Budget Management Guidelines

Updated: June 2018

The Carleton operating budget reflects the values of the Strategic Plan by allocating dollars to specific initiatives. It is the financial embodiment of institutional goals and objectives. Individual departments are encouraged to manage their budget in the same way: reflecting the values and goals defined by the department. Budget managers are empowered to discuss, evaluate, analyze, plan and collaborate with others to use their budget dollars thoughtfully, intentionally -- strategically. Engagement in a strategic budgeting process is critical to the long term success of individual departments and the college as a whole.

To support that success, let's start with a few facts specific to budgeting at Carleton and then move past budget monitoring and into strategic budgeting.

Budgeting at Carleton

A. **FISCAL YEAR:** Carleton's fiscal year is July 1 – June 30; budgets are intended to cover expenses incurred during this period of time

B. **BUDGET MANAGER:** The department budget manager is in charge of your annual operating budget. Budget Manager responsibilities include:
- o Making sure the charges are correct
- o Ensuring the budget is not overspent
- o Informing department heads / chairs of available budget resources, budget progress, concerns and issues

C. **DEPARTMENT BUDGETS** consist of two parts that are NOT interchangeable:
- o Student employment
- o Operating budget

D. **STUDENT EMPLOYMENT**
- o Budgets are distributed annually by the Budget Director following evaluation of departmental budget requests
- o The Budget Director will solicit department budget requests in February and notify departments of their annual distribution in April for the following fiscal year (July 1 – June 30)
- o Student employment budgets cannot be used for other expenses
- o If student employment is over budget at year-end, departments are expected to use operating budget resources to cover the deficit
- o Student employment budgets are distributed in two pieces.
    - ▪ <u>Term</u> student employment budget is used for work completed during the academic terms (generally budgeted for 30 weeks). Student's earnings during this time are associated with student financial aid awards. Individual student employment may be capped by a student's employment award.
    - ▪ <u>Break</u> student employment budget is used for work completed outside of the 30 academic weeks. Student's earnings during this time are NOT associated with the student financial aid award.
    - ▪ Student employment budgets are managed in total and are interchangeable between break and term.

- o Departments that forecast budget deficits, due to circumstances or opportunities not anticipated during the original student employment request, should promptly contact the Budget Director for assistance.

E. **OPERATING BUDGETS**
- o Budgets are interchangeable, meaning you can use the total budget within any of these categories:
  - Professional Services
  - Supplies
  - Equipment
  - Travel
  - Other
- o *Note that actual expenses should be charged to the category that most closely matches the nature of the expense.*

F. **COMPENSATION:** Base employee compensation is generally managed by the College and is not a part of departmental operating budgets
- o If a department pays an employee stipend as part of its programming, the department must be able to fund the expense from their operating budget, including applicable payroll taxes and benefits

G. **FACULTY PROFESSIONAL DEVELOPMENT ACCOUNTS (PDA):** Tenure Track Faculty are assigned individual PDA for their professional development spending. Budgets are assigned by the Dean of the College
- o Each individual is responsible for managing their PDA budget
- o From time to time the Dean may award additional grants which will be deposited to the faculty PDA
- o Additional reporting responsibilities for such grants may apply
- o Deficit balances must be approved by the Dean of the College
- o PDA balances automatically carryover (see below)

H. **CARRYOVER:** Some budget surpluses can be carried over
- o The departmental budget carryover process was established to provide flexibility and encourage prudent management of college budgets between fiscal years
- o Positive year-end operating budget balances are carried forward into the next budget year
- o Not all departments are eligible or get to keep their own carryover; it is primarily intended for academic departments
- o Special carryover provisions apply to some departments; department specific calculations are managed in consultation with the division head and the Budget Director
- o *Carryover is assumed but is not guaranteed by the college.*
- o Carryover is calculated and announced after the fiscal year has been closed and the financial statement audit is complete, generally in early fall term
- o Deficit department budget balances must be resolved with each division head

I. **THE HUB:** Access your Budget Manager Reports on The Hub
- o Current and historical budget information is available to budget managers with an authorized User ID and Password
- o Log onto The Hub and select Budget Manager Reports

- o Detailed instructions for using the reports can be found on the Business Office website: https://apps.carleton.edu/campus/business/genacct/generalaccountingbudgets/#A
- o If you do not have access to your accounts, or if you have questions regarding posted transactions or other budget report features, please contact the Business Office.
- o For all other information concerning the budget, please contact the Budget Director

J. **ACCOUNT CODE DEFINITIONS**
   - o Accounts are 14 digits: FF-SSSS-DDDD-OOOO
   - o **F**und (FF): tells you how the budget is classified or limited; most commonly:
       - ▪ Fund 10 = operating
       - ▪ Fund 24 = endowed funds
       - ▪ Fund 27 = restricted gifts
       - ▪ Funds 26, 28, 29 = foundation, federal and sub-award grants respectively
   - o **S**ource (SSSS): tells you the source of the funding
       - ▪ For operating budgets (Fund 10), the source is typically '0000'
       - ▪ For other funds, the source will reflect the funding source or project; use of the funds is subject to additional restrictions from the donor or grantor
   - o **D**epartment (DDDD): identifies the department assigned to and responsible for the account
       - ▪ Example: #5470 is Geology, #3311 is Reunion, etc.
   - o **O**bject Code (OOOO): tells you the natural classification of the budget
       - ▪ First digit tells you the class (3 = compensation, 4 = income, 5 = expense, 6 = fund balance)
       - ▪ Second digit tells you the sub-class (51 = student employment, 53 = supplies)
       - ▪ Third and fourth provide details (5305 = Postage, 5311 = Printing)

