

IV:09:01 BUDGET

I. Definition of Budgeting

According to the National Association of College and University Business Officers' Financial Accounting and Reporting Manual, the budget is the financial expression or plan of the institution's activities for a given year. It represents the summation of divisional and departmental plans, and it normally contains three elements:

- A "bottom-line" constraint, which in itself becomes a financial performance target
- A set of assumptions (or forecasts) concerning the institution's current revenues and expendable (or budget able) resources
- A set of expenditure targets that may be line-item specific down to the smallest accounting unit

The budget is a culmination of the planning process. Rather than a vague overall institutional objective, the budget represents, through specific dollar targets (especially in its expenditure detail), both implied and explicit division and department operational objectives. In turn, these specific goals or targets become the focus of performance evaluation and control procedures and therefore are an integral part of managerial financial reporting.

II. Budget Planning and Preparation

VSCC's budget planning and preparation processes will be guided by the college's Institutional Effectiveness Handbook. The Institutional Effectiveness (I.E.) process sets forth a systematic method of planning and evaluation for the college with an emphasis placed on institutional effectiveness. The I.E. process also clearly links the planning process with the budget preparation process. The process ensures appropriate participation at all levels of the college.

III. Submission of Budgets

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, VSCC is required to submit three (two are submitted in the same document) detailed budgets to the Tennessee Board Regents for approval during each fiscal year. The submissions are described briefly 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 Board of Regents for approval at the June Board meeting.
- B. 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 Regents for approval at the December Board meeting.
- C. 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 schools and therefore contains the control totals against which final year-end amounts are compared.

It should be noted that the approval of a budget does not waive statutory, policy, or other restrictions for expending funds.

IV. Operating Budgets

- A. Level of Budget Control - VSCC 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. Auxiliary Enterprises are controlled on a break-even basis. 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. VSCC shall properly classify all expenditures in accordance with NACUBO functional classifications at the sub-category level per College and University Business Administration, Section 5:2. Once approved VSCC may not exceed those functional control limits established by the Board without prior approval of the Chancellor.
- B. Budget Revisions
 - 1. Revisions Within Functional Area - Budget revisions within a given functional area may be made at the campus level. The revisions should be properly documented and approved by the President, Vice President for Business and Finance, or the Assistant Vice President for Business and Finance.

2. Revisions Between Functions - Budget revisions from one functional area to another must receive prior approval of the Chancellor if proposed at other than the three regular budget submission times. The request for revision should be submitted by the president in writing with a detailed explanation.
- 3 Revision of Overall Expenditure Total - 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 Chancellor if proposed at other than the three regular submission times. The request for revision should be submitted in accordance with item 2 above and should include the source of funding for the proposed revision.

V. Plant Fund Budgets

A. Unexpended Funds

1. General - 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. These funds will be used for capital projects such as major additions and/or renovations to physical facilities. VSCC may request approval for transfer of funds to/from the Unexpended Plant Fund during the regular budgetary process or special request to the Chancellor. All funds added or transferred into the Unexpended Plant Fund will be controlled by specific project. The scope of each capital project, regardless of cost estimates, shall be reviewed with the Office of Facilities of the Tennessee Board of Regents staff prior to proceeding with the project. Commitments or expenditures for any capital project shall be in conformance with all applicable state laws and requirements of the State Building Commission (SBC). All SBC project budget revisions and the utilization of reallocated project balances shall be approved by the Chancellor.
2. Extraordinary Maintenance - Within the Unexpended Plant Fund, VSCC shall establish an account for extraordinary maintenance to be used for unusual or unanticipated maintenance needs. The annual budget shall include a minimum transfer for extraordinary maintenance as specified in the annual budget instructions of the Chancellor. All projects in the extraordinary maintenance account shall be approved by the Chancellor.

B. Renewals and Replacements - The resources set aside for renewals and

replacements, as distinguished from additions and improvements to plant, are accounted for in this fund group. Funds are set aside for this fund group at the discretion of the institution unless otherwise instructed by the Tennessee Board of Regents. C. Retirement of Indebtedness - 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. Additions to this fund are to be set up in separate debt service accounts. All transfers from debt service accounts must be approved by the Chancellor.

VI. Guideline and Position Controls

Aside from functional budget control, VSCC is required to comply with certain other controls. A schedule of these controls will be distributed from the TBR with the budget guidelines each year.

Position control is a part of the personnel budget process. The number of authorized permanent positions at VSCC is controlled within unrestricted education and general accounts and auxiliaries. Controls exist on the total number of positions at the institution/school and on the classification of those positions (administrative/professional, faculty, clerical/support). Positions are reported to the Board office each year in the proposed and revised budgeting processes, and at additional times as requested by the Board office during the legislative session. Authorized permanent positions for each institution are approved at the June and December Board meetings. Changes may be requested by special request to the Chancellor in the interim between budget periods.

VII. Legislative Controls

Each budget year will normally have unique guidelines and requirements depending on legislative or executive branch requirements. A schedule of these requirements will be prepared each budget cycle. It is the responsibility of the institution to insure that all budget guidelines for a given fiscal year are incorporated into the budget and are carried out operationally.

VIII. Budget Control

Each budgetary unit head is responsible for ensuring budget limits for their departments are not exceeded. Accordingly, departmental controls should be developed to ensure funds are available for all purchases. Additionally, funds availability for purchases requiring purchase orders is checked by the Business Office. In addition, funds availability for purchases made by check request is reviewed by the Office of the Vice President for Business and Finance.

Summary management reports are to be prepared for top level administrators to evaluate the current financial status of the institution. These reports are available as often as needed but shall be reviewed by the president.

IX. Follow-up by Board Staff

At the end of each fiscal year, the Board staff will review the annual financial report of each institution. 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.

Functional expenditure totals will be analyzed for adherence to the approved control levels. 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. The Chancellor shall report any institutional deficiencies or non-compliance with budget controls and guidelines to the Board.

X. Budget Preparation Process Review

Any employee of the college may suggest changes or improvements to the budget preparation process at any time by submitting the suggestion in writing to the Assistant Vice President for Business and Finance. In addition, annually as part of the institutional effectiveness process, the budget process will be reviewed and suggestions for improvements will be solicited.

TBR Source: TBR Meetings: September 30, 1983; December 8, 2006

VSCC Source: March 27, 1996, March 11, 1997, October 15, 1998, President; November 7, 2008