

SOUTHWEST TENNESSEE COMMUNITY COLLEGE

SUBJECT: Budget Policies and Procedures

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II – Introduction

- 1) **Definition of Budgeting** – In the publication **Operational Planning and Budgeting for Colleges** (National Association of College and University Business Officers (or NACUBO), 1988, budgeting is defined as follows:

“... 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.”

It is the control mechanism aspect of budgeting that is the focus of this policy.

- 2) There are other concepts and definitions needed for an understanding of the budgeting process at this institution. These include, but are not necessarily limited to, the following:

- a. **Current funds** – Those economic resources available for carrying out the primary functions of the college, which will be expended in the near future (i.e. within the current fiscal year). Current funds can be divided further into restricted and unrestricted funds.
 - b. **Restricted funds** – Any funds where the donor has placed certain limitation on the use of the funds. Grants, contracts, and specific scholarships are examples of restricted funds.
 - c. **Unrestricted funds** – Funds for which there is no special stipulation as to the purpose for which they should be expended. Tuition and fee revenue, as well as the legislative appropriation, are examples of sources for an unrestricted fund.
 - d. **Plant funds** – The non-current resources which include all the capital assets of the college as well as the necessary provisions for the acquisition of new, and the replacement of existing institutional assets over a period of time.
- 3) Southwest Tennessee Community College prepares an annual operating budget, which serves as a guide for financial expenditures for salaries and wages, travel, equipment, and other supplies and operating expenses. The establishment of effective budgetary control is essential in the administration of the college's fiscal affairs. No budget administrator is authorized to make firm commitments or incur obligations on behalf of the college until budget provisions have been made.

III – Budget Preparation Cycle

- 1) Since 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, Southwest Tennessee Community College submits detailed budgets to the Tennessee Board of Regents for their approval three (3) times a year.

These three (3) submissions are described as follows:

A) **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 Tennessee Board of Regents in May for approval at their June Board meeting. The budget basically is a continuation budget of the previous fiscal year. In most cases, the tuition and fee rates and other State budget changes are unknown during the budget preparation period.

B) **Revised Budget** – This budget is considered the College's official annual budget. It 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, faculty appointments, and other estimated costs and closing balances are known, and is normally submitted to the Tennessee Board of Regents in late October for approval at their December Board meeting. At this time, additional funds may become available for budget allocations. During the budget process,

campus personnel formulate budget plans in response to assessment results and in support of the college's five-year strategic goals and objectives. Budget plans are made in accordance with annual planning and institutional effectiveness in light of anticipated revenues and external constraints and priorities.

C) Spring Estimated Budget - This budget is the final budget submitted for the current year operations. It is submitted in the spring the same time as the proposed budget for Southwest Tennessee Community College, and contains the control totals against which final year-end expenditures are compared. At the end of each fiscal year, the Board staff will review the Annual Financial Report of the College by comparing actual year-end amounts to the Spring Estimated Budget.

- 2) The major sources of unrestricted funds for the college are tuition & fees and State appropriations. All appropriations for public higher education in the State of Tennessee are coordinated by the Tennessee Higher Education Commission (THEC), which has the responsibility of recommending equitable funding levels for each public higher education institution in Tennessee. Appropriation requests are submitted to the THEC in August. This data include, but is not necessarily limited to, factors such as the number of students enrolled and retained by level, types of courses taught, number of credit hours taught, gross square footage of buildings maintained, and certain other factors as requested. THEC combines the requested data with a complex formula to determine a theoretical necessary funding level for each State higher education institution. The results of this process become a recommendation to the Governor, who uses this as a basis for the higher education appropriation in the proposed State budget. While the Governor's proposal may or may not recommend the same funding levels as the THEC's, the THEC formula results normally serve as a basis for the distribution of higher education funds.
- 3) Each budget year will normally have unique guidelines and requirements depending upon Legislative, State Government Executive Branch, the Tennessee Higher Education Commission, and/or Tennessee Board of Regents requirements. The college has the responsibility to ensure that all budget guidelines for a given fiscal year are incorporated into the budget, and are carried out operationally. Detailed budget preparation instructions are provided to budget administrators each budget cycle. These instructions and a planning timetable incorporate the annual State guidelines as well as the college's strategic planning and assessment processes.
- 4) The budget is loaded into the Finance system. The college's fiscal year and related operating budget run from July 1 of the current year through June 30 of the subsequent year. It should be noted that approval of a budget does not waive any statutory, policy, and other restrictions for expending funds. All budgets are to be spent within Tennessee Board of Regents Guidelines and Policies.

