Budgeting at Montclair State University

Orientation for Budget Managers
Introduction

- This presentation is for new budget managers and other new staff that will be involved in budgeting unrestricted operating funds (non-grant and non-capital).
- The purpose is to provide a brief high-level introductory overview of the concepts, departments, systems, and processes for budget management.
- This is not a policy and procedure document. See Budget & Planning website for the complete Budget Policies & Procedures Manual.
- This is not a training guide for software systems. All new staff that will be responsible for budgeting must attend training for PeopleSoft FMS, and division/college budget managers must attend training for Adaptive Insights.
Table of Contents

2. Introduction
4. What is a budget?
5. Office of Budget & Planning
6. Finance & Treasury
7. MSU Foundation
8. Budget Cycle
9. Systems & Data Integration
10. Budget & Department Managers
11. Chartfields
12. Fund Chartfield
13. Budget Call using Adaptive Insights
14. Budget Planning Factors
15. Entry Sheets in Adaptive Insights
16. Budgeting Fund 10
17. Budgeting Funds 11-14, and 80
18. New Program Budgeting
19. Weekly Reporting in Adaptive Insights
20. Adaptive Insights HTML Reports
21. Adaptive Insights Excel Reports
22. Financial Management System (FMS)
23. FMS Budget Overview
24. FMS Commitment Control & Budget Pools
25. Budget Management
26. Original and Revised Budgets
27. Budget Transfers in FMS
28. Actuals Transfers
29. Budget & Planning Contacts
What is a budget?

- A **budget** is a plan or forecast of revenues (income), expenses (spending), or both, for a future specified time frame such as a fiscal year.
- A **budget** is also a spending allowance.
- *Planned* revenues and expenses are **budgets**, but *real* revenues and expenses are called **actuals**.
Office of Budget & Planning

• The Office of Budget & Planning reports to the President and works closely with Finance & Treasury. B&P’s roles are to:
  • manage the University’s operating and capital appropriations
  • oversee the annual budget planning process
  • provide end-user budget reports
  • approve budget transfers and re-allocations
  • Maintain a balanced budget
  • analyze trends and recommend policies
  • link budgets with strategic planning
  • prepare the annual State appropriation request
  • manage the Adaptive Insights system for budget planning

• For policies and forms, see www.montclair.edu/budget-planning/
Division of Finance & Treasury

- Finance & Treasury reports to the President. F&T is responsible for:
  - financial management
  - accounts payable and accounts receivable
  - grant accounting and grant budgeting
  - student accounts (bursar)
  - procurement (purchasing)
  - investments, debt management, and auditing
  - management of the Financial Management System (FMS).
  - real estate management
  - risk management

- See www.montclair.edu/finance-and-treasury/ for F&T policies and forms.
MSU Foundation

The Foundation is a not-for-profit 501(c)(3) corporation, separate from the University. It has been designated by the Board of Trustees of MSU to:

- solicit, receive, hold and manage funds and investments on behalf of the University.
- ensure professional management and stewardship of contributions to support specific programs and projects at MSU, endowment funds, in particular.
- maintain strict adherence to donors’ philanthropic intentions.
- Support MSU departments in the receipt and use of donor funds.
Budget Cycle

- **Budget Call**, the process to develop next year’s budget, begins in March and ends in June.
- The annual operating budget exists for the duration of a **fiscal year**, July 1 to June 30.
- Budgets are monitored throughout the fiscal year by Budget Managers, Department Managers and B&P.
- In June, B&P makes **year-end close** adjustments, such as transfers to capital.

**Budget & Planning Calendar***
- State Appropriation Request Nov 1
- Budget Call begins Mar 1
- Budget Call deadline April 15
- Budget Call hearings May—June
- Old Fiscal Year ends June 30
- New Fiscal Year begins July 1

*Dates are approximate.
Systems & Data Integration

Systems Directly Used for Budget Management:

- **Financial Management System (FMS)** is the live financial transaction system for procurement and accounting. It also stores, tracks, and controls the approved budget for each department.

