Budgeting Basics

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Chief Financial Officer
President’s 2010 State of the University Address

• Goal 2 – Prepare the campus to effectively deal with the budget challenges of fiscal year 2012 and beyond
  ➢ Deal with the budget reduction using some combination of
    ✓ permanent cuts in expenses
    ✓ revenue from reasonable tuition increases
    ✓ University reserves
  ➢ Be prepared for us to make targeted, strategic investment even as we make cuts
Budget Cycle

1. Planning
2. Budgeting
3. Executing
4. Evaluating
5. Reprioritizing
Developing the Budget

- Estimate annual revenues
- Determine spending priorities
  - Examine expenses funded in prior year
  - Proposed increases (decreases)
- Balance expected revenue to expenses
Budget By Campus

- Springfield campus
  - Includes Mountain Grove
- West Plains
- China

Note: this presentation discusses the Springfield campus
Types of Funds Managed by Cost Centers

- Operating funds
  - Current year’s budget
  - Carry-forwards – salary and expense

- Income funds – (B funds)
  - Supplemental course fees
  - Art-jewelry sales
  - Band trips

- Institutional research funds – (F funds)

- Gifts to the Foundation
Other University Funds

- Designated funds (E funds)
  - Revenues from a specific source
  - Expenses should be for a specific purpose
- Dedicated student fees (E funds)
  - Student initiative fees approved for a specific purpose
- Matching funds (G funds)
  - Moneys committed to match grant requirements
Other University Funds

• Auxiliary Enterprise System (H funds)
  • The various funds in this system are dedicated per bond resolutions
  • Revenue must exceed expenses by 110%
  • Manage these funds like a business
  • Debt service payments are paid from these funds

• Grant funds
  • Grant revenue and expenses are recorded in these funds
  • Must follow the granting agency requirements
Operating Fund

- Main focus of budget committees
- Examples of organizations in this fund (A02000)
  - Cost Centers - Colleges
  - Student services
  - Operations and maintenance of plant
  - Utilities for academic and administrative buildings
  - Majority of the tuition and fees in the Fee Resolution
  - State appropriations
Sources of Revenue – Operating Fund

FY2011 budget

- Tuition and fees $ 96,371,088
- State Appropriations 77,296,938
- Gifts 582,532
- Investment Income 610,000
- Grants and Contracts 150,000
- Sales and Services 72,600
- Other Revenue 803,849

» Total $175,887,007
Sources of Revenue – Operating Fund

- Tuition and Fees (54.78%)
- State Appropriations (43.95%)
- Gifts (.33%)
- Investment Income (.35%)
- Other Sources (.59%)
## Operating Expenses

### Expenses by Natural Classification:

- **Salaries**: $94,246,817
- **Benefits**: 26,097,219
- **Utilities**: 3,765,194
- **Scholarships**: 20,134,529
- **Supplies and services**: 26,665,145
- **Debt service transfers**: 1,220,323
- **Operating transfers**: 3,011,857

- **Total**: $175,141,084
Operating Expenses

- Expenses by Natural Classification:
  - Salaries (53.81%)
  - Benefits (14.90%)
  - Utilities (2.15%)
  - Scholarships (11.50 %)
  - Supplies and services (15.22 %)
  - Debt service transfers (.70%)
  - Operating transfers (1.72%)
Operating Expenses by Natural Classification

- Salaries, 53.81%
- Benefits, 14.90%
- Scholarships, 11.50%
- Supplies and services, 15.22%
- Utilities, 2.15%
- Debt service transfers, 0.70%
- Operating transfers, 1.72%
Expenses For Colleges

• Salaries $62,171,341 73.88%
• Benefits 17,288,988 20.55%
• Utilities 1,745 0.00%
• Supplies and services 4,688,443 5.57%

– Total $84,150,517 100.00%

• Salaries and benefits percentages range from 93 to 96% depending on the College
Operating Expenses

- Expenses by functional classification:
  - Instruction (44.54%)
  - Research (1.15%)
  - Public Service (.21%)
  - Academic Support (13.69%)
  - Student Services (4.58%)
  - Institutional Support (12.74%)
  - Operation & Maintenance of Plant (9.17%)
  - Scholarships (11.50%)
  - Debt Service Transfers (.70%)
  - Operating Transfers (1.72%)
Operating Expenses by Functional Classification

- Instruction, 44.54%
- Scholarships, 11.50%
- Institutional Support, 12.74%
- Student Services, 4.58%
- Academic Support, 13.69%
- Operation & Maintenance of Plant, 9.17%
- Debt service transfers, 0.70%
- Operating transfers, 1.72%
- Research, 1.15%
- Public Service, 0.21%
- Scholarships, 11.50%
- Student Services, 4.58%
- Academic Support, 13.69%
- Operation & Maintenance of Plant, 9.17%
- Debt service transfers, 0.70%
- Operating transfers, 1.72%
- Research, 1.15%
- Public Service, 0.21%
Sources of Revenue