- 5) The Vice President for Financial and Administrative Services & Financial Aid has responsibility for budget preparation and submission and also serves as an advisor on budgetary issues to the President and Senior Staff.

IV – Administration of Operating Budgets

- 1) **Level of Budget Control** – In accordance with The National Association of College and University Business Officers functional classification of expenditures and transfers per **College and University Business Administration**, the College’s budget controls amounts are approved for major unrestricted educational and general functional classifications of Instruction Support, Public Services, Academic Support, Student Services, Institutional Support, Operations and Maintenance of Plant, and Scholarships and Fellowships. Auxiliary enterprises, such as college stores or food services, are managed as self-supporting activities. Once approved, the college may not exceed those functional control limits established by the Board without prior approval of the Chancellor.
- 2) **Individual Account Responsibility** – The College is divided into “Budget Allocations” which generally constitute an individual department or activity. For budget control purposes, each separate expenditure number is assigned to one designated individual (known as a “Budget Administrator”), who has primary responsibility for budgetary administration of the account. Generally, any higher-level official in the same organizational line may also approve or disapprove budget actions for an account.
- 3) **Use of Account Codes for Management Control** – Each of the budget allocations are divided into the following areas, or “Account Codes” for budget control purposes:

ACCOUNT CODE GROUP

Codes 61000 – 61670 Salaries

Codes 62000 – 62980 Benefits

Codes 73000 – 73960 Travel

Codes 74000 – 76650 Supplies & Operating Expenses

Codes 78000 – 78610 Equipment and other capital Outlay

With the exception of salaries and benefits, and service department charges, all budgeting is pooled in the generic account code for the expenditure. A revised Chart of Accounts is distributed online to all staff at the beginning of each fiscal year. (Finance Internal Webpage)

All operating budget requests will be prepared and submitted on the following expenditure categories, or account code groups, as appropriate:

ACCOUNT CODE POOL GROUP

74199	Printing, Duplication, and Film Processing
74292	Communications and Shipping
74399	Maintenance, Repairs, and Service by Others
74499	Professional and Administrative Services
74545	Supplies
74659	Rentals and Insurance
74790	Awards and Indemnities
74880	Grants and Subsidies
74984	Other Services and Expenses

- 4) **Certain Requirements for Restricted Funds** – Specific requirements or conditions imposed upon the allocation of funds when properly approved will be followed, i.e. grant matching funds requirements. Such provisions will take precedence over the general guidelines in effect.

- 5) **College-wide Pooled Funds** – Certain categories of expenditures may be administered on a college-wide basis and will therefore not be budgeted initially in individual department budgets. These categories may include items such as part-time instructors and overloads, state board scholarships, advertising, software, etc. These items are charged to the appropriate departments as costs are incurred and funds are then transferred from the “pooled” accounts to departmental budgets as payment for these costs.

- 6) **Service Center** – Certain campus departments have been designated as “Service Centers” by the Tennessee Board of Regents in accordance with NACUBO guidelines. Designated Service Centers are as follows:
 - a) Duplicating
 - b) Motor Pool
 - c) Local Telephone
 - d) Computer Center
 - e) Mail Services

The determination of budgetary levels and charges for these services are based on usage. The total costs of the service centers are then to be “Charged Back” to the user departments based on a predetermined rate structure. The College will set aside funds for the cost of “Renewal and Replacement” of Service Center equipment from Current Funds to the Plant Fund. The user department is then only being charged an equipment usage fee, rather than being assessed the full amount of the replacement of major equipment in a given fiscal year. The renewal and replacement charges are issued in lieu of depreciation expense. All equipment purchases for service centers are charged to the appropriate plant fund account. All service center department usage will be charged back to the appropriate user department budgets with the exception of computer center usage charges. Computer center charges will be assessed to the functional area level.