- **Adaptive Insights** is the system for developing the annual operating budget to be uploaded to FMS. It also provides reports using data imported from FMS. *Training: Kevin Andreano, X7053.*

Systems that Interface with FMS and Adaptive Insights:

- **Workday - Human Resources System.** Payroll budgets and payroll distributions are fed into FMS from Workday.

- **NEST Student/Banner.** Suite of systems for admissions, student billing, financial aid, and registration. Tuition and fee revenues feed to FMS.
Budget Managers & Department Managers

- VPs and Deans have budget responsibility for their division or college. Each division and college also has a designated budget manager.

- A department manager is an FMS user, responsible for purchasing approval and budget management of one or more specific FMS Department IDs.

- Budget managers and department managers are accountable for financial performance against their budget, and must follow University policies.
Chartfields

- Chartfields enable accountability through financial tracking and reporting. Each budgetary or financial transaction must contain at least the 3 required chartfields below.
- **Fund** chartfield segregates funding sources that have different allowable uses and policies.
- **Department ID** code such as: 2206101-English, designates the department or program. In Adaptive Insights, this is called a **Level**. The first 2 digits indicate the college or division.
- **Account** is used to specify a type of revenue or expense in a transaction, such as 60125-Office Supplies.
**Fund Chartfield**

**Fund** segregates funding sources that have different allowable uses.

- **Fund 10**: Unrestricted tuition and State appropriation for operating.
- **Fund 11**: Auxiliary units such as Residence Life, using student fees.
- **Fund 12**: Self-funded Revenue Centers such as public programs.
- **Fund 13**: Student-paid Course Fees for course materials
- **Fund 14**: Indirect Cost Share for grant F&A overhead
- **Fund 80**: Service centers – Specialized services such as Vivarium
- **Fund 16**: Cost Share grant match of unrestricted fund reallocation.
- **Fund 19**: clearing fund for internal charge-backs
- **Funds 20-23**: restricted grants, sponsored research, scholarships
- **Funds 70**: plant funds for capital projects
- **Fund 90**: Agency - Funds “held for others” such as clubs. *Not* MSU funds. *Contact F&T for further information.*
Budget Call using Adaptive Insights

- MSU uses Adaptive Insights to budget for the next fiscal year, a process called **Budget Call**.

- B&P sets divisional **base budget targets** for Fund 10 and managers may make non-personnel reallocations within their overall target.

- Managers of Funds 11-14 and 80, maintain a self-supporting operation. They forecast revenue and expense budgets that are balanced or that meet pre-determined net income goals.

- B&P reviews proposed budgets, budgets full-time personnel and fringe lines, and makes other adjustments as needed.

- VPs and Deans request “supplemental” budget for new positions, technology, and capital projects, subject to Presidential approval.

- Just prior to July 1, the new fiscal year budgets are uploaded from Adaptive to FMS.

- In July, the BOT reviews and approves the new budget.
Budget Call - Planning Factors

- Projected future enrollment or clients are the key drivers of revenues such as tuition, fees and sales. These factors also drive instructional or program expenses such as adjunct salaries or supplies.
- Prior and current spending patterns help managers predict future spending patterns.
- Planned program enhancements may indicate the need for budget re-allocations or supplemental funding.
• Adaptive Insights has sheets used for entering proposed base budgets, and making supplemental requests.

• **Workflow** tracks which budgets are complete and approved.
Budget Call - Planning in Fund 10

- Fund 10 Department IDs (levels) generally consist of expenses only. Budget one FMS Department ID at a time. Get your target from your division budget manager.

- Unless instructed otherwise by B&P, copy full-time personnel, adjunct, and fringe budgets into your proposed budget for next year. B&P will forecast the negotiated salary increments. Budget managers will then re-balance, as needed.

