

2010 BRINGING ADMINISTRATORS TOGETHER CONFERENCE

Best Practices for  
Department and College-Level  
Budgeting

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**UIC** UNIVERSITY OF ILLINOIS  
AT CHICAGO

*Succeeding in Challenging Times*

# Today's Agenda

- Basic Principles
- Practical Tools
- Q&A

- **We WILL cover...**
  - Various fund types (State, ICR, revolving/self-supporting)
  - Revenue and expense budgets
- **We WON'T cover...**
  - Sponsored accounts (grants & contracts)

# What is a budget?

- For revenue...
  - A forecast or an estimate
- For expense
  - A spending PLAN
  - Sometimes: a spending LIMIT
- Ideally, linked to and reflective of plans; e.g....
  - Enrollment plans
  - Faculty hiring plans
  - Capital plans

# Budgeting approaches

- **Program Budgeting** – attempts to link planning process to resource allocation
- **Incremental Budgeting** - focuses on percentage adjustments to existing base budgets rather than on specific priorities
- **Responsibility Centered Management** – treats individual units and programs as revenue and cost centers

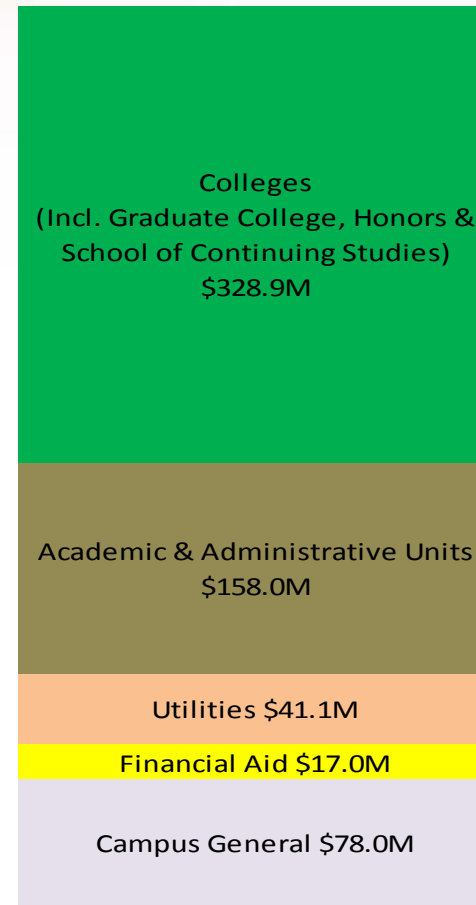
# First: Make It Real

- Align budgets with actuals
- State budget must tie out to a control number
- Reflect best estimates of anticipated revenues and expenditures in Budget Development for self-supporting and practice plan funds
- Salary Planner – use this tool to project recurring personnel requirements
- Budget Development – use this tool to budget both personal and non-personal services within framework of state allocations

# UIC Unrestricted Budget – FY 2010



**\$623M**



**\$623M**

\* Excludes earmarks

# Second: Make it balance

- Double-sided entries
- Recurring vs. Non-recurring
- Equilibrium or sustainability
  - Excess consumption
    - Of endowments...
    - Of physical assets (facilities)...



## What if my expenses exceed my revenues?

- The budgeting equivalent of original sin
- However! There could be some logical reasons
  - Counting on turnover savings
  - Budgeting for use of other fund sources
- Is there a way to deal with this?
  - What do you think of negative budgets?

## Third: Make it useful

- A budget that no one believes is not much use



- What you will find in the BSO

## Fourth: Make it transparent

- Cross subsidies
- Reserves
- Who should own a budget variance?
- Could be positive or negative
  - E.g., salary breakage (vacancy savings); dept or college?

