Budgeting at Montclair State University
Overview for Budget Managers

March 15, 2023
Introduction

• This presentation is for new budget managers and staff that will be involved in budgeting.

• It provides an overview of budget management concepts, departments, systems, and processes.

• See the **Budget and Planning** website for the complete *Budget Policies and Procedures* manual.

• Staff responsible for budgeting and purchasing must attend training for Workday Financials. Division and college budget managers must attend training for the Adaptive Planning system.
What is a budget?

- A **budget** is the approved plan or forecast of revenues to be earned and expenses to be incurred, for a future specified time frame such as a fiscal year.
- An approved budget is also a spending allowance.
- Whereas the budget is a **plan**, **actuals** reflect **real** data. The calculated difference between them is called a **variance** from budget or **remaining budget**.
Office of Budget and Planning

• The Office of Budget and Planning (aka Budget Office) reports to the President and works closely with Finance and Treasury. Duties include:
  • University’s operating budgets and capital appropriations
  • Oversee the annual budget planning process
  • Provide reporting and analysis
  • Approve budget transfers and re-allocations
  • Manage and recommend budgeting policies
  • Prepare the annual State appropriation request
  • manage the Adaptive Insights system for budget planning
• For resources, go to www.montclair.edu/budget-planning/
Division of Finance and Treasury

• Finance and Treasury reports to the President. Areas of responsibility include:
  • Financial management and Treasury
  • Controller, Accounting, Audit
  • Grants budgeting and accounting
  • Student Accounts (billing)
  • Procurement (purchasing)
  • Investments, debt management
  • Real estate management
  • Risk management

• See www.montclair.edu/finance-and-treasury/ for more information and resources.
MSU Foundation

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

• solicit, receive, hold and manage Gift 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 cost centers in the receipt and use of donor funds.
Budget Managers

- Vice Presidents and Deans have budget responsibility for their division or college. Each has a designated budget manager, with the Workday role: division manager.

- A **cost center manager** is a Workday user, typically a department head, that is responsible for approving purchases and managing their budget.

- Division manager and cost center managers are accountable for financial performance against their budgets, and must follow University policies.
Budget Cycle

• **Budget Call**, the process to develop next year’s budget, begins in March and ends in June.

• The annual operating budget is approved for the duration of a **fiscal year**, July 1 to June 30.

• Budgets are monitored throughout the fiscal year by Division Managers, Cost Center 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 and Data Integration

**Systems Used for Budget Management:**

- **Workday Financials** is the official financial transaction system for procurement and accounting. It also stores approved budgets, and it “budget-checks” transaction amounts against the remaining budget.

- **Adaptive Planning** is the system for developing the annual operating budget, which is then uploaded to Workday Financials. It also provides reports using data imported from Workday.

**Systems that Interface with Workday and Adaptive Insights:**

- **Workday – Human Capital Management (HCM).** Position budgets, payroll distributions, and all HR business processes.

- **Student/Banner.** Systems for student registration and student billing. Feeds tuition and fee revenues to Workday.
Workday Financials and Reporting

• Workday Financials is the official financial transactional system for MSU and it is updated continuously.

• Workday shows current approved budgets which should be checked for availability before spending. Purchase requisitioning requires sufficient available budget.

• The report, Operating Budget Variance (R002), shows budget availability, summarized by account for a particular cost center.

