

Budgeting Basics

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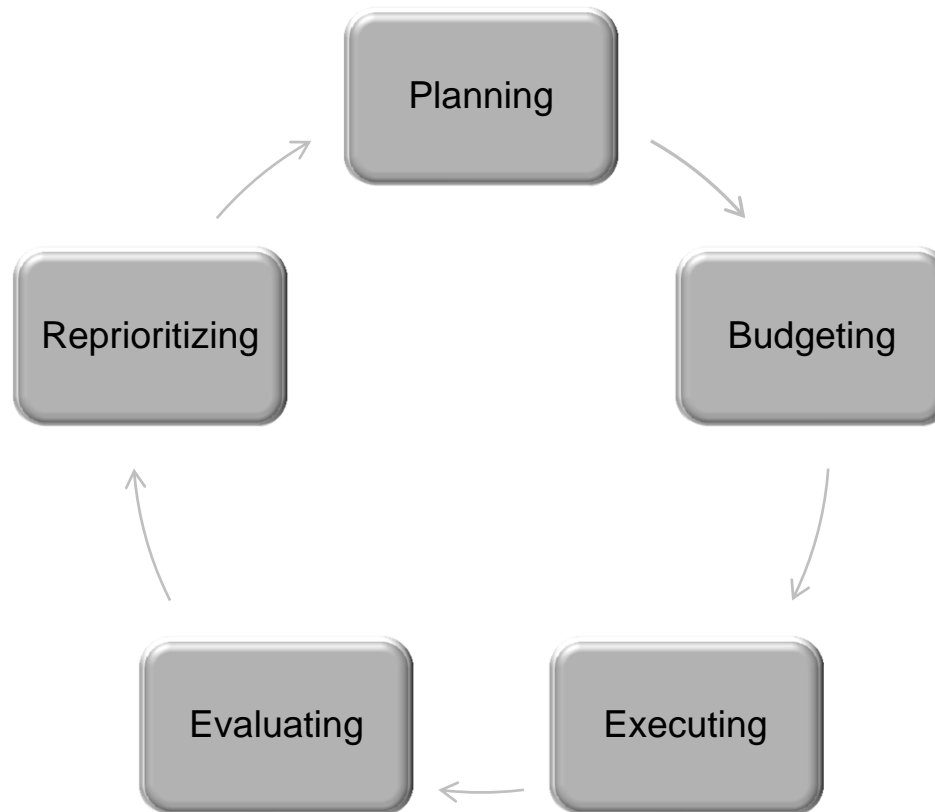


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President's 2010 State of the University Address

- 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



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

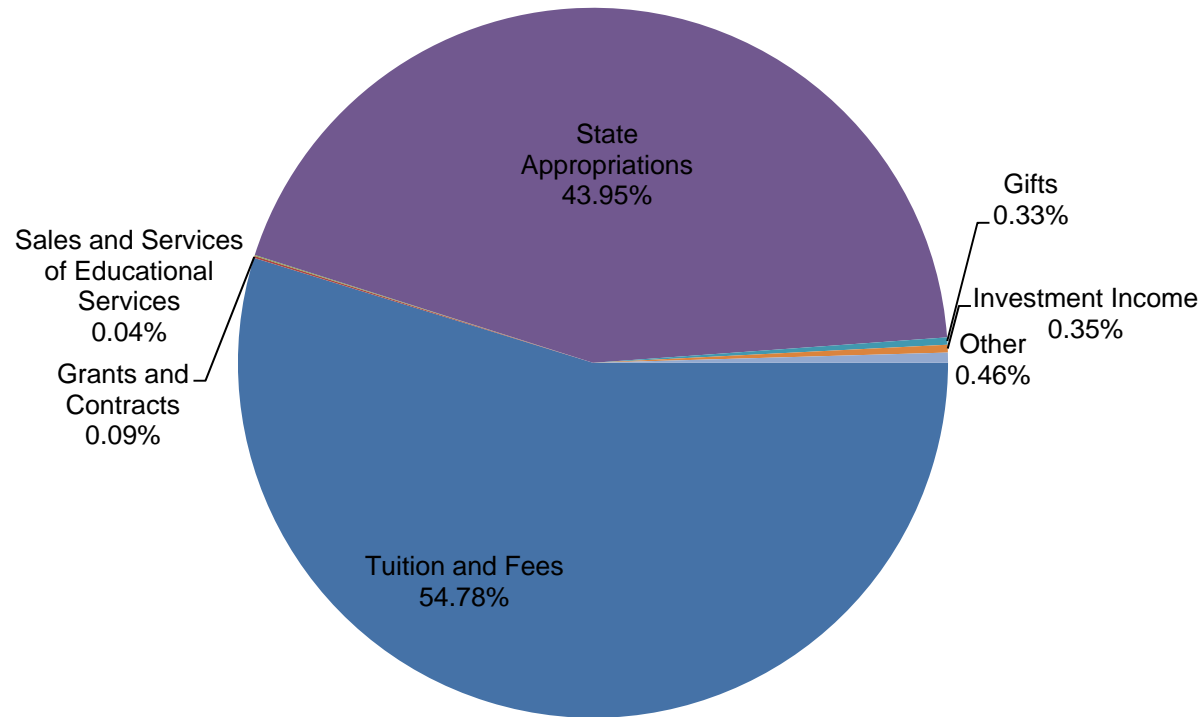
• Tuition and fees	\$ 96,371,088
• State Appropriations	77,296,938
• Gifts	582,532
• Investment Income	610,000
• Grants and Contracts	150,000
• Sales and Services	72,600
• Other Revenue	803,849

