

<b>System-wide Policy:</b>	
<b>FI0112 - Budgeting Current Unrestricted Funds</b>	
<b>Version: 1</b>	<b>Effective Date: 10/01/2017</b>

## FI0112 – Budgeting Current Unrestricted Funds

### Topics:

<a href="#">Budgeting Current Unrestricted Funds</a>	<a href="#">Budget Revisions</a>
<a href="#">General Budget Procedures</a>	<a href="#">Procedures</a>
<a href="#">Roles and Responsibilities</a>	<a href="#">Contact</a>
<a href="#">Salary Budgets</a>	

### Objective:

To provide policies and procedures relating to budgets and budgetary control of current unrestricted funds.

### Policy:

#### Budgeting Current Unrestricted Funds

1. The annual operating budget for Current Unrestricted Funds is the approved formal plan for financing the university's academic and support programs for the fiscal year beginning July 1 and ending June 30 of each year. It is the policy of the university that the annual operating budget shall:
  - a. Be developed according to university bylaws and guidelines established by the university's Board of Trustees;
  - b. Allocate resources according to established plans and priorities;
  - c. Comply with applicable state policies and procedures that govern appropriations requests, reporting requirements, state budget hearings, and appropriations legislation; and
  - d. Ensure that authorized spending levels are within available resources.

Current Unrestricted Funds include two major fund groups: Unrestricted Educational and General (E&G) Funds and Unrestricted Auxiliary Funds.

<b>System-wide Policy:</b>	
<b>FI0112 - Budgeting Current Unrestricted Funds</b>	
<b>Version: 1</b>	<b>Effective Date: 10/01/2017</b>

a. Unrestricted Educational and General (E&G) Fund revenues include state appropriations, tuition and fees, unrestricted facilities and administration recoveries from grants and contracts, and other revenues that may be allocated to fund general university operations. These revenues support expenditures in the following functional areas: Instruction, Research, Public Service, Academic Support, Student Services, Institutional Support, Operation & Maintenance of Physical Plant, Scholarships & Fellowships, and Mandatory and Non-Mandatory Transfers.

b. Unrestricted Auxiliary Fund revenues include fee revenues used to support the university's self-funded operations such as housing, dining, bookstores, parking services, and UTK athletics.

The annual operating budgets for each of these fund groups must be balanced and within available resources.

### General Budget Procedures

2. The annual budget cycle includes the following milestones:
  - a. The annual request for state appropriations;
  - b. Proposed Budget development and approval;
  - c. Implementation of the approved budget (Original Budget);
  - d. Revised Budget development and approval;
  - e. Probable Budget development;
  - f. Fiscal Year Closing (Final Budget).

### Request for State Appropriations

The university's annual request for state appropriations is made to the Tennessee Higher Education Commission (THEC) in September. It includes detailed statistics on student progression, facilities, utilities expenditures, and other aspects of university operations that THEC uses to develop recommendations for the university's formula units: UT Chattanooga, UT

<b>System-wide Policy:</b>	
<b>FI0112 - Budgeting Current Unrestricted Funds</b>	
<b>Version: 1</b>	<b>Effective Date: 10/01/2017</b>

Knoxville, and UT Martin. Appropriations recommendations for these campuses are determined by the state's funding formula and do not include funding requests for specific programs. The funding formula does not apply to the university's non-formula units: UT Space Institute, UT Health Science Center, UT Institute of Agriculture, UT Institute for Public Service, and UT System Administration. Funding requests for non-formula units are presented in the form of proposals for specific programs and initiatives. The non-formula requests shall be approved by the President and Board of Trustees. The Board of Trustees may approve the request retroactively at its fall meeting to facilitate meeting THEC's September deadline.

Tennessee law (PC 538) prohibits University of Tennessee employees from advancing state funding requests without the knowledge of the President of the university (for more information see <http://tennessee.edu/govrelations/contact/index.html>).

