

SECTION B: Budgeting

Introduction

Budget development and monitoring at the College is a collaborative process comprised of several different components, beginning with the biennial legislative budget request. Once the biennial budget has been approved by the Indiana General Assembly and signed by the Governor, the College's annual internal budget development begins. The College's total budget is the sum of state funding obtained through the legislative request and revenues from tuition, fees and other operating revenues. Throughout the year, budget adjustments and transfers may be necessary. The following sections describe the policies regarding the College's budget development and monitoring process.

I. Legislative Budget Request

State operating support for Indiana's public colleges and universities consists of two categories: base funding and performance funding.

Base funding accounts for the majority funding the College receives. This is based on historical changes in enrollment and is adjusted for inflation. A percentage of the base funding is allocated through a performance formula that rewards outcome measures, including overall degree completion, on-time graduation, at-risk overall and on time degree completion, STEM degree completion and student persistence. Data related to the above metrics are measured over a six year period, composed of three year rolling averages.

Based on this information from the CHE, the College prepares its legislative request for operating and a separate legislative request for capital funds on a biennial basis. The biennial budget document(s) is entitled "Legislative Request for Operating and Capital Funds."

The legislative request for capital funds describes new construction, land acquisition, facility repair and rehabilitation, and major equipment acquisition. An introductory summary statement provides information concerning each capital request, which is prioritized according to College-wide goals and needs. Data by project is included with pertinent information concerning need, relationship to long-range (ten-year) facility plans, other capital improvement projects, impact on space usage, expected contribution to educational services, and cost computations. Information regarding each capital request is presented and prioritized according to College-wide goals and needs.

The legislative request for operating funds addresses the expenditure estimates by major object and functional categories along with estimated sources of income supporting the educational services of the College. Numerous schedules are prepared to provide expenditure and revenue data by different functions and object categories. The cost information study, financial report and current year budget are used to prepare the requested schedules.

The CHE will present its recommendations to the State Budget Committee. The Governor, House, and Senate will review both the College's original request and the recommendation of the CHE in order to establish the as-passed legislative budget.

II. Annual Internal Budget

A. Internal Budget

The College's internal budget is prepared on an annual basis. The internal budget is a planning document used to ensure the optimum allocation of College resources for instructional programs and support services. The process reflects the state appropriations from the as-passed legislative budget and student fee increases and wage and salary adjustments.

The College operating budget is divided into the following areas: campus, campus formula funding, debt service, Office of Information Technology, Systems Office, college-wide accounts, and new initiatives.

The first category, the campus budget, is determined by FTE enrollment, miscellaneous revenues provided by campus, and historical data of the prior year, including adjustments. Increases are provided for added cost arising from salaries and wages, employee benefits, and utilities. Increases may be added provided for program improvement or special areas of services, which are consistent with the overall College plan considering the established goals and mission. Non-recurring expenditure budget adjustments (prior year reserves, College-wide accounts, etc.) are excluded from the base year. State funds are allocated based on certificate and degree completions in alignment with the State of Indiana's performance funding model. Of the state funds allocated to the campus, 90% of the base remains in the campus and 10% is redistributed based on degree completions and equity index.

The second category is campus formula funding. Campus formula funding includes the student activity fee, financial aid, and dual credit. The dual credit funding is awarded based on the following: 1/3 based on dual credit full-time equivalent (FTE) enrollment, 1/3 based on dual credit student being enrolled at least one term as non-dual credit student, and 1/3 based on earning a credential prior to high school graduation.

Campus leadership allocates the total from the campus base and campus formula funding budget between departments, such as academic, student affairs, and others. The Executive Director of Finance/Administration assigned to the campus allocates the total between general expenditure categories, such as salaries and wages, fringe benefits, supplies, contractual, travel, leases, and capital equipment.

Debt service, Office of Information Technology, Systems Office, and College-wide accounts are developed and managed by Systems Office. Debt service is supported by the state fee replacement appropriate from the legislature. The Office of Information Technology budget is partially based upon the headcount enrollment technology fee and as a shared service, supports staff salaries, fringe benefits, hardware and equipment, software, and computer refresh. The Systems Office budget is allocated across several functional departments and supports many statewide costs, including marketing fulfillment and legal fees.

College-wide accounts are established to serve all locations for benefits that cannot be attributed to a specific location. Examples of College-wide accounts include unemployment compensation, apprenticeship support, and insurance.

The budget provided by the campuses and Systems Office departments are reviewed by Systems Office Budget Management Office to ensure compliance with established internal goals and external legislative intent. The expenditure budget must not exceed the established revenue budget, which incorporates revenue from student fees, state appropriations and miscellaneous sources. The appropriations amount is the result of legislative action, while forecasted fees are derived from prior year enrollment and the State Board of Trustees approved fee schedules. After the annual budget document is reviewed by College management, the campus budget is presented to the campus board for review and the System-wide budget is presented to the State Board of Trustees for approval.

Once final approval is received from the State Board of Trustees, the budget detail by location is accumulated by the campus business office and College Systems Office staff for input to the College accounting records system. The budget detail for the new fiscal year is balanced/reconciled to the approved total budget. The new budget detail is reflected in the reports generated by the College accounting system for the month of July. Throughout the year, campuses are responsible for monitoring the campus sections of the budget and Systems Office Finance reviews the College's budget in total on a monthly basis. Once per semester, adjustments are made for enrollment, (with the exception of Summer when there are two adjustments made due to the fiscal year change-over).

