COUNTY COLLEGE OF MORRIS
Business and Finance Division Procedures

Subject: THE BUDGET PROCESS	**Page:** 02.03.01
	Date: Rev. 9/7/2023

General

The budget expresses in financial terms the institution's plan for following its mission and meeting specific planning objectives. Specifically, the CCM budget process is designed to accomplish the following:

- Resources allocated based upon the College's mission, goals, and strategic planning initiatives.
- Effective financial planning and analyses.
- Allow flexibility while enhancing internal controls.
- Empower individual cost center managers.
- Promote ownership and responsibility for the use of financial resources.
- Promote creative and innovative delivery of programs and services.
- Encourage cooperation among cost center managers and across divisions.

The Budget Office coordinates budget activities among operating units, works with the planning staff of constituent groups, develops the schedule for preparation and implementation of the budget, coordinates the database for budgeting, prepares the budget for presentation to the governing board, and is responsible for developing and implementing a system of budget control and analyses.

Authority

CCM Finance and Budget Committee
President
Executive Vice President for Business and Finance

Responsibility

Executive Vice President for Business and Finance
Budget and Compliance Manager

Procedure

1. Developing the Operational Budget

Overview

A. Determination and communication of budget guidelines.
B. Estimation of revenues and expenditures.
C. Preparation and development of preliminary budget requests.
D. Internal budget hearings with cost center managers.
E. Presentation of the budget to the governing board and adoption of the institutional budget.
F. Summary.
G. Special conditions affecting the budget process.

A. Budget Guidelines

Budget guidelines influence preparation of the budget and indicate the institution's position on such items as salaries and wages, benefit rates, tuition rates, program enhancements, contractual services, and implementation of new programs.

B. Estimation of Revenues and Expenditures

1) State aid is based on a specific funding formula (utilizing fundable FTE enrollment and performance based funding criteria from the prior year), the Governor, and legislature.

2) County contribution is estimated with the realization that such support ultimately depends on actions of the Board of School Estimate and Board of Chosen Freeholders.

3) Tuition is based on projected credit and non-credit enrollment, Board of Trustees approved tuition rate, and guidelines established by the State of New Jersey.

4) Miscellaneous income is extrapolated based on past and current trends.

5) Estimates of revenues for auxiliary enterprises (Bookstore and Food Service) are based on enrollments and past experience in the operations of these units. The manager prepares a budget in accordance with the regular budget process.

6) Estimates of revenues for Student Activities, and other special fund activities, are based on enrollment and other appropriate factors. The manager of each activity prepares a budget in accordance with the regular budget process.

7) In estimating expenditures, general goals and objectives established in the strategic plan and specific instructions of the President for developing the annual budget should guide Vice Presidents, department heads, and others in preparing budget requests.

   Consideration must be given to the effect of policies governing salaries, promotions, and fluctuating cost of employee benefits, and other expenses. Guidelines such as student-faculty ratios, class size, teaching loads, and staff patterns may also aid in estimating department expenditures. Additional consideration must be given to matching grant requirements and financial commitments upon grant termination.

   The annual operating budget should provide for contingencies. The amount in contingency accounts depends on available resources, past experience, and extent of economic and other uncertainties at the time the budget is prepared. If resources are insufficient to accomplish objectives of the strategic plan, the base of support must be increased or the plan must be cut back. Authority for assigning contingency funds is vested with the Board, President, Vice Presidents, Deans, and department heads.

8) Because of the significance of sponsored programs (grants and contracts), separate estimates are made for revenue and expenditures related to them. The magnitude of these programs affects other resources, such personnel and both equipment and facility utilization. Budgets for grants and contracts are adjusted during the year as new projects are undertaken and others are terminated. The use of these funds is restricted by the grantor. Matching funds, direct and indirect, must be budgeted appropriately.

9) When revenue has been estimated and expenditure guidelines have been determined, it is possible to provide Vice Presidents and other administrative officers with a predetermined amount that their budget requests should not exceed. Prior to formal preparation of the budget, a set of budget guidelines is distributed to operating units of the college. Based on these guidelines, each unit prepares an expenditure budget request that includes justification for each line item in the request.

C. <u>Preparation and Development of Preliminary Budget Requests</u>

1) Before forms are distributed, allocations are made to department heads and others. Future strategic planning initiatives, enrollment trends and historical data should be closely reviewed by executive cost center managers before making divisional and/or departmental allocations.