» 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 Revenue



Operating Expenses

- Expenses by Natural Classification:

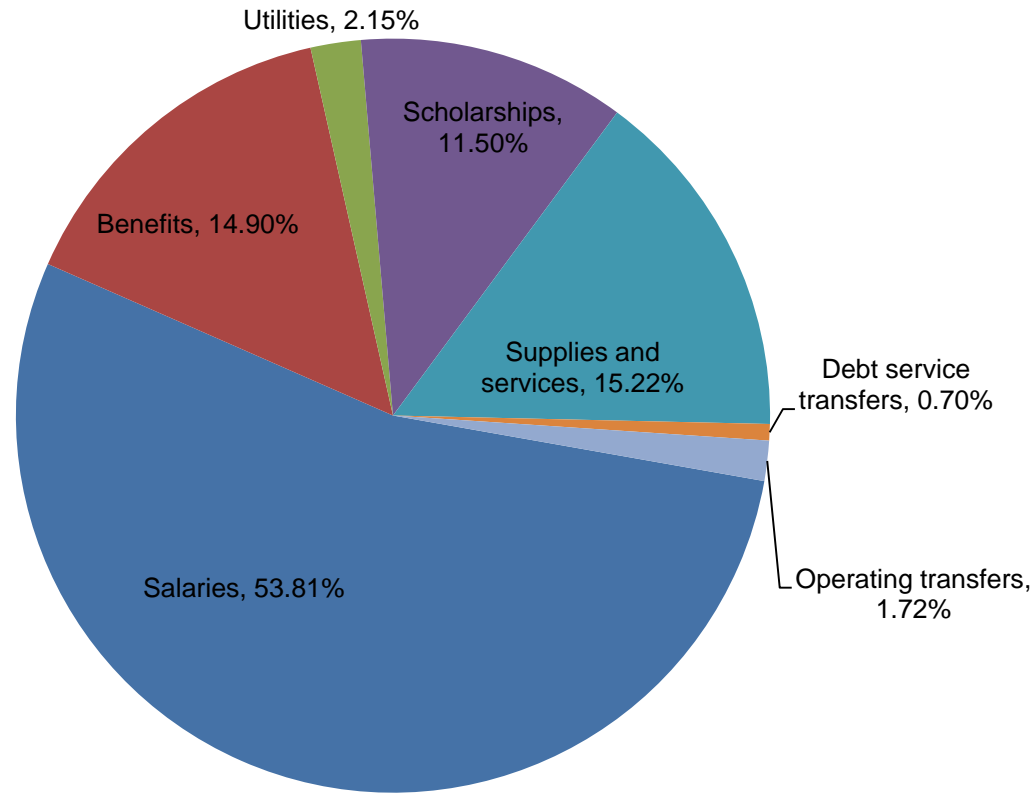
• Salaries	\$ 94,246,817
• Benefits	26,097,219
• Utilities	3,765,194
• Scholarships	20,134,529
• Supplies and services	26,665,145
• Debt service transfers	1,220,323
• Operating transfers	3,011,857