B. Operational Fund Expenditure Budget

1. Salaries and Wages

Position allocation/budgeting control provides the College the ability to know, at any given time, the budgetary dollars committed to personnel services for filled and vacant full-time positions. Every full-time position is defined, approved and budgetary dollars allocated.

The three salary categories used are exempt (salaried), non-exempt (hourly), and instructional. Within these three categories, an employee can either be full-time or temporary/part-time.

For non-instructional areas, all exempt and non-exempt, full-time employees' July 1 salary are line-item budgeted in the FOAP(s) that they are paid from. Exempt and non-exempt, part-time temporary budgets may be entered as a line item or as a pooled relationship.

Instructional full-time budgets (including summer appointments) are line-item budgeted in the FOAP(s) from which they are paid. Part-time/temporary instructional budgets may be pooled in functional areas. Part-time salaries are projected by the campuses for both non-instructional and instructional staff. The projections are used in the budget and a

percentage increase is applied if applicable. Adjustments may be made throughout the year for increases or decreases in enrollment growth.

The salary budget is determined based on the following:

- a. The Compensation Analysis, which lists individual position by function including name, job class number, title and salary, is distributed by Systems Office Budget Management. It is verified by the campus staff and utilized to determine all approved, filled and vacant positions.
- b. Vacant or unfilled positions are budgeted based on the mid-range hire-in rate of the current salary range for the job classification.
- c. Any nine-month instructional staff member who has a summer extended contract is identified. The summer appointment amount is to be included in the full-time salary budget base.
- d. Any restricted or auxiliary dollars supporting the salary and wages of approved positions should be deducted from the salary and wage base for the operations fund.

The full-time position/budget control base should include only the approved positions (filled and vacant) which are funded by the operations fund. This base should be the actual full-time salary and wage commitment of the College operations fund.

Any position changes to the original established full-time salary and wage base must be processed using a Position Request Form (PRF). When the PRF is approved, a budget adjustment will be processed by the campus.

Any changes from the budget base must be explained and documented. Every position included in the salary budget data distributed with the budget allocation will be reconciled. The above procedure should provide the campus with more control over actual full-time salary and wage commitments. The adjusted salary and wage budget base should always approximate the actual salary and wage commitment.

2. Fringe Benefits

The fringe benefits base is determined based on actual filled positions and approved vacant positions. The recommended budget should be the original budget unless there is documentation indicating significant changes. If new positions are added or deleted during the year, or if a position is reclassified resulting in additional or decreased fringe benefits, a budget adjustment to the fringe benefits' category must be completed. This procedure is done as part of the PRF process.

The budget allocation includes FICA, retirement, medical and dental benefits, life insurance, long term disability, wellness program and the fee remission-staff benefit allocation for employee, employee/spouse, and dependents taking courses at Ivy Tech.

3. General Supplies and Expenses

Several categories within the supplies and expense object category should be line-item budgeted, including the distribution accounts, financial aid, Perkins MOE, in service training and maintenance R & R.

All other categories may be pooled at the departmental level or line item budgeted; the degree of budget detail is at the campus' discretion.

4. Facilities Leases

Facility leases must be line item budgeted.

5. Utilities

Utility expenses may either be line item budgeted, or a budget pool may be used. The amount requested and approved in the recommended budget buildup should be the amount utilized in the original budget. The utility budget will be adjusted to match expenditures at fiscal year-end.

III. Pooled Budget Accounts

Pooled accounts allow for budgetary funds to be established in one account from which many expenditure accounts may then draw against this account. When an expenditure occurs, the budgetary dollars will automatically draw down from the pooled account to cover the charge. No expenditures should be processed against any pooled budget account. Contractual, travel, capital and leases other than facilities may be budgeted via a pooled account. Supplies that are not line item budgeted as specified above may also be budgeted via a pooled account.

IV. Budget Transfer Request

The Budget Transfer Request (BTR) is used in adjusting, correcting, or entering budgetary data at the beginning and during the fiscal year.

A. Original Budget

Original budgets may be entered in Banner by the campus business office staff utilizing a journal entry with the type of BD1 (BD01 for Systems Office) when the new year is opened for use.

B. Transfers

Transfers may be processed by appropriate staff at all locations during the fiscal year for specified accounts. Transfers may be completed utilizing a journal entry with the type

BD2 (BD02 for Systems Office) for recurring or BD4 (BD04 for Systems Office) for one-time transfers. The justification for the budget transfers should be documented electronically. This may include scanning the justification for the transfer and/or adding text to the journal entry in the system with the justification for the transfer.

Utility budgetary accounts cannot be changed unless approved by Systems Office Budget Management Office.

Revenue budgets may only be entered by the Systems Office budgeting staff since it has the effect of increasing the overall College budget.

V. Campus Reserves

The College has two primary focuses related to campus reserves: 1) a 3% year over year increase in gross campus reserves and 2) 180 days of operating funds in reserves per campus. The 3% year over year increase in gross campus reserve is the product of over/under production of revenue budget, over/under spend of expenditure budget, and the change in student receivables. It is calculated once per year after fiscal year end close.

Once a campus reaches the 180-day goal, the 3% metric may be discussed with the Senior Vice President and Chief Financial Officer and the Operations team to determine a more appropriate goal.

Any expenditure from campus reserves must be approved by the Senior Vice President and Chief Financial Officer.

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