V – One-Time and Improvement Funding

- 1) Budget requests for items or services, which are of a non-recurring nature, are considered “one-time” for funding purposes. These requests may include new equipment purchases or equipment replacements, major software purchases, consulting services, or any other request for expenditures that do not occur on an annual basis or based on the Institutional Effective process. The allocation of college funds for one-time funding is made contingent upon funds availability. Requests will be evaluated on 1) innovation, 2) contribution towards achieving the college’s goals and objectives, and 3) congruence with the college’s institutional effectiveness plan.
- 2) Per the College’s capitalization policy, which is in conformance with Tennessee Board of Regent policy, the definition of equipment is an item, which costs in excess of five thousand (\$ 5,000) dollars and benefits a program for more than three (3) years.

VI – Technology Access Fee

Funds derived from the Technology Access Fee assessed all student must be spent in accordance with TBR regulations governing the use of these funds for instructional and student support purposes. Allocations of these funds are based on a college-wide priority setting process.

VII – International Student Fee

Funds derived from the International Student Fee assessed by all students must be spent in accordance with TBR regulations governing the use of these funds for instructional and student support purposes. Allocations of these funds are based on a college-wide priority setting process.

VIII – Personnel Budget

- 1) **Position Control** - Position control is part of the personnel budget process. The number of authorized permanent positions at the college is controlled with unrestricted educational and general accounts. Control exists on the total number of positions at the college and on the classification of those positions (i.e. faculty, professional, and clerical/support). Positions are reported to the Board office each year in the Proposed and Revised budgeting processes.

Authorized permanent positions for the college are approved at the June and December TBR meetings.

- 2) **Salary Lapse** – Salaries and benefits are budgeted by position for the full fiscal year. However, an estimate for college-wide personnel attrition may be included in the budget. This estimate, called “Salary Lapse”, is a negative line item, and allows the reallocation of funds that otherwise would be committed to salaries and benefits. Due to the possible inclusion of salary lapse as a budgetary item, personnel budget items may not be reallocated for purposes other than that for which they were intended. For example, in extenuating circumstances, and with approval of the President, salary dollars of a vacant full-time position may be utilized for part-time salaries or outside consultants to perform the duties of a full-time position.
- 3) **Group Position Allocations** – Generic (group) positions are budgeted to cover the costs of adjunct faculty, overloads, part-time temporary (non-instructional) employees, institutional student employees, and Federal College Work Study match for FWSP student workers when required. Allocation of employees in these categories to individual departments during a fiscal year will be based upon need. The adjunct faculty and overload budget control and accountability is the responsibility of the Provost or designee in Academic Affairs.

All requests for the employment of student workers (FWSP or institutional students) must be made through the Financial Aid Office to determine student eligibility for financial aid. In all instances, priority should be granted for students filling temporary staffing needs.

- 4) **Other Personnel Provisions** – Salary increases, when granted, are consistent with State policy for the fiscal year. Specific institutional guidelines will be established for the administration of the salary plan based upon current State policy.

IX – Budget Maintenance and Monitoring

- 1) **Budget Control** – The principal purpose of budget control is to ensure that expenditures do not exceed allocations. *The responsibility for ensuring that all expenditures remain within the budgeted amounts rests with the administrative head of the unit, which has been allocated the funds.* Deans, directors, and other officials as appropriate should review budget reports for departments under their jurisdiction to ensure that departments or activities are operating within budget limits.
- 2) **Accounting for Expenditures** – The College must account for expenditures based upon the purpose or activity for which the cost was incurred. Expenditures must be charged to the correct account and to the correct object classification without regard to available budget balances. Amounts are not to be incorrectly charged simply because an adequate budget balance remains in a particular control area or account. Budget revisions must be processed to transfer adequate funds to the proper account or budget control area. Incorrect charges to departments need to be brought to the attention of the accounting personnel as soon as possible for necessary corrections.