<table>
<thead>
<tr>
<th>Account Description</th>
<th>FY 2023 Report</th>
<th>FY 2023 Actuals</th>
<th>FY 2023 Budget</th>
<th>FY 2023 Committment</th>
<th>FY 2023 Reversed</th>
<th>FY 2023 % Revenue</th>
<th>FY 2023 % Remaining</th>
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</thead>
<tbody>
<tr>
<td>Total Operating Revenue</td>
<td>324,303.00</td>
<td>26,200.00</td>
<td>375,511.38</td>
<td>168,661.88</td>
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<td>324,303.00</td>
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<td>Temporary Personnel</td>
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<td>0.00</td>
<td>(191,281.00)</td>
<td>42,999.00</td>
<td>0.00</td>
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<td>(191,281.00)</td>
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<td>fringe Benefits</td>
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<td>23,483.00</td>
<td>52,764.00</td>
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<td>29,181.00</td>
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<td>Total Personnel Expenses</td>
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<td>29,200.00</td>
<td>375,511.38</td>
<td>168,661.88</td>
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<td>0.00</td>
<td>243,353.00</td>
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<td>553,674.00</td>
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<td>Equipment and Capital Expense</td>
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<td>3,306.00</td>
<td>3,306.00</td>
<td>3,04.70</td>
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<td>Total Non-personal Expenses</td>
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<td>(28,162.00)</td>
<td>1,334,760.60</td>
<td>736,650.15</td>
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<td>Total Operating Expenses</td>
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<td>1,242.35</td>
<td>1,509,208.60</td>
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<td>Net Income</td>
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<td>324,248.35</td>
<td>(1,832,214.00)</td>
<td>(756,414.86)</td>
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<td>0.00</td>
<td>(1,507,965.60)</td>
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Worktags

- Worktags are used in Workday to classify cost centers, revenues and expenses. Worktags enable accountability through financial tracking and reporting. Each budgetary or financial transaction contains a combination of required worktags such as:
  - **Fund** segregates funding sources that have different allowable uses and policies. See next slide for list.
  - **Cost Center** code such as: **CC10118 Psychology**, designates the organization such as a department or program. In Adaptive this is called a **Level**.
  - **Ledger Account** is used to specify a type of revenue or expense such as **70405-Computer Equipment**.
  - **Program** is a NACUBO classification system used for reporting.
  - **Revenue Category** or **Expense Category** classifies at a more granular level than ledger account.
  - **Gift, Grant** or **Project** are only required when those types of funds are being budgeted and spent.
Fund Worktag

Fund segregates funding sources and their allowed uses.

- F10: Unrestricted Operating Fund
- F11: Auxiliary Fund (e.g. residence life, recreation center)
- F12: Self-Supporting Fund (revenue centers)
- F13: Special Program Fees
- F14: Indirect Cost Share (grant F&A overhead)
- F16: Grants Cost Sharing Fund
- F20: Sponsored Awards Fund (grants, sponsored research)
- F30: Financial Aid
- F60: Gifts – Unrestricted Fund
- F61: Gifts – Restricted Fund
- F79: Investment in Plant Fund
- F90: Agency funds “held for others” such as clubs.
Workday Budget Checking

- Workday tracks budgets, actuals, obligations (purchase orders), commitments (requisitions), reserved journals, and the remaining budget.

- Budget-checking stops transactions that exceed the amount of remaining budget. Transactions are budget-checked against the remaining budget in the **ledger account summary** (pool) such as General Operating, Travel, or Advertising and Marketing. This pool is the sum of the ledger accounts that roll up to it.

<table>
<thead>
<tr>
<th>Report run on 12/11/2019 for Period FY 2020 - 06 Dec</th>
<th>Original Budget</th>
<th>Amendments</th>
<th>Revised Budget</th>
<th>Actuals</th>
<th>Obligation</th>
<th>Commitment</th>
<th>Reserved Journals</th>
<th>$ Remaining</th>
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<tbody>
<tr>
<td>General Operating</td>
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<td>(400.00)</td>
<td>14,629.00</td>
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<td>0.00</td>
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<td>200.00</td>
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<td>60101 Materials &amp; Supplies</td>
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<td>(400.00)</td>
<td>1,082.00</td>
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<td>0.00</td>
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<td>200.00</td>
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<td>60201 Rental</td>
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<td>277.00</td>
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<td>60501 Services and Fees</td>
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<td>11,201.00</td>
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<td>0.00</td>
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<td>0.00</td>
<td>11,201.00</td>
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<tr>
<td>Travel</td>
<td>0.00</td>
<td>400.00</td>
<td>400.00</td>
<td>145.00</td>
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<td>62201: Travel - NonStudent- Domestic</td>
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<td>63001: Advertising and Marketing</td>
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<td>1,801.00</td>
</tr>
</tbody>
</table>
Adaptive Planning - Budgeting and Reporting

- Adaptive Planning is a system used during “Budget Call” to collect and review the annual proposed operating budgets before they are loaded to Workday.