### **Proposed Budget**

Formal development of the Proposed Budget (IRIS budget version X01) begins after the Governor's proposed budget is published in late January or February. Each university unit shall establish policies and procedures consistent with general university-wide budget guidelines. These typically involve meetings and budget hearings that engage broad participation among faculty, staff, students, and other constituencies. Detailed budgets are developed for hundreds of departments; consolidated into a budget for the entire university; and subjected to detailed analyses, review, and approval. The CFO or designee shall present a proposed budget to the Board of Trustees for review and approval before the beginning of each fiscal year. It is customary to present this proposal at the June meeting after the General Assembly has enacted the appropriations bill for the upcoming fiscal year.

<b>System-wide Policy:</b> <b>FI0112 - Budgeting Current Unrestricted Funds</b>	
<b>Version: 1</b>	<b>Effective Date: 10/01/2017</b>

### **Original Budget**

The Original Budget, effective on the first day of each fiscal year, shall be approved by the Board of Trustees, typically, at its June meeting. In most years, the Proposed Budget is simply copied in the university's budget system as the Original Budget (IRIS budget version VO1). Occasionally the Board of Trustees approved budget is different from the Proposed Budget. These differences are reflected in the Original Budget if time allows. They may be included in the Revised Budget if it is not feasible to make the revisions in the university's budget system before July 1.

### **Revised Budget**

The university administration shall submit a Revised Budget to the Board of Trustees for review and approval reflecting revisions made through the end of the first quarter of the fiscal year. The proposed revisions must be made in accordance with guidelines for mid-year budget adjustments included in the Original Budget document approved by the Board of Trustees. The Revised Budget (IRIS budget version V03) includes adjustments made to show:

- a. Actual net asset balances as the budget's beginning balance (the Original Budget is implemented before the close of the previous fiscal year and is based on budgeted beginning balances);
- b. Changes to state appropriations that are typically issued by the state in September; and
- c. Material changes to operating plans, organizational structure, revenue projections, or fixed costs made after July 1.

The Revised Budget is submitted to THEC in November and acted on by the Board of Trustees retroactively at its winter meeting.

<b>System-wide Policy:</b> <b>FI0112 - Budgeting Current Unrestricted Funds</b>	
<b>Version: 1</b>	<b>Effective Date: 10/01/2017</b>

### **Probable Budget**

The Probable Budget (IRIS budget version V04) reflects revisions made through the end of the third quarter of the fiscal year. Revisions included in the Probable Budget shall be made in accordance with guidelines for mid-year adjustments approved by the Board of Trustees at its winter meeting. The probable budget is not subject to Board of Trustee approval.

### **Fiscal Year Closing**

It is the policy of the University of Tennessee that all revenues, disbursements, and encumbrances are recorded in the proper fiscal year. The Controller's Office issues detailed year-end closing procedures and schedules to campus/institute Chief Business Officers a few weeks before June 30, the final day of each fiscal year. Final financial transactions and budget entries are typically complete by mid-August. Some budget entries are needed during the year-end process to ensure that the Final Budget (IRIS budget version 0) accurately reflects all funding allocations. Revisions included in the Final Budget shall be made in accordance with guidelines for mid-year adjustments approved by the Board of Trustees at its winter meeting. Final budget entries made solely to avoid budget variances are discouraged.

### **Roles and Responsibilities**

3. The Bylaws of the University of Tennessee assigns specific budgetary responsibilities to the full Board of Trustees, Finance and Administration Committee of the Board, President, Chancellors, and Chief Financial Officer of the university. University policy also assigns important responsibilities to the System Budget Office; campus and institute Chief Business Officers; Deans, Directors, and Department Heads; and certain departmental staff such as budget directors and business managers.

<b>System-wide Policy:</b> <b>FI0112 - Budgeting Current Unrestricted Funds</b>	
<b>Version: 1</b>	<b>Effective Date: 10/01/2017</b>

### **Board of Trustees**

The university Board of Trustees has full and complete control over the financial affairs of the university and its constituent parts. The Board of Trustees approves guidelines governing the university administration's submission of a proposed annual operating budget and appropriations request to state agencies and officials. The Board of Trustees approves the final operating and capital outlay budgets for the next fiscal year at its June meeting after the General Assembly has enacted annual appropriations for the university. It approves the university's annual appropriations request at its fall meeting and the revised budget at its winter meeting.

