# GUIDEBOOK TO BUDGET

**Lamar University**
**Updated March 2, 2020**

# Table of Contents

# Educational and General (E &G) Funds

**Definition -** State appropriated funds consisting of General Revenue (state taxes) and state mandated tuition. Fund Type 11. Index starts with: "1" – Revenue, "2" – Expense.

**Functions:**
- Targets are given to each division (dean or vice president) during the Budget Cycle. Each division may distribute these targets to the individual departments based on the business needs of the division.
- Revenue increases are not allowed during the fiscal year.
- Funding that is not spent or encumbered at the end of the fiscal year will not be available for expenditure in future fiscal years.
- Budget of fund balance is not allowed.
- ***Transfers into and out of E & G funds from other funding sources are not allowed.***
- Departments may repurpose unspent salary funds (salary savings) originally budgeted for faculty and staff positions towards other staffing initiatives. Funds may not transfer to non-salary type budgets.

## Special Appropriations

**Definition** – Appropriation fund for a special reason. Example: THECB, TARC, CAPM

**Functions:**
- Funds are governed by the Texas Legislature.
- Funding that is not spent or encumbered at the end of the fiscal year will not be available for expenditure in future fiscal years, unless a binding encumbrance is established.
- Revenue increases are not allowed during the fiscal year.
- Unused project funds must be returned to the original funding source.
- Salaries are allowed.

## Higher Education Funds (HEF)

**Definition** – General Revenue provided by the Texas Legislature for capital expenditures

**Functions:**
- Allocated by the VP of Finance and Provost.
- Limited to capital expenditures of land, construction, major repair and rehabilitation of buildings, capital equipment and library materials.
- Unused project funds must be returned to the original funding source.
- Salaries are <u>not</u> allowed.
- Questions regarding allowable HEF expenditures should be directed to Procurement Office.

# TYPES OF FUNDING (continued)

## Designated Funds

**Definition** - Resources internally allocated by the institution. Fund Type 14. Index starts with: "3" – Revenue, "4" – Expense.

**Functions:**
- Divisional and/or departmental guidelines may be established for these funds.
- Student Fee revenue is monitored and managed by the Controller's Office.
- Departments may repurpose unspent salary funds (salary savings) originally budgeted for faculty and staff positions towards other staffing initiatives. Funds may not transfer to non-salary type budgets. However, specific circumstances will be allowed within Designated type funds.
- Expenditures are limited to the purpose of the fee.
- ***Transfers into and out of Designated funds from other funding sources are not allowed.***

## Auxiliary Funds

**Definition** – exists predominately to furnish goods and services to students, faculty or staff and ongoing operations that sell products and provide specific services to other Lamar University departments. Fund Type 16. Index starts with: "5" – Revenue, "6" – Expense.

**Functions:**
- ***Transfers into and out of Auxiliary funds from other funding sources are not allowed.***
- Divisional and/or departmental guidelines may be established for these funds.
- Departments may repurpose unspent salary funds (salary savings) originally budgeted for faculty and staff positions towards other staffing initiatives. Funds may not transfer to non-salary type budgets. However, specific circumstances will be allowed within Auxiliary type funds.
- Expenditures are limited to the purpose of the fee.

# TYPES OF FUNDING (continued)

## Restricted Funds

**Definition** – Funds provided by an outside entity that has restricted the use of the funds to specific purposes. Restricted funds include:

- Endowments and Scholarships (Fund Type 21)
- General Restricted (Fund Type 22)
- Federal, State, and Private Gifts Grants and Contracts (Fund Type 23, 24, 25, 26)

**Functions:**
- Allowable expenditures are based on the restrictions placed on the fund by the external donor or the grant or contract.
- Transfers are not allowed on federal and state grants.
- General Restricted funds are budgeted based on actual fund balance.
- May not transfer Budget from a Restricted fund type to an operational fund.
- Not included in the Budget Cycle process.
- Questions related to closing a grant fund should be directed to SPA (Post Award).
- Tenured Staff and Faculty salaries are _not_ to be expensed in Restricted funds.
- Transfer into or out of Student Organizations are not allowed.

## Unexpended Plant Funds

**Definition** – Funds used for construction or major repairs and renovation projects.

**Functions:**
- Planning and Construction manages all Unexpended.
- Plant fund project budgets.
- Salaries are not allowed.
- Unused project funds must be returned to the original funding source.

# CHART OF ACCOUNTS

The Chart of Accounts is the numbering system used by the Banner Finance system to capture financial transactions and facilitate retrieval of information and financial reporting. Lamar University's Chart of Accounts is defined as "L".

Lamar University uses an Index system that relates to three elements in the Chart of Accounts: Fund, Organization, and Program (FOP). Each of these elements is required for all budget, expenditure, revenue and transfer transactions.