- For part-time personnel and non-personnel accounts, do not simply copy your base budgets to the next year. Review your actuals and upcoming plans, and re-allocate funds based on where you plan to spend. Run the Adaptive Insights report to make sure the budget is within target.
Budget Call - Funds 11-14 and 80

- First, review prior and current year *actual* revenues.
- Forecast increases or decreases in the drivers that will impact your future *revenues*. For example, will sales go up or down and by how much? What fees will you charge next year?
- Next, budget Personnel *expenses* with projected salary increases. Contact B&P for the estimated % increase.
- Budget for non-personnel costs using prior year as a guide.
- For *revenue centers/fund 12*, budget 20% of total expenses, excluding equipment, as the *indirect cost* charge for University facilities and administrative overhead. Auxiliaries are charged directly for services so do not budget indirect cost.
- Adjust expense budget so as not to exceed revenue budget.
New Program Budget Planning

- Departments seeking approval of a new program should submit a business plan and 3-year budget forecast to their VP or Provost. B&P and the President will also review the plan and budgets. Use the Budget Worksheet available on the B&P website.

- If the program is a revenue center, revenues and expenses must balance or provide surplus. If the program cannot sustain itself through its own earned revenues, the division should request University subsidy.

- If a program has been approved and requires separate accounting, the manager may request a new FMS Department ID using the Chartfield Request form available on the F&T website.
After budgets are approved and the new fiscal year begins, budget managers use Adaptive Insights for variance reports. Data are refreshed weekly with revised budgets, actuals, and encumbrances imported from FMS into Adaptive Insights.

Adaptive Insights reports can be exported to Excel.

Use FMS for real-time actuals and budget availability, procuring goods and services, or investigating invoices.
Adaptive Insights HTML Reports

- B&P uses Adaptive Insights to design **HTML** reports, with selection parameters such as ledger and level, and **roll-ups**.
- Reports can compare budgets and actuals, and prior years.
- HTML reports can be exported to Excel.

<table>
<thead>
<tr>
<th>Levels</th>
<th>Revised Budget</th>
<th>YTD as of May-2016</th>
<th>Actuals</th>
<th>YTD as of May-2946</th>
<th>Pre</th>
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Adaptive Insights Excel Reports

- Certain reports in Adaptive Insights are delivered directly to Excel. Contact Budget & Planning to request custom end-user reports.

<table>
<thead>
<tr>
<th>Account</th>
<th>Budget</th>
<th>Actuals</th>
<th>Pre-Encumbrance</th>
<th>Encumbrance</th>
<th>Available Balance</th>
<th>% Available</th>
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<td>53000 - ADMIN/PROFESSIONAL POOL</td>
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<td>53010 - MANAGERS</td>
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<td>53015 - PROFESSIONAL STAFF</td>
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<td>Total 53000 - ADMIN/PROFESSIONAL POOL</td>
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<td>56000 - PT (NON-INST) STAFF POOL</td>
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<td>55005 - TEMPORARY EMPLOYEES</td>
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<td>55011 - SUPPLEMENTAL PAY - NON-INSTRUCTION</td>
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<td>57000 - STUDENT ASSISTANT POOL</td>
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<td>Total 57000 - STUDENT ASSISTANT POOL</td>
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<td>59000 - FRINGE BENEFIT POOL</td>
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<td>Total 59000 - FRINGE BENEFIT POOL</td>
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<td>Total Personnel</td>
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<td>77,812</td>
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<td>86,740</td>
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<td>60000 - NON-PERSONNEL POOL</td>
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<td>60128 - OTHER SUPPLIES</td>
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<td>60140 - SOFTWARE SUPPLIES</td>
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<td>Total 60100 - MATERIALS SUPPLY POOL</td>
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<td>60400 - POSTAGE AND DELIVERY POOL</td>
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</tbody>
</table>

Montclair State University

Budget Variance Report

Department: 2700101 - SCIENCE & TECHNOLOGY
Date as of: 10/4/2016
Financial Management System (FMS)

- PeopleSoft FMS is the official financial transactional system for MSU and it is updated continuously.
- FMS shows current approved budgets which should be checked for availability before spending. Purchase requisitioning requires sufficient available budget.
- FMS Budget Overview shows budget availability, summarized by account for a particular Department ID.
- The columns depict financials as follows:
  Budget – Actual – Pre-Encumbrance – Encumbrance = Available
- An **pre-encumbrance** is a requisition to make a purchase. It becomes an **encumbrance** when a purchase order is approved. Both are *commitments* to spend actual money in the future, so they reduce the available budget.
FMS Budget Overview

- Provides budget vs. actuals data based on selection criteria for various chartfields such as department, account. Allows drill-down into summarized data to see details.
- See “Avail” column for remaining budget available to spend.