### **Board of Trustees Finance and Administration Committee**

The Finance and Administration Committee shall formulate policies and recommend their adoption by the Board of Trustees in all matters relating to finance, business and administration including:

- a. Guidelines governing the university administration's submission of a proposed annual operating budget and appropriations request to state agencies and officials;
- b. The operating and capital outlay budgets for the next fiscal year, including proposed tuition and fee rates, at the June meeting;
- c. The annual appropriations request presented at the fall meeting; and
- d. The revised budget presented at the winter meeting.

### **President**

The president has ultimate responsibility for leading the university financially including:

- a. Preparation of the university budget and its presentation to the Tennessee Higher Education Commission (THEC), the Governor and the Department

<b>System-wide Policy:</b>	
<b>FI0112 - Budgeting Current Unrestricted Funds</b>	
<b>Version: 1</b>	<b>Effective Date: 10/01/2017</b>

of Finance and Administration, the General Assembly, and the Board of Trustees; and

- b. Exercising ultimate control over the budgets of all parts of the university including approval of all major budgetary revisions.

### **Chief Financial Officer**

The Chief Financial Officer (CFO) of the university supports the president by providing leadership to the university's financial operations and developing the university's annual appropriations request, proposed operating and capital outlay budgets, and annual revised budget. All staff vice presidents with responsibility for budget, finance, capital projects, or other financial matters shall act under the direction of and be directly responsible to the CFO.

### **System Budget Office**

The System Budget Office coordinates technical aspects of the university's ongoing budgetary processes and procedures under the direction of the CFO. This includes issuing guidelines, schedules, and budgetary control numbers to campus and institute business officers; developing the university's annual appropriations request, proposed budget document, and revised budget document; preparing detailed budget analyses required by THEC and other state agencies; reconciling detailed appropriations schedules from the Department of Finance and Administration to university budget records; preparing campus tuition and fee recommendations for presidential review and Board of Trustees action; and conducting a wide range of financial analyses for university leadership.

### **Chancellors and Vice President for Public Service**

The Chancellors and Vice President of Public Service are the chief operating officers of their respective units and are fully responsible for administration and management of the unit, subject to the general supervision of the president.

<b>System-wide Policy:</b>	
<b>FI0112 - Budgeting Current Unrestricted Funds</b>	
<b>Version: 1</b>	<b>Effective Date: 10/01/2017</b>

They have the responsibility for leading their respective units financially, exercising control over the budgets of all parts of their respective units including approval of all major budgetary revisions. They work with the president to develop the university's overall budget and priorities.

### **Chief Business Officers**

Each campus and institute has a Chief Business Officer (CBO) supporting the Chancellor or Vice President of Public Service in the same way that the CFO supports the president. The CBOs provide leadership to the financial operations of their respective units including development of annual appropriations requests, proposed budgets, and revised budgets. CBOs coordinate campus and institute budget hearings, work with the CFO to develop overall university budget requests and proposals, direct business office interactions with unit departments and the System Budget Office, and provide analyses and decision support to campus and institute leadership. Chancellors and the Vice President of Public Service may delegate all or part of these responsibilities to staff or units within their organization at their discretion.

### **Deans, Directors, and Department Heads**

Deans, Directors, and Department Heads are fully responsible for the administration and management of their units, including oversight of all departmental funds (see [FI0110 - Budgets](#)). All departments shall establish processes consistent with campus/institute policies and procedures to periodically review departmental budgets and take corrective actions when needed. Departments shall participate in campus/institute financial planning and budget development as directed by campus/institute administration.

### **Salary Budgets**

4. The university uses a salary budget process based on the concept of position control. Recurring unrestricted fund salary budgets shall be based on salaries

<b>System-wide Policy:</b> <b>FI0112 - Budgeting Current Unrestricted Funds</b>	
<b>Version: 1</b>	<b>Effective Date: 10/01/2017</b>

approved for each authorized position. This ensures that the amounts budgeted for salaries in each department reflect what is needed for authorized staffing levels at current rates of compensation.