- In addition to Workday reports, budget managers can also use Adaptive reports to monitor their budgets. Data are imported weekly from Workday into Adaptive.

- Note: Use Workday reporting for real-time actuals and budget availability, procuring goods and services, or investigating invoices.
Budget Call – Annual Budget Development

• Montclair uses Adaptive Planning to develop the annual budget for the next fiscal year. Known as **Budget Call**, this process begins in early March and ends mid-June.

• Budget Office provides divisional **base budget targets** for Fund F10. Divisions make reallocations within their target.

• Funds F11-F14 are self-supporting. Managers forecast revenue and expense budgets that meet net income goals.

• VPs and Deans request “New Initiatives” funding for new costs.

• Budget Office reviews submissions, and budgets personnel and fringe. Divisions attend budget meetings with the Provost and/or President. Approved budgets for the coming year are loaded from Adaptive to Workday.

• In July, the Board of Trustees 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. Enrollment also drives instructional or program expenses such as faculty and adjunct salaries.

• Prior and current spending patterns help managers predict future spending patterns.

• Shifting resources to address shifting priorities.

• Program enhancements and new programs call for budget re-allocations or new funding.

• Budget Call policies and procedures are shared annually in a separate memo.
New Program Budget Planning

• Departments seeking approval of a new program submit a business plan and 3-year budget forecast to their VP or Provost. Use the *Budget Worksheet for New Programs* available on the Budget and Planning website.

• If the program is a revenue center, revenues and expenses should balance or show a surplus.

• If a program has been approved and requires separate accounting, the manager may request a new cost center worktag using the *Create Request – Cost Center process in Workday*. 
Budget Management

• Cost center managers are responsible for managing to their approved budgets.

• Fund F10 spending may not exceed the approved expense budget, except for fringe benefits.

• Self-supporting programs use funds F11-F14. These budgets forecast both revenues and expenses. Managers keep spending within actual revenues, not the budgeted revenue which was an estimate.

• If expenses exceed revenues, the cost center has a deficit and must underspend future revenues to offset the deficit.

• If total actual revenues are greater than total actual expenses, the revenue center has a surplus.

• In October, self-supporting departments may request carry-forward budget equivalent to prior year cumulative surplus (net assets).
Budget Amendments in Workday

• A **budget amendment** is used to increase or decrease a budget in Workday. Since budget amendments must balance, they are essentially budget *transfers*.

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

• Once the new fiscal year begins, authorized staff enter budget amendments online in Workday and require approval by the cost center manager and the Budget Office. Most amendments are temporary for the current fiscal year only, and will not alter your base budget for the next fiscal year.
Budget Amendment Types

• **Original** budget reflects the original Board approved budgets imported from Adaptive Insights.

• **Permanent** budget amendments are changes to the original budget that will be included in next year’s base budget.

• **Temporary** budget amendments are changes to the original budget during the current fiscal year, and not part of next year’s base budget.

• **Revised Budget** reflects the current budget, after any budget amendments to-date.
Budget Office Contacts

• Kevin Andreano, Acting Director of Budget and Planning x6956
  Liaison to Student Development & Campus Life

• Carole A. Schaffer, Associate Director of Budget and Planning Operations x6946
  Liaison to CART, CSAM, Finance and Treasury, University Communications and Marketing, and University Development

• Nikyia Rogers, Acting Associate Director for Budget Planning and Analysis x6808
  Liaison to Enrollment Management

• Deborah Fernbacher, Senior Budget Analyst x4056
  Liaison to President’s Office, Provost, Graduate School, Library, Office of Information Technology, and University College

• Stephanie Mayer, Budget Analyst x7496
  Liaison to CEHS, CHSS, SBUS, School of Nursing, Human Resources, and University Facilities