# Index

An Index is a 6-digit number, or alpha-numeric code, that corresponds to a specific Fund, Organization, and Program. The Index system is used to simplify General Ledger coding for Lamar University financial managers.

# Fund

A fund is a self-balancing set of accounts that identifies ownership of cash or fund balance. It identifies the type of funding source and ownership of the fund.

**Fund Reporting Elements**
The following reporting elements are associated with each fund:
- Fund Category and Fund Class – The Fund Category is a code used to group similar types of funds as required by outside reporting agencies. The Fund Class provides a further breakdown of the Fund Category.
- Fund Manager - The individual responsible for the financial operation of the fund. This includes budget oversight, finance reporting and daily financial activities. The fund manager is also responsible for assigning financial roles to individuals.

**Establishing a New Fund**
- A new Fund request is routed through the Controller's Office.
- Each new fund is established with an effective date. The effective date for Grant Funds is the start date of the grant. Transactions may not be processed prior to the effective date of a fund.

# Organization

The Organization (ORGN) code defines a budgetary or departmental unit.  A department may establish multiple ORGN codes within the same department in order to track the operation of a particular unit.

**Default ORGN Code** – In most cases, a default ORGN code is assigned to all Grant funds at the time the fund is established. All transactions for the grant fund are then limited to the default ORGN code.

**Fund and Organization Combinations** – A fund and organization can only be budgeted when they belong to the same department.

**Organization Manager** - An Organization Manager is assigned to each ORGN code. This individual is the primary contact for all Human Resources transactions for the organization.

# Program Code

The program code classifies the function of expenses.  These are required categories for the annual financial report and other mandated reporting.

**Default Program Code**

A default program code is assigned to some funds. Examples of the funds with default program code are grants and construction projects.

# ANNUAL OPERATING BUDGET

## Budget Development Cycle

Lamar University has a defined budget process to develop the annual operating budget for the ensuing fiscal year (9/1-8/31). This process is also referred to as the Budget Development Cycle. A new schedule of the Budget Cycle Process will be made available on the Budget Office campus webpage each February.

## Timeline and Instructions

- Budget Cycle schedule is communicated to departments in February of each year.
- Specific budget instructions are sent to VP and Executive-level personnel prior to the beginning of the Budget Cycle.
- The operating budget is approved by the Board of Regents in August of each year.

## Budgets

- Educational and General, designated, auxiliary enterprise and fiscal year restricted funds are budgeted during the Budget Prep Cycle.
- Departments should present an effective budget to support departmental operations for the entire fiscal year, within their base budget established.
- The expense budget is limited to the estimated revenue and transfers-in for the fiscal year. Educational and General Fund budgets are limited to the targets provided by the Budget Office.
- Divisions seeking new funding, beyond their established base budget, will be requested through the Budget Cycle and Budget Hearing process.
- The budget for the new fiscal year is loaded into the Banner Finance system **after** Board of Regents approval.
- Multi-year budgets are not included in this process. As described in the next section, the new fiscal year budgets for these funds will not be available until mid-September.

# BUDGET PROCESS MULTI-YEARFUNDS

**Multi-Year Funds - Definition**

- Funds with specific begin and end dates are established as multi-year (MY) funds. These are typically related to grants, seed grants and construction or renovation projects. Creation of multi-year funds are initiated through the Office of Sponsored Program Administration.

**Establishing and Revising Multi-Year Budgets**

- A new fund must be established for each grant prior to the establishment of a budget.
- The initial budget for a multi-year fund is established by processing a budget revision, sent from Sponsored Programs to the Budget Office and Controllers Office.
- A budget revision cannot be processed prior to the grant begin date.
- Any subsequent revisions to the budget are also processed with a budget revision.

**Budget Process for New Fiscal Year**

- Full-time positions funded from multi-year funds are updated through the annual budget prep process even though the funds are budgeted outside of the Budget Development Cycle.
- A budget roll process occurs in mid-September to move any uncommitted budgets for multi-year funds from the previous fiscal year to the new fiscal year. This roll process cannot occur until after the close of the prior fiscal year.
- Expenditures may not be made in the new fiscal year on multi-year funds until the budget roll process occurs.

**Budget Revisions**

- Revenue budgets are limited to the amount of the grant or contract, if applicable.
- Budget Account Codes allowable on a fund may be restricted based on the grant or contract.
- Questions should be directed to Sponsored Programs.
- Budget Revisions for multi-year funds are always entered as permanent.

# BUDGET CONTROLS

## Purpose

Lamar University has established budget controls that require enough budget to exist for an Index so an expense transaction to process.