## **Appropriate Use of Budget Adjustments**

- In general, can only adjust budgets within or between state and institutional funds
- Adjustments to state or institutional fund budgets require equivalent debits and credits
- Self-supporting and service plan budgets represent an estimate or forecast and may be adjusted.
  - Do not affect cash or fund balances of these fund types
- College or administrative review/approval may be required prior to submitting Budget Adjustment Request (BAR) forms to the OBFS Budget Office

## **Appropriate Uses of JV Cost Transfers**

- To move charges from one CFOAP to another
- To correct expenses charged to rogue CFOAPS
- To reclassify expenses charged to a P-Card default account code
- Cost transfers involving gift funds must comply with donor intent restrictions
- Cost transfers involving grants & contracts funds must follow the regulations of the sponsor or agency

## **How to Assess the Financial Position (Budget vs. Actual) prior to year end: State Funds**

- Budget balance available at the college/major administrative roll-up level determines whether an overdraft or surplus exists.
  - Don't have to balance at account code or program code level
- Budget Balance Available = Adjusted Budget less Expenditures less Commitments & Obligations

## **How to Assess the Financial Position (Budget vs. Actual) prior to year end: Institutional Funds**

- Individual C-FOP expense budget balances (both positive & negative) carry forward automatically
- Carry-Forward Balance = Adjusted Expense Budget less YTD Expenditures
- The campus review for institutional funds overdrafts is conducted at the department roll-up level

## **How to Assess the Financial Position (Budget vs. Actual) prior to year end: Gift Funds**

- Gift fund budget balances (both positive and negative) are carried forward into the succeeding fiscal year.
- The campus review of gift funds at June 30 is on an individual fund basis.
- It is important to anticipate/plan use of gift funds due to possible restrictions.



## **How to Assess the Financial Position (Budget vs. Actual) prior to year end: Self-Supporting /Service Plan Funds**

- The general ledger cash and fund balances of self-supporting or service plan funds are the basis of review at June 30.
- The fund balance and the cash balance in the general ledger should be in a positive financial position.

# Practical Tools for Assessing Financial Position of Various Fund Types

- EDDIE Reports
- BOS Detailed Expense Tracking Report Query
- Banner on-line Inquiry:

## Executive Summary (FGIBDSR)

- useful for state and institutional funds

## Trial Balance Summary (FGITBSR)

- useful for determining current cash and fund balance in self-supporting, service plan and gift fund general ledgers

## **How to Fix Problems and Avoid Deficits: State Funds**

- Budget transfers within the college or unit.
- Transfers of actual expenses to other appropriate departmental non-state funds.
- Cancellation or transfer of purchase orders and other non-personal services encumbrances to non-state funds.
- Budgetary exchanges of ICR for state to cover overdrafts.

## **How to Fix Problems and Avoid Deficits: Institutional Funds**

- Budget transfers within the college or unit.
- Transfers of actual expenses to appropriate departmental non-institutional funds.
- Budgetary exchanges of state for institutional funds to cover overdrafts.
- Budgetary exchanges within institutional fund types (ICR, allowance or royalty) to cover overdrafts.

## **How to Fix Problems and Avoid Deficits: Self-Supporting/Service Plan Funds**

- Budget adjustments do not eliminate deficits in these fund types
- JV transfers of revenue or actual expenses to other appropriate or related funds may be required
- Fact Sheets must be completed and submitted to UAFR for these fund types to determine the necessity of year-end GL closing entries to reflect appropriate accruals/deferrals.