2) Preparation of unit budget requests involves the use of standardized forms. Budget request forms reflect six major object classifications - salaries and wages, benefits and other personnel costs, contractual services, materials and supplies, minor capital, and contingency. Supporting schedules prepared in development of the budget assign amounts for subordinate object categories within major classifications. For example, salaries and wages are sub-divided into separate amounts for management and professional, support staff, and part-time employees. Minor object classifications such as travel, telephone, postage, and printing are detailed under the major classification of contractual services.

   Such subordinate categories are used for management information, with budget controls applying to all major object classifications and minor classifications.

3) Departmental budget requests are tabulated in summary form to show totals within each major object code classification. These summary reports permit the review of departmental budget requests with minimal effort.

4) Upon completion, departmental budgets are submitted to the appropriate Cost Center Manager (Executive Director, Dean or Vice President). Budget meetings should be held with each department head for individual budget review and adjustments. After individual department review and adjustments, the Dean/Executive Director will conduct a divisional meeting to review the division's budget and make any additional adjustments, if necessary, prior to submission to the executive cost center manager.

5) After the budget has been discussed with key personnel from operating units, a preliminary institutional budget, based on requests by each budget unit, is prepared by the budget office.

D. Internal Budget Hearings with Cost Center Managers

After budget requests have been prepared, internal budget hearings are initiated between the President and Vice Presidents, and Executive Directors. During these discussions, questions concerning funding for strategic planning initiatives, program efficiency and the need for adequate program resources are reviewed and addressed by the executive cost center managers (Cabinet). If budget cuts are envisioned, these discussions may require a more detailed review of each unit's performance.

E. Presentation of the Budget to the Governing Boards and Adoption of the Institutional Budget

1) Presentation of the budget to the governing boards includes a comparison of the proposed budget with budgets of previous years, explanation of major changes, funding for strategic planning initiatives, and descriptions of programs added or eliminated.

2) Once the governing boards have approved the budget, a copy of each unit's approved budget is sent to the unit head. Copies of the approved budget are also sent to appropriate administrative officers.

F. Summary

1) Budget development is a participatory process.

2) Issuance of budget guidelines comes from the top down.

3) Preparation of budget requests for each department, however, comes from the bottom up.

4) Budget submittals must be linked to strategic planning initiatives.

5) Auxiliary, student activities, grants, and other special fund revenue and expense budgets must be developed through the regular budget process.

6) Requirements for matching grants and/or assuming programs upon grant termination must be included in the budget.

7) Budget hearings ensure good communication.

8) The Budget Office assists all units during budget preparation.

9) The Budget Office reviews all budgets for compliance and compiles the institutional budget.

10) Budgets are thoroughly reviewed before submission to the governing board.

11) Contingency planning and budgeting is the responsibility of unit, department, division and executive-level cost center managers.

G. Special Conditions Affecting the Budget Process

Special conditions must be considered in the development and implementation of the budget.

Unanticipated shortfalls in revenues or expenditure increases can force the institution to make mid-period reductions in previously approved budgets. If the college is forced to reduce its budget, it must deal with the issue of whether to make proportionate reductions in all units or make selected reductions in certain areas. Institutions that make across-the-board or proportional adjustments to all units feel that this has the effect of treating all units equally. However, proportional adjustments may impair the future vitality of an institution by reducing support to strong as well as to weak units. To avoid this situation, budget adjustments should be based on program and college-wide priorities. In this strategy, programs are evaluated on their operational costs relative to their contribution to objectives of the institution.

External reporting requirements also affect the budget process. Budget procedures for public institutions differ from independent institutions because of requirements of external funding agencies. Timing and flexibility of budget procedures, for example, can be affected by the need to supply workload and enrollment data in support of budget requests. Data may also be requested on a regular basis throughout the budget cycle. As a result, the timing involved in the budget process for a public institution such as CCM can become critical, with the Budget Office involved not only with budgets for the current fiscal period, but also with budgets for the most recent and upcoming fiscal periods.

2. Budget Control

Overview

A. Purpose and responsibility for budget control
B. Budget reports
C. Budget and accounting
D. Budget revisions
E. Summary

A. Purpose and Responsibility for Budget Control

1) An essential element of budgeting is the establishment of effective budget control. Without adequate controls, the utility of a budget is substantially reduced. A principal purpose of budget control is to ensure that expenditures do not exceed revenues or deviate significantly from policy.