These controls apply only to expense transactions. The budget controls have been implemented to:

- Restrict unallowable expenditures on a fund by limiting the allowable Budget Account Codes on a Fund.
- Control spending to the limits approved by the administration through the Budget Prep Cycle and subsequent revisions to the budget.
- Enforce program code restrictions.
- Ensure that the fund and organization for each transaction are within the same department.

## Budget Query

Budget controls require enough budget to be available prior to the processing of an expense transaction. Departments may view available budget information through either in Banner 9 (Screens FGIBDST or FGIBAVL) or Self-Service Banner. Query instructions for Self-Service are located on the Budget Office campus webpage.

## Adopted Budget

- Initial budget given to a department at the start of a fiscal year.
- Defines an established base budget for department.

## Adjusted Budget

- Current state of total budget.
- Is equal to Adopted Budget plus transfers, temporary or permanent.

## Year-To-Date (YTD)

- Actual expenditures to-date.
- Non-salary expenditures will post on a 6-digit account code that feed to their respective pools. Example: Cleaning Services (acct 720003) feeds to the budget pool of Other Expenditures (acct 72000).

## Commitments

- Posted Encumbrances of future expenses.
- Lamar University procedure is to encumber all **full-time staff and faculty**, **travel**, **maintenance and operations purchases, and contracts.**

## Available Balance

- Adjusted Budget less YTD less Commitments = Available Balance
- Total current funds available after all YTD expenditures and Commitments.

## Budget Revisions or Transfers

- All revisions increasing operating budget must be requested through the VP of Finance and Operations Office, including Provost Office for academic departments. Submission must be done by the appropriate VP or Dean. Any approved operating budget increase will be forwarded to the Budget Office by the VPFO Office.
- All salary budget-type transfer requests must be sent to the Budget Office through a Change of Budget Request form for evaluation.
- Student Assistant budget pools are not eligible to transfer.
- Financial Aid (Scholarships) budget pools are not eligible to transfer residual funds.
- Revisions or adjustments to operating and restricted fund type budgets may occur at the discretion of the Budget Office, when necessary.

## Balanced Budget Formula

The budget within each fund must be balanced based on the following formula.  The Budget Revision System will not allow a budget revision to be submitted unless the budget for each fund is balanced.

*Expense + Transfers Out = Fund Balance + Revenue + Transfers In*

# BUDGET OF REVENUE

## When to Budget Revenue
- The revenue budget may be increased if the projected revenue for the entire fund exceeds the budgeted revenue for the entire fund.
- Revenue budgets for restricted grants and contracts are limited to the amount of the contract or award.
- Revenue increases are not allowed on Educational and General Funds.
- Increased revenue budgets should always be considered before budgeting Index.
- **Non-operation Designated (fund type 14), Auxiliary (fund type 16), and General Restricted (fund type 22) are budgeted at the beginning of the year based on prior year ending fund balance. Revenues received after an adopted budget has been established can be budgeted, however, it is NOT instantaneous with the revenue deposit. Please contact the Budget Office with a Budget Change Request Form for the amount equal to the deposits, or less, and a budget adjustment can be established.**

## Revenue Analysis
- Departments must provide enough information that clearly indicates the revenue for the entire fund will exceed the budget for the entire fund by at least the amount of the budget revision.
- If the Revenue Analysis section does not provide enough information to justify the increase, additional information must be provided in the comment section or in an attachment.

# BUDGET OF FUND BALANCE

## Fund Balance Definition
Fund Balance is the cumulative net income or loss generated by the operation of the fund since its inception.

## Amount of Fund Balance Available to Budget
The prior year fund balance, less prior year encumbrances, is the amount of fund balance available to budget for the entire fiscal year.  This amount is reduced by any previously budgeted fund balance to determine current amount available to budget.

## Funds Allowed to Budget Fund Balance
Budget of fund balance is allowed by department on Other Designated (14), Auxiliary (16), and General Restricted Funds (22). Contact the Budget Office regarding the budget of fund balance.

## How to Budget Fund Balance
A budget of fund balance should be entered on a Change of Budget Form.

# POSITION CONTROL

A position must exist in the Banner HR system prior to the recruitment or appointment of an employee. The Budget Office is responsible for the current funding and labor distribution of jobs and positions. All other inquiries regarding position control should be directed to the Human Resources Office for further detail. The following information is assigned to each position.

