 - 1. The resources set aside for renewals and replacements, as distinguished from additions and improvements to plant, are accounted for in this fund group.
 - 2. The responsibility to replace auxiliary equipment requires a transfer at least 5% of auxiliary gross margin to the renewal and replacement fund.
 - D. Retirement of Indebtedness
 - 1. The purpose of this fund is to account for the accumulation of resources for interest and principal payments and other debt service charges relating to plant fund indebtedness.
 - 2. Additions to this fund are to be set up in separate debt service accounts.
- IV. Guideline and Position Controls
 - A. Position control is a part of the personnel budget process. The number of authorized permanent positions at each institution is controlled within unrestricted education and general accounts and auxiliaries.
 - 1. Controls exist on the total number of positions at the institution and on the classification of those positions (administrative, faculty/academic, professional, clerical/support).
 - 2. Positions are maintained each year in the proposed and revised budgeting processes, and at additional times as requested during the legislative session.
- V. Legislative Controls
 - A. Each budget year will normally have unique guidelines and requirements depending on legislative or executive branch requirements.
 - 1. A schedule of these requirements will be prepared each budget cycle.
 - 2. It is the responsibility of the institution to ensure that all budget guidelines for a given fiscal year are incorporated into the budget and are carried out operationally.
- VI. Budget Control
 - A. The University shall develop appropriate controls and procedures and ensure that established control limits are not exceeded.
 - B. Summary management reports should be prepared for top level administrators to evaluate the current financial status of the University.
- VII. Follow-up by Finance Staff

- A. At the end of each fiscal year, the finance staff will review the annual financial report of the University.
- B. Actual year-end amounts will be compared to the Spring Estimated Budget or the Spring Estimated Budget as officially revised, which is the final approved budget for the year.
- C. Functional expenditure totals will be analyzed for adherence to the approved control levels.
- D. The financial information will also be examined for compliance with all budget guidelines and/or Board policies in effect for the fiscal year just completed.
- E. The President shall report any institutional deficiencies or non-compliance with budget controls and guidelines to the Board.

3/24/2017 – approved by the Board of Trustees.