2) The budget office and chief business officer have responsibility for overall budget control within the institution, including responsibility to call attention to major departures from budget allocations and to take appropriate follow-up action. Executive and departmental cost center managers, however, have primary responsibility for control of expenditures within their budget unit and must ensure that appointment of personnel and salaries involved do not exceed budget allocations. In addition, other expenditures, such as supplies and equipment should not exceed amounts allocated for these purposes. Cost center managers must also plan expenditures for their units so that allocations will last through the entire fiscal year.

3) In exercising budget control, some type of position control is essential. This involves the Budget Office's review of all requests to fill vacant positions or adjust salaries to determine the availability of funds.

B. Budget Reports

Budget control is normally implemented at the institutional level through the use of budget reports. There are two levels of budget reporting. One is at the department level and the other is at the institutional level. Online reports are available to all cost center managers to review up-to-date budget and expenditures for their programs. In addition, reports comparing actual expenditures to authorized budgets are prepared monthly and sent to individual cost center managers. At the institutional level, a report of operations and variance analysis is prepared at least monthly. Variance is defined as the difference between planned and actual performance.

C. Budget and Accounting

The utility of the budget as a management and control device is lost if budget controls are not an integral part of the accounting system. Integration of budgetary control within the accounting system ensures fiscal integrity.

D. Budget Revisions

The budget is a dynamic financial plan which consists of a series of estimates, many of which are prepared months in advance of the fiscal period to which they relate. Since conditions change with the passage of time, there should be continuous review of data on which budget estimates are based. The budget should be revised periodically so that it always represents an up-to-date estimate of revenues and expenditures.

Assignment of responsibility, designation of authority, and procedures for budget revisions should be documented and approved by the Board of Trustees. The policy should provide flexibility consistent with the responsibility of various cost center managers.

Revised estimates of revenues should be initiated by the same office responsible for the original estimates, and should be subjected to the same general procedure of review before they are approved.

Requests for revised expenditure allocations will usually be initiated at the department level and reviewed by respective Deans/Executive Director, Vice Presidents, and the Executive Vice President for Business and Finance before implementation. If amounts are within the total of a cost center's account or accounts, in the approved budget, an executive officer usually has authority to approve such requests. However, if amounts involved are large enough to change the anticipated results of the original budget, the President and/or Board of Trustees should give formal approval. Budget supplements and transfers will be in writing, with appropriate justification and administrative approvals. Please refer to Budget Change Request Procedure for additional information on budget revisions.

The integrity of the budget process requires that all foreseeable expenditure needs compete in the same process at the same time. To avoid circumventing the budget process, it is desirable that those budget requests that could have been anticipated in the original budget be deferred, if possible, to the next budget cycle where they can compete with alternative resource needs.

E. <u>Summary</u>

1) Budgetary control is important to ensure that expenditures do not exceed revenues or deviate significantly from policy.

2) Cost center managers are responsible for planning expenditures to ensure that budget allocations will last the entire fiscal year.

3) The Budget Office must review all requests to fill, promote or adjust the salary of a position to determine if adequate funds are available.

4) The budget is a dynamic financial plan that requires continuous review and revision to reflect an up-to-date estimate of revenues and expenditures.

3. Post Performance Review

Post performance review involves critical analysis of a completed budget period and focuses on the following elements:

A. Budget versus actual expenditures and revenues.
B. Evaluation of budget revisions.

C. Achievement of goals and objectives.

The results of the post performance review should be summarized and presented to the President and, ultimately, the Board of Trustees. These results are often useful in developing subsequent budgets and other plans.

A. <u>Budget Versus Actual Expenditures and Revenues</u>

The purpose of reviewing budgeted versus actual expenditures and revenues is to examine the areas in which variances from the budget occurred and to determine the reasons for these variances. This information can be useful is assessing financial estimates contained in the institution's planning documents and in making more realistic budget estimates for subsequent budget periods. All analyses of variances between budgeted and actual amounts also encourage institutional managers to assess the consequences of either underestimating or overestimating revenues and expenditures. For example, if enrollment estimates and tuition revenue exceed the projected level, the result can be overcrowded classes and a strain on support services. Conversely, if enrollment is below the projected level and tuition revenue is overestimated, this can result in the hiring of unnecessary personnel and operating costs in excess of revenues.