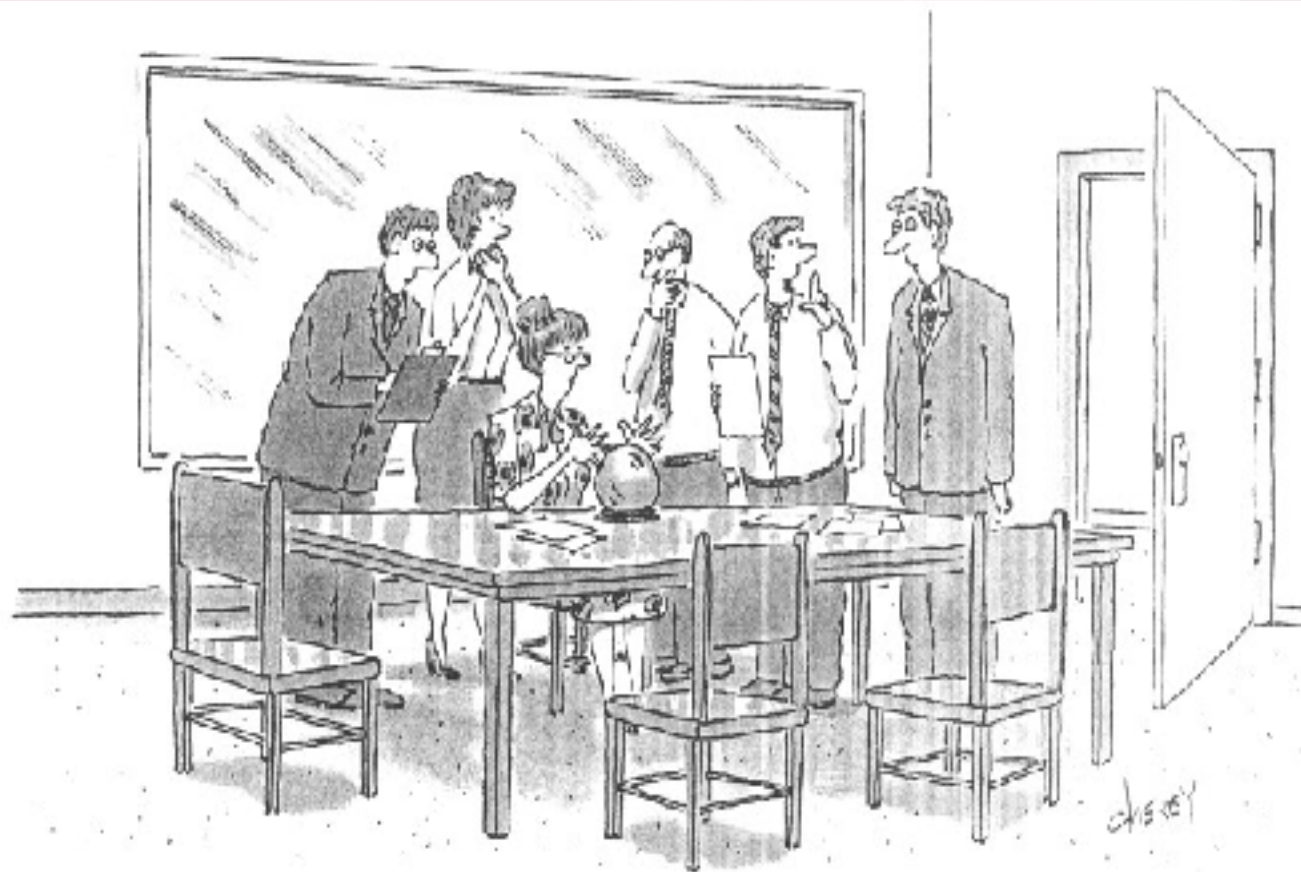
## **Critical Year End Cut-off Dates and Appropriate Dating of Transactions**

- Banner JV forms automatically default the system date as the transaction date.
- In July, old year and new year are both open
  - default system date is the new year
- To post transaction in the old year, manually change the transaction date to a June date.
- Journal vouchers and labor redistributions with a July transaction date post in Period 1 of the new fiscal year.

# Budgeting in a challenging environment

- Understand what you do and how to pay for it
- Diversify your funding sources
- Match recurring costs to recurring sources
- Have a multi-year planning horizon, seek equilibrium over time
- Have a process – identify your strategy, resources, priorities, schedule, opportunity costs
- Periodically review outcomes and actual costs and revenues

# How do we forecast tuition?



"SAH! YOU'RE JUST IN TIME - MRS. MUMFORD FROM THE BURSAR'S OFFICE IS ABOUT TO DIVINE NEXT YEAR'S TUITION PRICE FROM THE COSMIC REALM."