04-01-00 Budget

PURPOSE

The purpose of this policy is to provide clear and specific responsibility for proper budget management and control among the institutions governed by the Tennessee Board of Regents. It is the control mechanism aspect of budgeting that is the focus of this policy.

DEFINITIONS

- **Budgeting.** The process whereby the plans of an institution are translated into an itemized, authorized, and systematic plan of operation, expressed in dollars, for a given period. Budgets are the blueprints for the orderly execution of program plans; they serve as control mechanisms to match anticipated and actual revenues and expenditures.
- **TBR.** Tennessee Board of Regents

POLICY

I. **Guiding Principles**

A. Budgeting is the process whereby the plans of an institution are translated into an itemized, authorized, and systematic plan of operation, expressed in dollars, for a given period. Budgets are the blueprints for the orderly execution of program plans; they serve as control mechanisms to match anticipated and actual revenues and expenditures. It is widely recognized that budget control is essential for effective financial management of any organization.

B. Working within the institution's shared governance process, the President has the responsibility and full authority to propose a budget to the Chancellor and TBR Board. The President will ensure that the process for budget development is open, provides for accountability, includes appropriate constituencies in budget planning, and incorporates clear guidelines and adequate training for those involved.

C. In the development and submission of budgets, each President shall adhere to the following principles.

1. Budgetary needs should be prioritized relative to the institution's core mission and consistent with its strategic plan, with resources aligned accordingly. In situations where resources are constrained or limited, resources should be

redistributed as needed to ensure that limited resources meet the highest priority needs of the institution.

2. Budgets must respect generational neutrality. In general, this to say that the cost of educating the current generation of students should be borne by the current generation and not be deferred to future generations.
3. The Budget must be balanced:
    a. In total, such that all planned expenditures do not exceed expected revenues and use of reserves or other non-recurring funds; and
    b. On a recurring basis, such that planned ongoing (recurring) expenditures do not exceed expected recurring revenues. Use of non-recurring revenues and/or funds to meet recurring expenditures is discouraged; however, it is acknowledged that special circumstances may arise when it is in the best interest of the institution to do so. In the event non-recurring revenues and/or funds are budgeted to meet recurring expenses, this must be specifically disclosed to the TBR Board as part of the budget consideration process, including justification and the institution's plan for achieving recurring balance.
4. A degree of fiscal conservatism must be incorporated in the budget to reduce the risk of year-end deficits by:
    a. Ensuring all costs are fully recognized and budgeted. Use of anticipated savings as a funding source (e.g., lapsed salaries) for recurring expenses is discouraged. If anticipated savings are used to fund recurring expenses, this must be specifically disclosed to the TBR Board as part of the budget consideration process;
    b. Using financially conservative, yet reasonable, revenue estimates in light of existing conditions. Estimates of revenues derived from students must be based on analysis of historic enrollment patterns, modified for any recent observable patterns. The basis for student derived revenue estimates must be communicated to the TBR Board as part of the budget consideration process; and
    c. Maintaining appropriate contingency funds for revenue shortfalls and emergencies for both Education & General and Auxiliary operations, consistent with relevant TBR policies and guidelines.

5. Related to the principle on generational neutrality and to ensure the long-term viability of the institution, sufficient provision must be made in both Education & General and Auxiliary budgets to annually fund:
    a. Maintenance and facilities renewals to the physical plant and grounds; and
    b. Acquisition, repair and replacement of teaching equipment, computers, and other equipment.
6. Opportunities for cost savings arising from shared services and resources between departments and organizations within an institution and among other institutions should be aggressively pursued.

II. **Operational Provisions**

A. Accountability for the effective management of the budget rests with the President, who ensures that proper controls and budget management policies are established.

B. Guidelines and procedures may be developed that further direct and clarify application of the above principles in the budget development and administration process. The Chancellor is authorized to issue directives on these matters consistent with the provisions of this policy.

III. **Time Periods.** The College budget covers a fiscal year from July 1 through June 30 of the following year. Preparation of the budget involves three (3) submissions:

A. *July Proposed Budget.* Detailed operating budgets are submitted to TBR in the spring of each year for approval at the second (2nd) quarterly TBR Board Meeting. These operating budgets request funds for each departmental budgetary unit. The operating budget, when approved by the TBR Board, Tennessee Higher Education Commission, and Department of Finance and Administration, goes into effect on July 1 of that year. Upon final approval, notification of the approved total allocation for the fiscal year is given to administrative heads along with approved salaries for all budgeted positions.

B. *October Revised Budget.* Mid-year adjustments to the July budget are submitted for TBR Board approval in October of each year for approval at the fourth (4th) quarterly TBR Board Meetings. It is prepared after actual fall enrollment and other estimated costs and closing balances from the prior year are known. The October budget goes into effect on January 1 of the fiscal year. Administrative heads are notified of approval in their monthly budget reports.

C. *Spring Estimated Budget.* This budget is the final budget submission for the fiscal year. It is submitted each spring at the same time as the July proposed budget to TBR Board. This is the final approved budget for the fiscal year and contains the control totals against which final year end amounts are compared.

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

SOURCES

- T.C.A. § 49-8-203 Powers and Duties

RELATED POLICIES

- TBR Policy 4.01.00.01 Budget Principles and Control

Approved by NSCC Cabinet 8/9/21