- 3) **Budget Revisions** – When a change to the current approved budget for an activity is desired, a “Request for Budget Revision” should be submitted. A budget revision will not be made until necessary approvals have been received. All budget transfers are to be made Between “Pool Object Codes” and must be in whole dollars. A brief explanation of the purpose of or the necessity for the transfer must be included under “Reason for the Request.” Requests for budget revisions must be initiated at the departmental level, and signed in accordance with the approval process. All requests for revision to transfer existing budgeted funds between departmental object codes and/or departments are to be prepared by the department head, approved according to the following schedule, and submitted to the Director of Financial Planning.

Requirements for Restricted Funds: Grant administrators are required to submit their budget and modifications via appropriate budget forms. The forms will document the College classification of the grant/contract budget using the account code structure.

Budget Revision to Transfer Funds Approval Required*

- | | |
|---|--|
| 1. Between existing object codes within a Departmental Budget | 1. Department Head
2. Department Head’s Supervisor |
| 2. Between Departments but within same major function | 1. Department Head(s)
2. Department Heads’ Supervisor(s)
3. Appropriate Vice President |
| 3. Between Departments but in different functional areas | 1. Department Head(s)
2. Department Heads’ Supervisor(s)
3. Appropriate Vice President
4. Vice President for Financial and Administrative |

Transfers involving salaries and benefits, or equipment require the President’s Approval. Transfers of \$1,000 or more require approval of the Vice President for Business and Finance.

X – Financial Exigency

All of the budget policies and procedures of the college are subject to temporary or permanent revision as required by the Tennessee Board of Regents, or other authorities. These provisions may also be altered or waived due to financial exigency.

BUDGET ACCOUNT CODES AND DEFINITIONS

Personnel Account Codes

Administrative Employees

(Account Code 61100) Administrative Employees-Full-Time Permanent
Annual salaries and wages for permanent full-time administrative personnel (EEO=1)

(Account Code 61170) Administrative Employees-Temporary
Annual costs of temporary full-time administrative personnel (EEO-1)

(Account Code 61130) Administrative Part-Time Permanent
Annual salaries and wages for permanent part-time administrative personnel (EEO=1)

(Account Code 61120) Administrative Longevity
Annual longevity costs for permanent full-time and permanent part-time administrative personnel (account codes 61100 & 61130)

Professional Employees

(Account Code 61600) Professional Employees-Full-Time Permanent
Annual salaries and wages for permanent full-time professional personnel (EEO=3)

(Account Code 61670) Professional Employees-Temporary
Annual costs of temporary full-time professional personnel (EEO-3)

(Account Code 61630) Professional Part-Time Permanent
Annual salaries and wages for permanent part-time professional personnel (EEO=3)

(Account Code 61620) Professional Longevity
Annual longevity costs for permanent full-time and permanent part-time professional personnel (account codes 61600 & 61630)

Faculty

(Account Code 61230) Faculty Fiscal Year 12 Month Faculty – Full-Time Permanent
Annual salaries and wages for permanent full-time faculty on fiscal year (12 month) contract

(Account Code 61200) Faculty Academic Year 9 Month Faculty – Full-Time Permanent
Annual salaries and wages for permanent full-time faculty on academic year (9 month) contract
Full-time academic year faculty salaries and wages

(Account Code 61265) Faculty Summer Adjunct
Temporary part-time Summer Adjunct salaries and wages required to perform mission of academic department. *(DO NOT INCLUDE OVERLOAD PAY FOR FISCAL OR ACADEMIC YEAR FACULTY)*

(Account Code 61270) Faculty Summer Overload
Summer overload salaries and wages required to perform mission of department for full-time fiscal and academic year faculty only.

(Account Code 61215) Faculty Extra Pay Fall Overload
Fall overload salaries and wages required to perform mission of academic department for full-time fiscal and academic year faculty only.

(Account Code 61220) Faculty Extra Pay Spring Overload
Spring overload salaries and wages required to perform mission of academic department for full-time fiscal and academic year faculty only.

