Budgeting at Montclair State University

Overview 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.
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**.

<table>
<thead>
<tr>
<th></th>
<th>FY2015 Budget</th>
<th>FY2015 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40201 - DEPARTMENT FEES</td>
<td>57,073</td>
<td>62,732</td>
</tr>
<tr>
<td>42709 - GIFTS&amp;NON-EXCHG GRAN</td>
<td>10,000</td>
<td>3,926</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>67,073</td>
<td>66,658</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Expense</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50000 - PERSONNEL POOL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>55005 - TEMPORARY EMPLOYEES</td>
<td>13,341</td>
<td>12,584</td>
</tr>
<tr>
<td>57005 - STUDENT EMPLOYEES - UG</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>59810 - FRINGE BENEFITS</td>
<td>1,020</td>
<td>852</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,361</td>
<td>13,436</td>
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<tr>
<td>60000 - NON PERSONNEL POOL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>60125 - OFFICE SUPPLIES</td>
<td>713</td>
<td>242</td>
</tr>
<tr>
<td>60514 - CATERING FOOD &amp; BEVERAGE</td>
<td>29,417</td>
<td>29,417</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30,130</td>
<td>29,659</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td>44,491</td>
<td>43,095</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>22,582</td>
<td>23,563</td>
</tr>
</tbody>
</table>
Office of Budget & Planning

- The Office of Budget & Planning reports to the President and works closely with Finance & Treasury. Duties include:
  - 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 duties are:
  - 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 the Budget Office.
- In June, the Budget Office makes **year-end close** adjustments, such as transfers to capital.

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**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 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 special program fees
- 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. *Contact Finance & Treasury for further information.*
Budget Call using Adaptive Insights

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

- The Budget Office sets divisional **base budget targets** for Fund 10. Divisions 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.

- The Budget Office 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.

- For July 1, 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.
Budget Call - Entry Sheets in Adaptive Insights

- 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 the Budget Office, copy full-time personnel, adjunct, and fringe budgets into your proposed budget for next year. The Budget Office 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 the Budget Office 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. The Budget Office and the President will also review the plan and budgets. Use the *Budget Worksheet* available on the Budget and Planning 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.
Weekly Reporting in Adaptive Insights

- 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

- The Budget Office 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.
Adaptive Insights Excel Reports

- Certain reports in Adaptive Insights are delivered directly to Excel. Contact Budget & Planning to request new reports.
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
- A **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:

<table>
<thead>
<tr>
<th>Budget Period</th>
<th>Budget</th>
<th>Expense</th>
<th>Pre-Encumbrance</th>
<th>Encumbrance</th>
<th>Available Budget*</th>
<th>Pe Av</th>
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<tr>
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<td>-900.000</td>
<td></td>
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</table>
FMS Commitment Control & Budget Pools

- 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 move budget between departments and accounts.

- Budget re-allocations made during the annual Budget Call become the base budget, reducing the need for budget transfers later on.

- Once the new fiscal year begins, budget transfers for that fiscal year must be made in FMS. With appropriate training and security, staff enter transfers directly in FMS and these are reviewed for approval by the department manager and the Budget Office. 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, CHSS, CSAM, University Advancement*

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

- Kelly Barros, Budget Analyst, x4293
  
  *Liaison to CEHS, SBUS, Human Resources, Finance, and Facilities*

- Kevin Andreano, Assistant Director of Data Management, x7053
  
  *Liaison to Student Development & Campus Life*

- Lei Shi, Data Analyst, x6808

- Maria Wellins, Professional Services Specialist/Admin, x7428