K. **SUPPLEMENTAL BUDGETS**
   - o **Endowed Funds and Restricted Gifts:** From time to time donors will give a gift that provides additional support to the college operating budget, often with a specific purpose.
       - ▪ Endowed Funds (Fund 24) provide perpetual on-going support
       - ▪ Restricted Gifts (Fund 27) provide temporary or one-time support
       - ▪ When the donor restriction is narrow in scope a separate spending account is assigned to the department. This allows departments to separately track expenditures that fulfill the donor expectations
       - ▪ The institution has an obligation to spend donor designated gifts on a timely and accurate basis
       - ▪ Additional reporting to the donor may be required; departments managing individual spending accounts should be prepared to work jointly with other departments coordinating donor stewardship reporting including Stewardship, Corporate Foundation Relations and the Dean of the College. *Demonstrating the impact of the gift often encourages future support.*
       - ▪ Questions about the scope or restrictions on endowed funds or restricted gifts should be directed to the Business Office or Stewardship Office.
   - o **Grants:** From time to time individual faculty or staff will apply for a grant to accomplish a specific individual or institutional objective.
       - ▪ Grants are recorded in Funds 26, 28 and 29
       - ▪ Each grant is assigned a unique Source (SSSS) code to facilitate tracking expenditures according to grant specifications and to fulfill institutional obligations.

- The Principal Investigator assigned to the grant is responsible for additional reporting and their department may need to provide additional administrative support.
- Questions about the scope or budget restrictions on grants should be directed to the Business Office or Corporate & Foundations Office.

L. **BUDGETING OPTIONS**
- o Collaborating: If two departments identify an opportunity to collaborate on a project or expenditure, they can submit a Transfer/Journal Entry Request Form to authorize the Business Office to move funds between two account numbers. (ex: Health Promotions and GSC would like to jointly pay for Green Dot training)
- o Reconfiguring: Departments managing several account numbers may work with the Business Office to combine or change the configuration of their accounts. Changes may be subject to software limitations and/or restrictions by division heads.
- o Accounts to support new projects or programs must be created by the Business Office.

Planning (before the fiscal year)

1. Identify your department operating budget
   a. Confirm Budget Manager Report access on The Hub
   b. Confirm the total Department Budget amount listed in The Hub, via "Summary" view, excluding compensation (subclass 31, 32) and student work (subclass 51)
   c. Consider whether or not you anticipate receiving miscellaneous income or registration fees to off-set departmental costs

2. Define what costs your department incurs each year
   a. Fixed costs (expenses that do not change based on participation or department operations; like an annual membership fee or a speaker honorarium)
   b. Variable costs (expenses that change based on the number of participants or on the volume of work involved; like meals or printing expense or book purchases)

3. Calculate how much you have left over for other discretionary expenses (budget minus costs defined above)

4. Define goals or plans for your department
   a. This fiscal year vs. longer-term
   b. Think of goals in terms of maintain, grow, innovate
   c. Or in terms of need to have, nice to have, ideal

5. Forecast the costs that go along with your goals
   a. Identify a cost for each goal, noting whether or not costs are one-time or on-going
   b. Note whether a goal or project will impact your student work budget
   c. Think about any non-financial costs of your goals (effort, time, space, student impact) and whether or not the goals are realistic
   d. Think about which goals might require saving funds over multiple years (special event, speaker, professional development, new equipment)
   e. Identify which goals to pursue this fiscal year, based on available funds

6. Plan for how expenses will be spent by term or by month

Analyzing (during the fiscal year)

7. Review budgets in the Hub on a monthly basis
   a. Recommended review period 15th - 20th of each month
   b. Look for charges that you did not authorize
   c. Make a note of charges that you expect to see but do not
   d. Contact the Business Office with questions

8. Compare spending to your plan
   a. Look at the balance remaining for the rest of the year
   b. Do you have enough money to complete your plan on schedule?
   c. Are you spending too quickly?
   d. Are you spending outside of your set goals?
   e. Were your cost estimates off?

9. Adjust your plan if needed to account for actual spending
   a. X cost more than we thought, and now we won't plan to do Y this year
   b. We found separate funding (endowment/restricted gift or grant) for Z and now we can move ahead with A this year

Evaluating (after the fiscal year)

10. Plan for the end of the fiscal year
    a. Confirm that all vendor invoices, employee expense reimbursement and VISA statement documentation associated with the fiscal year have been submitted to the Business Office for processing on or before the second week in July.

11. Review year-end transactions
    a. When prompted by the Business Office (July 15th – 20th)
    b. Ensure that all actual and pending transactions belong to your department
    c. Communicate year-end adjustments to resolve operating budget deficits to the Business Office by July 20th

12. Compare your actual spending to your plan
    a. Do you need to make adjustments to multi-year projects?
    b. Do you need to make adjustments to fixed or variable costs for next year?
    c. Does your actual spending impact your plan for next year?

Strategic budgeting is the means to accomplish your department goals and objectives. It is an opportunity to plan for success!