

Budget Principles and Control

Issued: March 30, 2017

POLICIES

Responsible Official: Vice President for Finance and Administration

Responsible Office: Office of Budget and Financial Planning

Policy Statement

It is the policy of Austin Peay State University to propose an operating budget that has been prepared in accordance with sound budget principles and approved by the University Board of Trustees. The budget is the approved formal plan of operation, expressed in dollars, for the fiscal year beginning July 1 of each year.

Purpose

As a public entity, the University is responsible for the prudent management of resources entrusted to its care by Tennesseans. Ensuring that budgets developed by the University and considered by the Board are prepared in accordance with sound budget principles is fundamental to good stewardship of the University's financial resources. The budget principles included in this policy are intended to respond to the expectations of various stake holders relating to the generation and expenditure of funds. The University officials responsible for budgeting processes are directed to adhere not only to specific requirements of this policy, but to also act within the spirit of this policy and in a manner that evidences forthrightness and engenders public trust. It is widely recognized that budget control is essential for effective financial management of any organization. It is the intent of this policy to provide clear and specific responsibility for proper budget management and control at the University.

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Definitions

Budgeting

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.

Procedures

Guiding Principles

- A. Working within the University's shared governance process, the President has the responsibility and full authority to propose a budget to the Board. The President will ensure that the process for budget development is open, provides for accountability, includes appropriate constituencies in budget planning, and incorporates clear guidelines and adequate training for those involved.
- B. In the development and submission of budgets, the President shall adhere to the following principles.
 1. Budgetary needs should be prioritized relative to the University's core mission and consistent with its strategic plan, with resources aligned accordingly. In situations where resources are constrained or limited, resources should be redistributed as needed to ensure that limited resources meet the highest priority needs of the University.
 2. Budgets must respect generational neutrality. In general, this to say that the cost of educating the current generation of students should be borne by the current generation and not be deferred to future generations.

3. The Budget must be balanced:
 - a. In total, such that all planned expenditures do not exceed expected revenues and use of reserves or other non-recurring funds; and
 - b. On a recurring basis, such that planned ongoing expenditures do not exceed expected recurring revenues. Use of non-recurring funds to meet recurring expenditures is discouraged; however, it is acknowledged that circumstances may arise when it is in the best interest of the University to do so. In the event non-recurring revenues are budgeted to meet recurring expenses, this must be specifically disclosed to the Board as part of the budget consideration process, including justification and the University's plan for achieving recurring balance.
4. A degree of fiscal conservatism must be incorporated in the budget to reduce the risk of year-end deficits by:
 - a. Ensuring all costs are fully recognized. Use of anticipated savings as a funding source (e.g., lapsed salaries) for recurring expenses is discouraged. If anticipated savings are used to fund recurring expenses, this must be specifically disclosed to the Board as part of the budget consideration process;
 - b. Using financially conservative, yet reasonable, revenue estimates in light of existing conditions. Estimates of revenues derived from students must be based on analysis of historic enrollment patterns, modified for any recent observable patterns. The basis for student derived revenue estimates must be communicated to the Board as part of the budget consideration process; and
 - c. Maintaining appropriate contingency funds for revenue shortfalls and emergencies for both Education & General and Auxiliary operations, consistent with relevant APSU policies and guidelines.
5. Related to the principle on generational neutrality and to ensure the long term viability of the University, sufficient provision must be made in both Education & General and Auxiliary budgets to annually fund:
 - a. Maintenance and facilities renewals to the physical plant and grounds; and
 - b. Acquisition, repair and replacement of teaching equipment, computers, and other equipment.
6. Opportunities for cost savings arising from shared services and resources between departments and

organizations within the University and among other universities should be aggressively pursued.

Operational Provisions

- A. Accountability for the effective management of the budget rests with the President, who ensures that proper controls and budget management policies are established.
- B. Guidelines may be developed that further direct and clarify application of the above principles in the budget development and administration process. The President may issue directives on these matters consistent with the provisions of this policy.

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. In view of this, the University prepares detailed budgets for approval by the Board three times each fiscal year. 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 for approval at the Summer Board 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 for approval at the Winter Board 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.
- B. It should be noted that the approval of a budget does not waive statutory, policy, or other restrictions for expending funds.

Operating Budgets

- A. Level of Budget Control
 - 1. Budget allocations are divided into budget control accounts such as travel and operating. The amount allocated for each control account is the amount planned to be spent during the fiscal year.
 - 2. 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.

3. Auxiliary Enterprises are controlled on a profit or break-even basis.
4. 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.

B. Budget Revisions

1. Should operating requirements prove incompatible with approved budgets because of unforeseen circumstances, a budget revision request should be initiated by the departmental budget administrator and approved by the appropriate approving authority. Budget revision procedures can be found at the following link:
http://www.apsu.edu/fin_admin/budget.htm
2. Revisions within Functional Area
 - a. The University may make budget revisions within a given functional area at the campus level.
 - b. The revisions should be properly documented and approved by the president, or his or her designee.
3. Revisions between Functions
 - a. Budget revisions from one functional area to another that exceed 1% of total expenditures must receive prior approval of the Vice President for Finance & Administration if proposed at other than the three regular budget submission times.
 - b. The request for revision should be submitted by the budget administrator in writing with a detailed explanation.
4. Revision of Overall Expenditure Total
 - a. 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.
 - b. The request for revision should be submitted in accordance with item 2 above and should include the source of funding for the proposed revision.

Plant Fund Budgets**A. Unexpended Funds****1. General**

- a. 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.
- b. These funds will be used for capital projects such as major additions and/or renovations to physical facilities.
- c. The University may request approval for transfer of funds to the Unexpended Plant Fund during the regular budgetary process or special request to the President.
- d. All funds added or transferred into the Unexpended Plant Fund will be controlled by specific project.
- e. Commitments or expenditures for any capital project shall be in conformance with all applicable state laws and requirements of the State Building Commission.
- f. All project budget revisions and the utilization of reallocated project balances shall be approved by the President or designee.

2. Extraordinary Maintenance

- a. Within the Unexpended Plant Fund, the University shall establish an account for extraordinary maintenance to be used for unusual or unanticipated maintenance needs.
- b. The annual budget shall include a minimum balance in the extraordinary maintenance account. This minimum shall be \$150,000.
- c. All projects in the extraordinary maintenance account shall be approved by the President or designee.

B. 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 University has the responsibility to replace auxiliary equipment and must transfer at least 5% of auxiliary gross margin to the renewal and replacement fund.

C. 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.

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 University to ensure that all budget guidelines for a given fiscal year are incorporated into the budget and are carried out operationally.

Budget Control

- A. It is the responsibility of University budget administrators to perform their respective operations within the approved budget. Budget administrators have no authority to expend funds in excess of approved budgets.
- B. Summary management reports should be prepared for top level administrators to evaluate the current financial status of the University.

Related Forms

Budget Revision Request Form <http://www.apsu.edu/fin-admin/tools-and-resources>

Links

APSU Financial Planning and Budget Office http://www.apsu.edu/fin_admin/budget.htm

Revision Dates

APSU Policy 1:022 (previously 4:021) – Rev.: March 30, 2017
APSU Policy 1:022 – Rev.: June 8, 2009
APSU Policy 1:022 – Issued: October 9, 1995

Subject Areas:

Academic	Finance	General	Human Resources	Information Technology	Student Affairs
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Approved

President: signature on file