Variances in institutional expenditures may also result from unrealistic budget estimates. Favorable variances can mean that a budget unit was able to reduce its costs by operating more efficiently, or that the unit was unable to achieve some of the goals set for it at the start of the budget period.

Unfavorable variances occur when expenditures exceed budgeted amounts. If the budget is not balanced by the addition of new revenue, the institution will run a deficit for the year. Good planning and budgeting, therefore, require that all budget variations be analyzed and that this analysis be used in developing subsequent plans and budgets.

B. <u>Evaluation of Budget Revisions</u>

During the budget period, a number of revisions may have been necessary to adjust the budget for changes in actual expenditure patterns and meeting unanticipated needs. As part of the budget review, it is useful to examine the rationale underlying these revisions and to assess their effect on subsequent institutional plans and budgets.

There may be good reasons underlying budget revisions, however it is important that they be substantiated, since they can affect the way in which future budgets are constructed. In a similar manner, a revision occurring during one budget period, such as the establishment of a new position, can result in a recurring commitment of funds in future budgets. A review of budget revisions can, therefore, yield valuable information for developing future plans and budgets.

C. Achievement of Goals

Another aspect of budget review attempts to ascertain whether goals set for the institution and each of its cost centers were achieved during the budget period. Estimates of institutional revenues and expenditures should be compared to actuals and an analysis made of reasons for significant variations. An examination should be conducted to determine whether goals, such as provisions for certain types and level of services, were achieved. If a unit, for example, had anticipated generating a certain number of student credit hours and fell short of this goal, an analysis of factors underlying this discrepancy could be useful in developing future plans and budgets.

If the college has developed a contingency fund for dealing with emergencies, it is useful to examine the extent to which this fund was used. If the fund was inadequate to meet contingencies, additional funds may need to be budgeted for future periods. If the contingency fund is relatively untouched, it may be more productive to use a portion of the fund for other purposes.

Though most institutions have methods for developing the budget, and nearly all have a procedure for implementing the budget, few have a formal procedure for reviewing or auditing performance of the budget. However, such review is essential since it provides important information for the planning and budgeting process.

4. Budget Structure

The budget structure is designed to enhance the CCM budget process to achieve the following objectives:

A. Properly allocate expenses to departments based upon projected enrollment, service levels and strategic planning initiatives.
B. Make the budget process and management more credible and flexible.
C. Provide department heads, Deans, Executive Director and Vice Presidents with more budget authority and responsibility.
D. Provide object codes that accurately track revenues and expenditures.
E. Structure the educational and general budget in accordance with National Association of College and University Business Officers (NACUBO) functional areas as follows:

1 – Instruction
2 – Academic support
3 – Public service
4 – Scholarships & loans
5 – Student services
7 – Institutional support
8 – Plant
9 – Transfers

The CCM chart of accounts and object codes have been reviewed and restructured appropriately. Account numbers identify fund, source, function, division, department, GL class type, and object code. Object of expenditures are classified within the following categories:

9100 – Salaries and wages
9200 – Benefits and other personnel costs
9300 – Contractual services
9400 – Materials and supplies
9500 – Minor capital
9600 – Contingency
9700 – Loan expenditures

CCM object codes are continuously reviewed, revised and expanded as appropriate, to provide the desired level of budget and descriptive detail within the five expenditure categories. For example, management salaries have a separate object code under salaries and wages. The following example represents the President's Office (01-07130-9110):

Fund	01	=	Education and general
Source	0	=	CCM or Self-funded
Function	7	=	Institutional support
Division	1	=	Executive Management
Department	30	=	President
GL Class Type	9	=	Expense
Object Code	110	=	Management Salaries

It is important that the chart of accounts and object codes meet the needs of the college community. Sufficient flexibility is available per category for expansion. All object codes can be used in any department budget, with a few exceptions.

Please refer to County College of Morris chart of accounts (Business & Finance Procedure 02.02) for complete listing of all accounts, as well as additional information on established account numbers and object codes.

The next step is to define budget policy and process to achieve the following objectives:

- Link the budgeting process with strategic planning initiatives.
- Develop integrity in the budget process by building realistic budgets.
- Hold cost center managers responsible for managing their budget.
- Provide cost center managers incentive to be cost effective by allowing greater budget authority and flexibility.
- Provide transparency.
- Provide useful financial information.
- Budget expenses appropriately.
- Provide effective budgetary control at the department, division, and institutional levels.
- Enhance institutional fiscal operations.