– 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



Expenses For Colleges

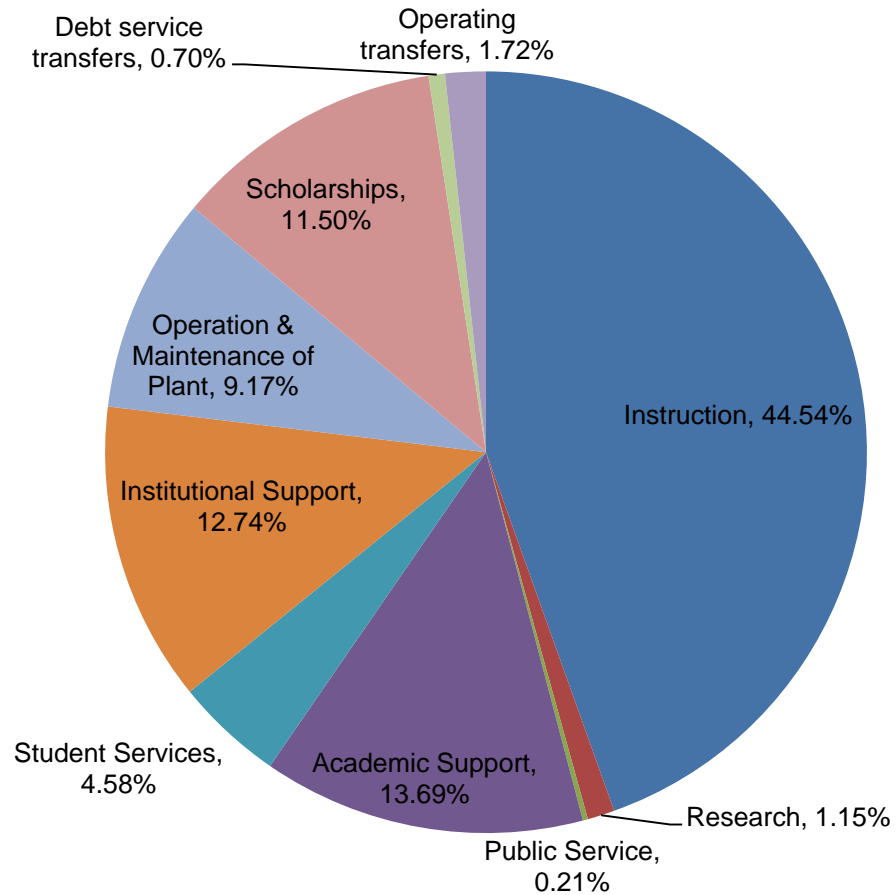
• Salaries	\$ 62,171,341	73.88%
• Benefits	17,288,988	20.55%
• Utilities	1,745	0.00%
• Supplies and services	4,688,443	5.57%
– Total	\$84,150,517	100.00%

- Salaries and benefits percentages range from 93 to 96% depending on the College

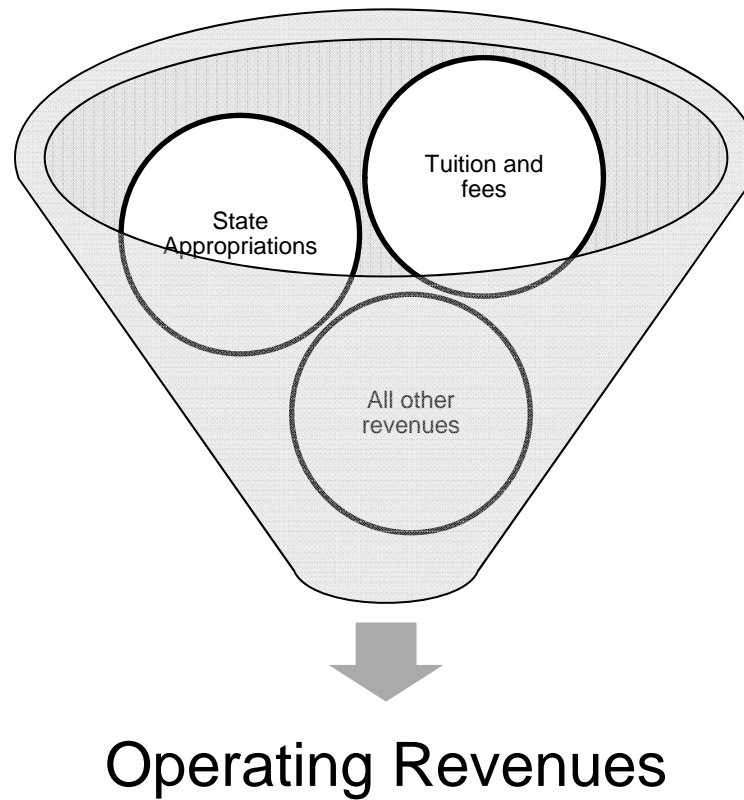
Operating Expenses

- 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%)