- Organization - Department responsible for the position.
- Position Class (Pclass) – a title in the Personnel Pay Plan which identifies:
  - Exempt vs non-exempt
  - Minimum and maximum salary ranges
  - Part time vs full time
  - Faculty, staff or student
- Full Time Equivalent – The percent that an employee will work during a normal 40-hour work week. A full-time employee is considered 1.0 FTE. The FTE for an employee working 20 hours per week would be 0.50.
- Budgeted Salary – Salary to be paid for the position for the entire fiscal year.
- Labor Distribution – Funding source (FOAP or Index) for the position.
- Position Status – A position may be active (ready for use), frozen (not to be filled until a specific date) or closed (no longer available for use).
- Single vs pooled
  - Single positions – one employee per position
  - Pooled Positions – allows for multiple employees with the same position codes. Generally used for students.
- Position Effective Date – The date the position may be filled.
- Closing a position
  - A position that is no longer needed may be closed.
  - An e-mail should be sent to the Budget Office requesting the position to be closed.

## Funding
- The Budget Office will verify funding is available for each new position and reclassification transaction.
- If funding is not available, the Budget Office will contact the department for a new funding source for the position.

# BUDGET AND DEPARTMENTAL RESPONSIBILITIES

## Budget Office Responsibilities
- Human Resources transactions do not have edits that verify available funding at the time the transaction is submitted.
- The Budget Office must review all Human Resources transactions to verify compliance with funding guidelines and verify enough budget exists to support the transaction.
- If enough budget does not exist or the transaction violates a funding guideline, the transaction will be returned to the department for correction.

## Departmental Responsibilities
Departments are responsible for verifying compliance with the funding guidelines and verifying enough budget exists in the appropriate account codes prior to the submission of any Human Resources transactions.

# BUDGET REQUIREMENTS – HR TRANSACTIONS

## How Much Budget is Needed?
- Departments must calculate the additional funding needed for each HR transaction. The amount of funding needed for each FOAP can be determined by using the following steps.
  - Step 1: Identify the current funding for the position.
  - Step 2: Compare the current funding to the proposed funding
  - Step 3: Calculate the amount needed for the remainder of the fiscal year

# GLOSSARY

**adjusted budget** – The current fiscal year original budget minus/plus any adjustments (i.e. current budget)

**anticipated revenue** - The funding you expect to receive during the current fiscal year

**available balance** - The portion of the budget that reflects expendable financial resources

**budget pool account code -** Five-digit component where funding is placed for anticipated expenses excluding salary and wages, revenue, and transfers. Six-digit component is used for salary, wages, revenue and transfers.

**budget development** – Module of the budget Prep System used by departments to plan for the next fiscal year budget

**budget cycle** - Planning process to develop the annual operating budget for the ensuing fiscal year (9/1-8/31)

**chart of accounts (COA)** - The alpha character used by Banner to designate institutions

**current budget** – The current fiscal year original budget minus/plus any adjustments (i.e. adjusted budget)

**data enterable account code** – Six-digit component specifying where expenses or revenue occur

**employee class (eclass/ECLS) -** Categorizes employees who share similar leave, benefits, and appointments

**employee personnel action form (EPAF) –** Online transaction used to initiate changes to an employee's position, FTE, or salary

**fiscal year (FY) -** The twelve-month period from September 1 to August 31.

**full-time equivalent (FTE) -** Way to measures an employee's productivity and/or involvement in a project

**fund** - A self-balancing set of codes that identifies ownership of cash or fund balance; it identifies the type of funding source

**fund balance** - The cumulative net income or loss generated by the operation of the fund since its inception

**fund, orgn, account, program (FOAP) –** String of components used to identify expenses and revenue in Banner

# GLOSSARY- (continued)

**inception-to-date (ITD) -** Refers to the time frame between the beginning of the fund, grant, or project to the current date

**job** – Created when an employee is linked to a position

**multiyear** – A fund that spans two or more fiscal years

**operating budget** – Planned funding for current operations

**original budget** – Planned funding (revenue, expense, and transfers) that was established during the budget prep cycle

**Organization (ORGN)** - Code defines a budgetary or departmental unit

**position** - A budgeted unit assigned to an organization code; including information such as position class, salary, FTE, and labor distribution information

**position class (pclass/PCLS) -** A title in the Personnel Pay Plan which identifies: exempt vs non-exempt, minimum and maximum salary ranges, part time vs full time, Faculty, Staff or Student

**position title** - Name assigned by HR to distinguish Faculty, Staff, or Student ranking based on job duties

**program** – Three-digit or four-digit component that classifies the function of expenses, revenue, and transfers

**proxy** - Alternate approver

**revenue** - Funds earned from activities associated with providing goods and services to entities separate from the university or funds received for endowments, gifts, or grants

**salary planner** – Module used by the Budget Office to view and update employee and position data for the next fiscal year

**targets** – State appropriated Education and General funding established by Lamar Administration

**transfer** - The movement of money between different funds

**year-to-date (YTD) –** From 9/1, or the effective date of the fund up to the most current point in time