

# FINANCIAL MANAGEMENT

## Policy 30300: Budget Development

### 1. 1. Purpose

The purpose of this policy is to describe the general guidelines for developing budgets of the College and for the internal reporting, review, management, and redistribution of budgets.

### 2. 2. Policy

**2.1. 2.1. Budgets:** Budgets are the financial representation of the College's plans. As such, the budgets for the College must be coordinated with the planning process and supplement the official strategic plan. Budgets are also controls. It is a violation of the *Code of Virginia* for an agency to exceed its appropriations and; accordingly, budget managers are not to exceed spending in excess of authorized limits. Budgets may also be used as performance measures helping to determine whether programs and management are delivering expected financial performances.

**2.2. 2.2. Relationship to Accounting:** The budget adopted by the College shall be recorded in the accounting system in a timely and effective manner. As such, the budget must be prepared and reported on a basis consistent with the chart of accounts approved by the Virginia Community College System and consistent with generally accepted accounting principles. The actual revenues and expenses in execution of the budget are subject to audit annually as a component of the Virginia Community College System (VCCS) and the Commonwealth of Virginia.

**2.3. 2.3. Budgeting Process:** Based upon its membership in the Virginia Community College System and the source of various funds, the College prepares and operates with at least two separate budgets.

**2.3.1.2.3.1. State Budget:** The VCCS represents all member institutions in the statewide budgeting process working with the Governor's office, the General Assembly, and the Virginia Department of Planning and Budget. While the College, through the President and designees of the President, may interact with the various entities, official requests are forwarded from the VCCS. Funds appropriated from the General Assembly typically are intended for the base operation of the College. The General Assembly also "appropriates" non-general funds entitling the College to collect and expend tuition, fees, indirect costs, grant and contract funds, and miscellaneous funds. The primary uses of unrestricted general fund appropriations are salary and benefits for faculty, staff, and administrators and fixed costs such as utilities and insurance. Appropriations are recognized in the *Code of Virginia*. Funds approved for community colleges are typically appropriated to the VCCS where they run through a budget allocation model and then distributed to each member institution and the central administration units. Funds designated for a particular college by the General Assembly are held in whole for that college but distributed with the budget model. The Financial Services unit of the Virginia Community College System manages the budget distribution model. While the model is complex, the primary basis for distributing resources is recent enrollment figures. Other important factors include the number of approved campuses, the types of approved instructional programs,

square footage of approved buildings, employment levels and average salaries. Various funds exist to identify source of funds including unrestricted, restricted, and multiple plant funds.

The budget steps and time frame are usually developed in reverse order for State Funds. The resource distribution model from the VCCS typically does not arrive until early May, although that date varies and is subject to the legislative process. It is the goal of the College to approve and communicate the final version of the next fiscal year's budget before full-time faculty leave following the spring semester. To accomplish this goal, the College must have a spending plan approved by mid-April. The process begins based upon the amount of time department budget managers believe they need to develop a comprehensive budget that involves members of their work units. The process should not begin any later than February 1 to permit adequate time to reach a final approved version by mid-April.

**2.3.2.2.3.2. Local Budget:** The "Local" budget revenue sources include contributions from the local governments within the College's designated service region; contracts with third party bookstore and food service entities; parking maintenance fees from students; interest and investment income; federal and state student financial aid; and, local, state, federal, and private gifts, grants, and contracts. Various funds exist to identify sources of funds, including unrestricted, restricted, loan, endowment, agency, and multiple plant funds. Typically, the Local Operating funds that are funded by local governments, student fees, interest, investments, bookstore, and food service revenues and plant funds are the only ones developing an annual operating budget. Restricted funds are, by nature, restricted to their purpose and/or timing; the College serves as a trustee on agency funds; and student aid programs are regulated by external state and federal agencies.

The Local Board approves the Local Operating fund and plant fund operating budgets in September and November of each year. During the September meeting, a revenue and expenditure plan are presented and voted upon. The contribution requested from each local government is dependent upon the fall semester headcount enrollment from each jurisdiction. Because this enrollment information is not sufficiently accurate until mid-term, the final contributions from each locality and the final expenditure plan are not ratified until the November Board meeting.

**2.3.3.2.3.3. Capital Outlay Budgets:** Capital outlay projects must be approved by the Bureau of Capital Outlay Management of the Department of General Services and the Department of Planning and Budget regardless of funding sources. As such, the VCCS collects and submits projects on behalf of all member institutions. The Commonwealth, via the Department of Planning and Budget, conducts six-year capital outlay planning with updates to the six-year plan every biennium. Germanna may submit new projects to the VCCS at any time and the Governor or General Assembly may consider projects, outside the normal capital outlay process, for annual funding decisions. Capital Outlay projects are ultimately accounted and budgeted for in State Funds. Local account and budget codes may be necessary to plan and record for local government or private participation in capital outlay projects. For example, the Commonwealth requires that community colleges seek site development funds from local and private sources for capital projects. There are two broad categories of Capital Outlay, Capital Projects and Maintenance Reserve Projects, although further sub classifications typically are made and/or

requested. Examples of such sub classifications include roof repairs, new construction versus renovation, maintenance buildings versus academic or general-purpose buildings.

**Capital Projects**, as defined in Chapter 2 of the Construction and Professional Services Manual, include the acquisition or proposed acquisition of property, including any improvements thereto, a new construction project or improvements to state-owned property, a renovation, maintenance or repair project, an equipment acquisition or improvements to state-leased property that are financed by public funds.