(Account Code 61240) Faculty Part-Time Adjunct Pay Fall
Fall temporary part-time adjunct salaries and wages required to perform mission of academic department. *(DO NOT INCLUDE COSTS FOR FISCAL OR ACADEMIC YEAR FACULTY).*

(Account Code 61245) Faculty Part-Time Adjunct Pay Spring
Spring temporary part-time adjunct salaries and wages required to perform mission of academic department. *(DO NOT INCLUDE COSTS FOR FISCAL OR ACADEMIC YEAR FACULTY).*

(Account Code 61235) Faculty Longevity
Annual longevity costs for permanent full-time faculty on fiscal year (12 month) and academic year (9 month) contracts (account codes 61200 & 61230).

Support Employees

(Account Code 61300) Support Employees-Full-Time Permanent
Annual salaries and wages of permanent full-time support staff (EEO=4,5,6,7)

(Account Code 61340) Support Employees-Temporary
Annual cost of temporary full-time support staff (EEO=4,5,6,7)

(Account Code 61360) Support Part-Time Permanent
Annual salaries and wages of permanent part-time support staff (EEO=4,5,6,7)

(Account Code 61320) Support Longevity
Annual longevity costs for permanent full-time and part-time permanent support staff (account codes 61300 & 61330).

Student Employees

(Account Code 61410) Student General (NON-College Work Study-CWS)
Annual cost of student employees (*DO NOT INCLUDE ANY COLLEGE WORK STUDY COSTS*)

Travel Account Codes

(Account Code 73000) Travel
Cost for all transportation, meals, lodging, and registration fees in connection with in-state and out-of-state travel. An explanation/justification is required for any funds requested.

(Account Code 73920) Motor Pool Usage
Motor pool usage should be anticipated based on use of state vehicles.
(Multiply anticipated mileage times the rate of \$.38 per mile.)
Restricted Use: Funds cannot be transferred to any other account code.

Operating Account Codes

(Account Code 74199) Printing, Duplicating, and Film Processing by Non-College Vendors
Includes printing of forms, supplies, pamphlets, bulletins, and publications by outside sources. Includes costs relating to microfilm, microfiches, and other film processing outside of the college. Excludes duplicating and printing by the print shop or the use of the college copy machines.

(Account Code 74130) Printing, Duplicating, and Film Processing by College Print Shop & Use of College Copy Machines

Includes printing of forms, supplies, pamphlets, bulletins, and publications by the College Print Shop. Also includes the use of college copy machines. Restricted Use: Funds cannot be transferred to any other account code.

(Account Code 74292) Communications and Shipping Costs

Includes long distance telephone expenses, postal charges, and freight and express charges not included in the cost of merchandise. Excludes local telephone calls.

(Account Code 74399) Maintenance, Repairs, and Service by Non-College Vendors

Includes maintenance performed or repairs made to office equipment, data processing, lab and scientific equipment. Also includes maintenance and servicing of buildings, grounds, and plant equipment. Excludes any maintenance or repairs performed by college personnel.

(Account Code 74499) Professional and Administrative Services by Non-College Vendors

Includes professional services rendered by outside sources, including architects, accountants, engineers, and other consultants. Also, includes legal, medical, and data processing services by outside sources. Includes the costs of professional dues, institutional memberships, periodicals, and journals. Note: Request software separately in Parts 3 and 5. Excludes internal departmental chargebacks and computer software.

(Account Code 74545) Supplies

Includes consumable instructional and operational supplies. Also includes STCC library periodicals and books.

(Account Code 74659) Rentals

Includes the rent or lease of buildings, land, and equipment.

(Account Code 74790) Awards and Indemnities

For use by the Athletic Department and Financial Aid Office only for scholarships.

(Account Code 74984) Other Services and Operating Expenses

Includes the cost of services and expenses not otherwise classified (for example, catering, or food services).

(Account Code 75199) Utilities

For use by Physical Plant only for utilities.

(Account Code 75299) Motor Pool Operation - Physical Plant Only

For use by the college Motorpool only for costs of maintaining the STCC motorpool.

(Account Code 78589) Library Acquisitions

For use by the Library only for costs of books, bindings, periodicals, subscriptions, microfilm, CD-ROM, and audiocassettes.