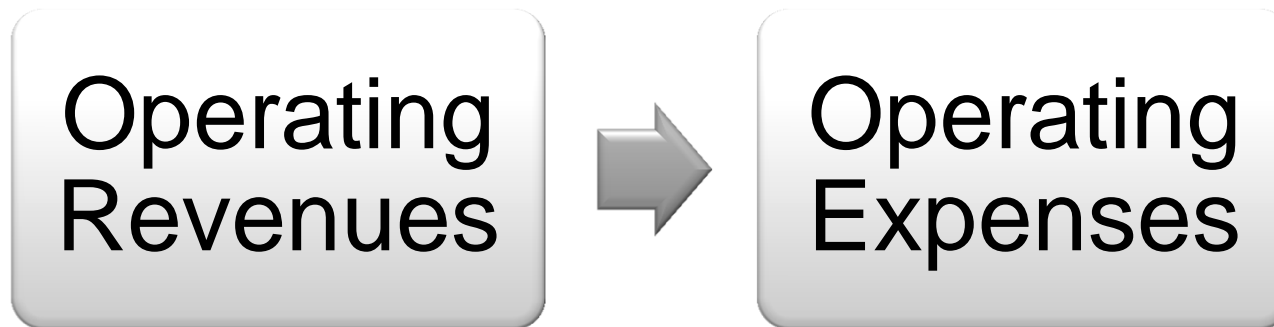
Operating Expenses by Functional Classification



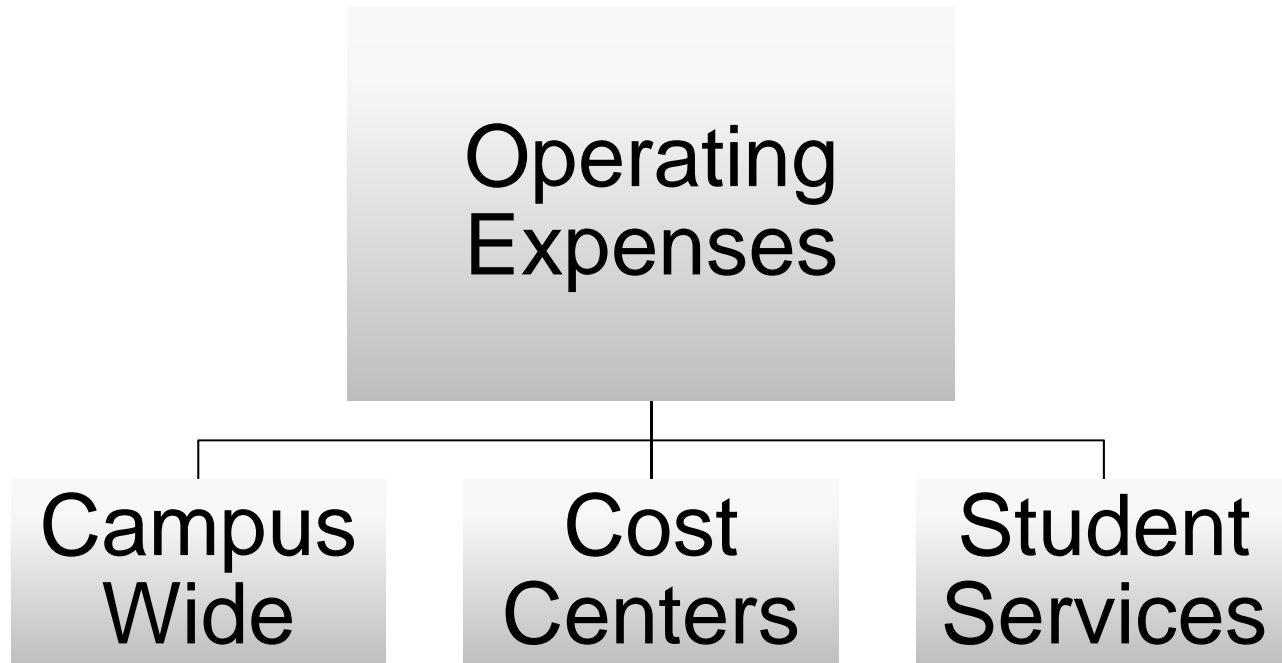
Sources of Revenue



Revenues to Expenses



Uses of Revenue



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

Carry-forwards

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

October 2010	Budget committees are formed and begin meeting
Nov-Dec 2010	Budget committees discuss issues and develop strategies
January 2011	FY12 Fee Resolution changes completed
February 2011	FY12 Fee Resolution reviewed and approved
April 2011	Board of Governors approve FY12 Fee Resolution
May 2011	Board of Governors review FY12 Operating Budget
June 2011	Board of Governors approve FY12 Operating Budget

FY11 Operating Budget Links

- FY11 Board approved Fee Schedule
 - 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
- 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
- Detailed FY11 Budgeted Salaries
 - 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?