### **Salary Budget Process**

Each authorized position has a unique budget that typically corresponds to the actual annual salary of the current jobholder. Exceptions to this general rule must be approved and managed by the unit's central business office through the university's salary budget system. This system synchronizes position-level salary budgets with employee-level payroll records, allows for exceptions where payroll records do not reflect authorized levels of funding, and performs reconciliations to verify each cost center's salary budget.

### **Salary Budget Reconciliation**

Recurring unrestricted fund salary budgets must be reconciled to position-level salary budgets twice each year: Proposed Budget (IRIS budget version X01) and Revised Budget (IRIS budget version V03). The reconciliation process is supported by the IRIS salary budget system. Each campus/institute shall establish its own salary budget reconciliation procedures consistent with overall guidelines provided each year by the System Budget Office. Due to the technical challenges inherent in synchronizing salary budgets for thousands of positions and hundreds of cost centers, the System Budget Office may allow exceptions for minor variances from time to time. (Detailed instructions on the IRIS Salary Budget system can be found at <https://irishelp.tennessee.edu/gm/folder-1.11.14846> )

### **Budget Revisions**

5. Budget revisions may be made at any time during the fiscal year. These are reflected in the Current Budget (IRIS budget version 0), which changes constantly as budget revisions are processed through the university's official budget system. All budget revisions must:

<b>System-wide Policy:</b> <b>FI0112 - Budgeting Current Unrestricted Funds</b>	
<b>Version: 1</b>	<b>Effective Date: 10/01/2017</b>

- a. Adhere to current guidelines for budget adjustments approved by the Board of Trustees (usually included in the most recent budget document);
- b. Follow campus/institute procedures for review and approval; and
- c. Ensure that all budgets remain balanced and within available resources.

### **Departmental Budget Revisions**

Departments may request budget revisions during the fiscal year to make the best use of departmental funds. Examples include:

- d. Adjusting budget allocations among commitment items within the same cost center/fund (e.g., transferring \$5,000 from Travel to Supplies);
- e. Transferring a budget surplus from an undercommitted cost center/fund to one that is overcommitted;
- f. Allocating non-recurring funds to a specific use or project, such as using F&A recoveries to fund a faculty start-up cost center/fund;
- g. Establishing a budget for a new activity;
- h. Responding to unanticipated changes in funding, costs, operations, or strategy.

All budget revisions must be approved by the appropriate Chief Business Officer or designee. Each campus/institute shall establish budget revision procedures best suited to its organization and operations. Depending on campus/institute procedures, departments may request budget revisions through IRIS workflow using IRIS transaction ZFMBB (Unrestricted Funds Budget Change - Department), Request for Budget Revision Form T-15, or other methods as described in campus/institute procedures. (Budget revisions for restricted fund budgets can be made using Restricted Budget Form T-1 as described in [FI0205 - Sponsored Projects.](#))

<b>System-wide Policy:</b> <b>FI0112 - Budgeting Current Unrestricted Funds</b>	
<b>Version: 1</b>	<b>Effective Date: 10/01/2017</b>

### **Centrally-Managed Budget Revisions**

Chief Business Officers and their designees have the authority to revise departmental budgets directly to facilitate approved campus/institute-wide budget plans and funding mechanisms. Examples include:

- i. State-funded benefits adjustments
- j. Across-the-board budget reductions
- k. Salary plans
- l. Allocating funds from centrally-managed funding pools (such as staff benefits)
- m. Allocating non-recurring reserves to departmental expense budgets.
- n. Establishing July 1 proposed and original cost center budgets (IRIS budget versions X01 and V01).

### **PROCEDURES:**

To view links to campus policies and procedures, click here:

<https://policy.tennessee.edu/campus-policies-procedures/>

### **FOR MORE INFORMATION**

Ron Loewen (865) 974-2243 [ron.loewen@tennessee.edu](mailto:ron.loewen@tennessee.edu)