- State Appropriations
- Tuition and fees
- All other revenues

Operating Revenues
Revenues to Expenses

Operating Revenues → Operating Expenses
Uses of Revenue

Operating Expenses

- Campus Wide
- Cost Centers
- Student Services
Carry-forwards

• How are carry-forwards calculated?
  • A comparison of budgeted expenses versus actual expenses
    – If budgeted expenses are greater than actual expenses then you have a positive amount to take forward to the next fiscal year.
      » Budget equals $100,000; actual equals $80,000 – carry-forward $20,000 to be spent the next year
    – If budgeted expenses are less than actual expenses then you have a negative amount to take forward to the next fiscal year.
      » Budget equals $100,000; actual equals $105,000 – carry-forward a negative $5,000
Carry-forwards

Salary savings from on-going budgeted positions

- Permanent budget savings
- Generated by personnel changes that have created permanent savings
  » a person leaves who makes $50,000; replaced by a person with a salary of $45,000
- Can be used to fund permanent on-going items – but the budgeted salary monies will be gone permanently as well
**Carry-forwards**

Salary savings from current year – **one-time**

- Generated from the difference between original budget and what is actually paid out
  - A person resigned who makes $48,000; the position isn’t filled for two months - $8,000 one-time salary savings
- Can be used to fund one-time items only – not a permanent budget
Expense carry-forwards are placed into the dean’s budget

- Calculated by comparing budgeted student wages, travel, supplies, service, etc. to actual spent in these categories
- Can be used to fund one-time items only
- Can be accumulated from one year to the next
- Not a permanent budget
- Should not be used for on-going commitments
Challenges

- Restrictions on tuition increases
- On-going cost increases
  - Fringe benefit rates
  - Utilities
  - Scholarships
- FY11 – third year of no salary increases
- Make targeted, strategic investments with cuts in other areas
- How to use reserves
Tuition

- Tuition Increases are limited by SB 389
  - In-state Undergraduate Tuition can be increased by no more than the annual rate of inflation or Consumer Price Index for all urban consumers (CPI-U)
  - Students can approve additional Student Services Fees
- A 1% increase in in-state undergraduate tuition nets approximately $700,000 in additional revenue
- Supplemental course fees must be justified with identifiable extra expenses (field trips, science kits, etc.)
- Other tuition could be increased after a thorough review
  - Differential
  - Graduate
  - Out of state
Tools Needed

- Budget to actual reports – provided through Argos or self-service Banner
- Number of positions in cost center
  - Are they filled?
  - How many will open?
- Review all expenses – travel, supplies, services
  - Are they recurring?
  - Are they needed?
- Review all sources of revenue
  - Should we increase tuition?
  - Are there additional designated sources?
## Key Budget Dates

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>October 2010</td>
<td>Budget committees are formed and begin meeting</td>
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<tr>
<td>Nov-Dec 2010</td>
<td>Budget committees discuss issues and develop strategies</td>
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<tr>
<td>January 2011</td>
<td>FY12 Fee Resolution changes completed</td>
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<td>February 2011</td>
<td>FY12 Fee Resolution reviewed and approved</td>
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<tr>
<td>April 2011</td>
<td>Board of Governors approve FY12 Fee Resolution</td>
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<td>May 2011</td>
<td>Board of Governors review FY12 Operating Budget</td>
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<tr>
<td>June 2011</td>
<td>Board of Governors approve FY12 Operating Budget</td>
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FY11 Operating Budget Links

- FY11 Board approved Fee Schedule
  - [http://www.missouristate.edu/assets/financialservices/Fee_Schedule_2010_2011_Adopted_April_9_2010.pdf](http://www.missouristate.edu/assets/financialservices/Fee_Schedule_2010_2011_Adopted_April_9_2010.pdf)

- Summary of FY11 Budgets
  - [http://www.missouristate.edu/assets/financialservices/Final_Operating_Budget_2011.pdf](http://www.missouristate.edu/assets/financialservices/Final_Operating_Budget_2011.pdf)

- Detailed FY11 Budget Book
  - Each budgeted FOAP listed
  - Detailed salaries for budgeted personnel
  - [http://www.missouristate.edu/assets/financialservices/Main_Final_Operating_Budget_2011.pdf](http://www.missouristate.edu/assets/financialservices/Main_Final_Operating_Budget_2011.pdf)

- Detailed FY11 Budgeted Salaries
  - [http://www.missouristate.edu/assets/financialservices/FY11_Budgeted_Salaries_Detail.pdf](http://www.missouristate.edu/assets/financialservices/FY11_Budgeted_Salaries_Detail.pdf)

- Available on the MSU Financial Services’ website – under Accounting and Budgeting – Budget Documents
Questions?