5. Budget Process

A. Establish Revenue Parameters

1) The Vice President for Marketing, Public Relations & Enrollment Management develops enrollment projections.

2) Business and Finance develops revenue parameters taking into consideration the enrollment projections, tuition and fee rates, projected State and County operational funding, as well as other revenue streams.

3) The Finance & Budget Committee of the Board of Trustees approves revenue projections, which establish expenditure budget parameters.

B. Establish Executive Budget Priorities

1) The College's strategic planning documents identify priorities.

2) Board of Trustees identifies issues and priorities.

3) The President identifies additional issues and priorities.

C. Presidential Budget Allocation

1) President makes aggregate allocations to the following executive cost centers:
   - Academic Affairs, Workforce Development & Student Success Division
   - Business & Finance
   - CCM Foundation
   - Diversity, Equity & Inclusion
   - Executive Management
   - Human Resources
   - Information Systems & Institutional Effectiveness
   - Marketing, Public Relations & Enrollment Management

2) President conveys budget allocation, policy and priorities to individual executive cost center managers, which include the following:

   - Strategic planning initiatives.
   - Total budget allocation for each executive cost center.
   - Priorities and issues which must be addressed in each executive cost center budget.
   - Instructions to commence the operational budget process.

D. Executive Vice President for Business and Finance meets with executive cost center managers and distributes budget "packages." Executive cost center managers develop budgets within parameters established by the President.

1) The following documents are included in the budget package:

- Strategic planning initiatives.
- Institutional goals and objectives.
- Executive budgetary control form.
- Divisional budgetary control form.
- Departmental budgetary control form.
- A budget worksheet for each object code classification.
- Budget forms for detail justification of all categories of expense.
- The Budget Preparation Manual.
- Creation of new positions.
- List of positions, personnel, and current plus projected salaries.
- Schedule for budget development and submittal deadlines.
- Instructions for preparing and submitting the budget.
- Information about projected cost increases, i.e., postage, telephone, minor capital, etc.

E. Executive cost center managers make aggregate allocation to their divisional dean and/or departmental cost center managers. Deans make aggregate allocations to their departmental cost center managers. Departmental cost center managers develop budgets within parameters established by the executive and/or divisional cost center managers, using the information included in budget package and other information provided by respective divisional deans/executive cost center managers.

F. Cost center managers should consult with the Budget Office during budget development for assistance.

G. Upon completion, departmental budgets are submitted to the appropriate cost center manager (Executive Directors, Dean or Vice President). Budget meetings should be held with each department head for individual budget review and adjustment. After individual department review and adjustments, the Dean/Executive Director will conduct a divisional meeting to make adjustments, if necessary, prior to submission to the executive cost center manager.

H. Divisional/departmental budgets are submitted to the executive cost center manager.

- Executive cost center manager reviews department budgets with individual deans and/or department heads and directs adjustments as appropriate.
- Executive cost center manager conducts divisional meeting to review the division's budget.

- Executive cost center manager submits total budget, within budget parameters, to the Budget office.

I. Budget Office performs the following tasks:

- Reviews budgets for errors.
- Verification budgets identify and incorporate all strategic planning initiatives and institutional priorities.
- Compile entire budget.

J. Executive Vice President for Business & Finance reviews budgets.

- Executive Vice President for Business & Finance directs adjustments, if necessary.

K. President conducts budget reviews with individual executive cost center managers (Executive Vice President for Business and Finance serves as staff).

- President directs adjustments, if necessary.

L. President and Executive Vice President for Business and Finance present total budget to the cabinet.

- President directs adjustments, if necessary.

M. President and Executive Vice President for Business and Finance present budget to the Board of Trustees Finance and Budget Committee for approval.

- Finance and Budget Committee directs adjustments, if necessary.

N. Chair of the Finance and Budget Committee and President present budget to the Board of Trustees for approval.

O. Chair of the Board of Trustees and President present the budget to the Board of Chosen Freeholders for information.

P. Chair of the Board of Trustees and President present the budget to the Board of School Estimate for approval.

- Board of School Estimate directs adjustments, if necessary.

Q. Approved budget documents are distributed to the various cost center managers.