<table>
<thead>
<tr>
<th>Budget Period</th>
<th>Budget</th>
<th>Expense</th>
<th>Pre-Encumbrance</th>
<th>Encumbrance</th>
<th>Available Budget*</th>
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<td>0.000</td>
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<tr>
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<td>0.000</td>
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<td>-900,000</td>
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</tbody>
</table>
Commitment Control is the FMS module that tracks budgets, pre-encumbrances, encumbrances, actuals, and remaining budget. It issues “budget errors” to prevent overspending of remaining budget. See Budget Transfers, p. 26.

Unrestricted budgets are entered to “child” accounts that roll up to a “parent” or pool account. Budgets are checked against the pool total to determine if adequate funds are available for a purchase.
Budget Management

- Department managers are responsible for managing their budgets.
- Fund 10 spending may not exceed the approved expense budget, except for fringe benefits that may exceed budget estimates.
- Self-supporting programs use funds 11-14 and 80. These budgets forecast both revenues and expenses. Managers of Funds 11-14 and 80 budgets cannot merely follow the expense budget as a spending guide. They must also manage spending so it does not exceed actual revenues.
- If total actual revenues are greater than total actual expenses, the Department ID has a surplus.
- In October, managers may request carry-forward budget equivalent to prior year cumulative surplus.
- If expenses are greater than revenues, the Department ID has a deficit and must underspend revenues in the future to eliminate the deficit.
Original (Base) and Revised (Non-Base) Budgets

• **Original Budget** reflects the original budgets imported from Adaptive Insights, as well as any permanent **base** budget transfers made in FMS during the year. This year’s Orig budget becomes next year’s **base budget**.

• **Revised Budget** reflects the combination of original/base budgets plus any temporary non-base budget adjustments to-date. The Budget Overview shows the Revised budget.
Budget Journals & Transfers in FMS

- A **budget journal** is used to increase or decrease a budget. A **budget transfer** is a balanced budget journal, requiring that any budget increase is offset by an equal budget decrease. Budget transfers are used to move budget between departments and/or accounts.

- Budget re-allocations made during the annual Budget Call become the base budget, reducing the need for budget transfers in the new year.

- But once the new fiscal year begins, budget transfers must be made in FMS. Submit to B&P, a **Budget Journal/Transfer Request** form, available on the B&P website. B&P reviews budget transfer requests and enters them in FMS. Most transfers are temporary for the current fiscal year only and will not alter your base budget for the next fiscal year.
Actuals Journals & Transfers

- Handled by Finance & Treasury’s Accounting department, expense/revenue transfer, also called Actuals Transfer, is a journal entry containing debits and credits to move an actual expense or revenue from one department and/or account to another.

- Common reasons for making these transfers are:
  - Service centers that charge-back expenses to service users.
  - Expense or revenue was posted to the wrong chartfield and needs to be corrected.
  - One department reimbursing another.

- Use the Transfer of Expense form available on the F&T website and send it to F&T for review and processing.
Budget & Planning Contacts

• David Josephson, Executive Director, x6956

• Carole Schaffer, Associate Director, x6946
  Liaison to CART, CEHS, CHSS, University Advancement

• Kevin Andreano, Budget Analyst & System Administrator, x7053
  Liaison to Student Development & Campus Life

• Kelly Barros, Budget Analyst, x4293
  Liaison to CSAM, SBUS, Human Resources, Finance, and Facilities

• Deborah Fernbacher, Senior Budget Analyst, x4056
  Liaison to President’s Office, Academic Affairs, Graduate School, Library, OIT

• Maria Wellins, Professional Services Specialist/Admin, x7428