**Maintenance Reserve Projects**, as defined in Chapter 2 of the Construction and Professional Services Manual, are a single undertaking that involves major repair or replacement to plant, property or equipment, normally costing from \$25,000 to \$500,000. Examples include:

- ➤ Repair or replacing inoperable equipment such as elevators, HVAC equipment, plumbing, and furnaces.
- ➤ Repair or replace components of a building or grounds such as roofs, floor coverings, boilers, and ceilings.
- ➤ Repair or replace existing utility systems, such as electrical, water and sewer, and HVAC.
- ➤ Correct deficiencies in property and plant to conform to building and/or safety codes and regulations.
- ➤ Correction of problems caused by erosion and drainage.

**2.3.4.2.3.4. Technology:** One component of the State budget is the technology plan and budget funded with special legislative appropriates, the State Council of Higher Education's Equipment Trust Fund program, and student fees. Purchases of electronic equipment, networking systems, software, and services should be incorporated into the technology plan. Internally approved plans are submitted to the VCCS for final approval. Plans should cover fixed networking costs such as monthly line charges for the VCCS network; warranties and maintenance agreements on equipment and infrastructure for the network; and, necessary software before funding other plans. All items must have approval on programmatic issues; compatibility with current networks; and support services before inclusion in the plan. Programmatic issues include curricular approval for using a particular hardware or software in the classroom and include administrative approval for using a particular hardware or software in an administrative process. Because the technology budget is formulated simultaneously with the State budget, participants need to take care that items are not included twice or that items are not excluded altogether.

#### **2.4. 2.4. Responsibilities in the Budget Process:**

A College is diverse and complex with many departments and programs that are dissimilar from other departments and programs. As such, the department and program managers and employees are positioned to better understand the operational needs of

their particular operation than other employees. Accordingly, the College employs a decentralized budget development process that is coordinated from the Vice President for Administrative Services. Ultimately, every employee has the right and responsibility to participate in the budget development process through input to the department and program managers or to the Vice Presidents, Deans, and/or Directors of work units.

### 3. 3. Procedures

- 3.1. **3.1. Planning:** Budget development planning shall be conducted in the President's Council and Executive Council each year to determine the budget calendar for that year. At the meeting immediately before the beginning of the budget development process for a year, instructions, supporting documents, and submission forms, if any, will be provided to the President's Council. Instructions will be provided at the Executive Council as well and general information and encouragement will be provided to all employees to participate in the current year's process. **All participants will be instructed to coordinate budget requests with planning documents.**
- 3.2. **3.2. Resources:** The Vice President for Administrative Services shall determine the estimated resources available to the College for the new fiscal year. This will be determined by working with offices such as Research and Planning, Human Resources, Payroll, Financial Aid, Business Office and Admissions & Records to estimate enrollments, budget carry forward amounts, and potential year end financial obligations carried into the next year. Additionally, the Vice President shall work with the Financial Services department of the VCCS to estimate and determine the resource distribution to the college from the VCCS.
- 3.3. **3.3. Personnel costs:** Personnel budgets for positions that exist in the current year and are expected to be employed in the new year are budgeted centrally by Human Resources, Payroll, and the Vice President for Administrative Services. Requests for changes in personnel (increase or decrease) shall be submitted with the non-personnel budget requests.
- 3.4. **3.4. Non-personnel costs:** Non-personnel department budget requests shall be submitted to the person designated as the budget manager for the department. Usually the department head is the budget manager. The Deans of Instruction serve as budget managers for the instructional departments and divisions. The individual department budget managers are charged with reviewing the budget input to ensure conformance with approved plans and feasibility. If a work unit supervisor oversees multiple departments, department budgets should be submitted to that work unit supervisor for review and approval. Again, the approval indicates the budget conforms to operating plans and is feasible. All budget requests will ultimately be forwarded to the Vice President, Dean or Director who represents the department, program, or work area in the President's Council where the plans are reviewed and approved again.
- 3.5. **3.5. Final Budget:** Summary expenditure budget requests will be forwarded at the President's Council to the Vice President for Administrative Services who shall assemble, without change, all expenditure requests into a consolidated spending plan. A financial analysis of the requested spending plan, the anticipated personnel costs budget, new personnel requests, and anticipated funding sources shall be presented to the President's Council. If the total planned expenses exceed the expected or known resources, the President's Council will work with the various budget participants to

establish priorities within the College's strategic plan and reduce budgeted expenditures or increase resources. The President's Council shall recommend and submit the budget to the President for approval.

**4. 4. Definitions**

Personnel costs: salaries, wages, and benefits paid to or on behalf of a position including retirement, social security, group life insurance, and health care. All persons to be paid via payroll check should be included in this cost category.

Non-personnel costs: items such as supplies, contracted services, travel, meals, equipment, software, and professional development.

**5. 5. References**

Virginia Community College System Policy Manual, Chapter 4

Department of Planning and Budget

Department of General Services, Construction and Professional Services Manual

Department of Accounts, Commonwealth Accounting Policies and Procedures manual

**6. 6. Point of Contact**

Richard L (Rick) Brehm, Vice President for Administrative Services

**7. 7. Approval and Revision Dates**

Approved by President's Council August 20, 2001.

Revised November 7, 2006