



TEXAS A&M UNIVERSITY-TEXARKANA™

# A Guide to the **BUDGET PROCESS**



# **A GUIDE TO THE BUDGET PROCESS**

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## INTERNAL BUDGET PROCESS

The following procedures are utilized by the Budget Office in order to manage the internal budget process at Texas A&M University-Texarkana.

These guidelines and the timing of this process are largely based on the Texas A&M University System budget instructions and guidelines. Associated budget reports due to the Texas A&M University System Office of Budget and Accounting (SOBA) are completed and submitted based on the A&M System budget calendar.

- The University's budget process begins with an analysis of projected revenue. This includes revenue from state appropriations, state tuition, designated tuition, student fees (including auxiliary funds), sales and services, grants, and gifts. State appropriation and tuition information is distributed by SOBA on behalf of the State of Texas and based off the Legislative Appropriation Requests previously approved. Designated tuition and student fee information is also provided by SOBA after being requested by the CFO and Student Fee Advisory Committee, and approved by the Board of Regents. And lastly, grants and gift projections are provided by the Office of Graduate Studies and Research and the Associate Vice President of University Advancement.
- The Vice President for Finance and Administration uses the actual amount of tuition and fees collected for the most current fiscal year to provide a historical basis for proposed budget scenarios. The projected student enrollment growth or decline for the upcoming year is projected by the Vice President for Student Enrollment Engagement and Success. The Vice President for Finance and Administration (CFO) calculates tuition revenue growth/decline based on those projected enrollment growth/decline incorporating any approved tuition and fee increases. Fee revenue is projected with the same process. These revenue projections in addition to other revenue sources are entered into the budget to finalize revenue projections by funding type.
- Revenue from state, designated, auxiliary, sales and services, grant and gift funding is recorded in particular accounts in the FAMIS accounting system for budget purposes. Generally, accounts beginning with a "1" are state funds, while accounts beginning with a "2" are designated funds, and accounts beginning with a "3" are auxiliary funds. For these three types of funds, revenue and expense accounts are separated, although both the revenue and corresponding expense accounts begin with the same number for budgeting purposes. Expense accounts are budgeted based on projected revenue, while revenue accounts record actual revenue for the fiscal year and are used for future projections. These types of funds, as well as self-sustaining programs (i.e. continuing education), have revenues and expenses recorded to the same account. They do not have separate budgeted expense accounts as these accounts are not budgeted.

- Once the collected revenue data is entered by funding type, current expense budgets for individual accounts are entered into the scenarios. Required expense updates due to federal, state, or system regulations, debt service, contractual obligations and assessments are also taken into account to finalize the first draft of the budget.
- The first draft of the budget (scenarios) highlights whether an over-realization or under-realization of funds is expected to occur for each funding type. If an under-realization of funds is anticipated, revenue projections and reserves are reviewed, and adjustments to the budget are made until the budget reaches a break-even point.
- If an over-realization is anticipated, the amount for each funding type is analyzed to determine if it is sufficient to support a merit increase. If merit is the only cost an over-realization can support, the CFO meets with the President on whether or not a merit should be awarded. The overall amount of merit awarded (i.e. 2%, 3%, etc.) is determined by projections calculated by the Budget office. This will be submitted to the BOR during Phase 1 of the budget process as part of the salary plan. Merit projections are calculated on all positions (filled and un-filled); Salary adjustments policies must be followed. If sufficient funds do not exist within the fiscal year revenue projection for merit, the President will review the tuition projections versus actual in the Fall for a possible merit process to be awarded off-cycle during the fall semester.
- Determining available operating funds are accomplished using a priority expense approach. The following expenses: system assessments, debt service, university contracts and personnel costs reduce available revenue before an available operating pool is calculated for division distribution.
- After projecting these costs, the CFO determines the amount of operating expense available for distribution to the 4 major division heads: President, VPFA, VPSEES and Provost. In FY18, a new budget allocation process was implemented at the directive of the President. A percentage allocation process was used based on prior year funding. Each division received the applicable %, based on the two prior year budgets by division, of available operating funds to then distribute to their departments based on their individual approach of budgeting processes and fund distribution. This approach supported the President's direction to have a completely decentralized budget process. Once the division heads allocated their funds to their departments, the departments were directed to provide the Budget Office with the pool and account distribution for entry into the Phase 2 budget module prior to 9/1 budget load. Because this decentralized approach has only been put into place for one budgeting cycle, review and changes are expected as the President determines the best method of distribution for our campus.
- Once the operating budget is finalized, budgets for each individual revenue and expense accounts are held at the Subsidiary Ledger (SL). Budgeted amounts by pool for each



account are uploaded to FAMIS by the Budget Office. This process is known as the budget feed. The balance of the SL account shows the available amounts to collect in revenue, if necessary, or to spend for expenses as determined by the budget that was posted to the account. SL accounts always begin with a number between 1 and 9 (e.g. 100000). A General Ledger (GL) account begins with zero and may have only one SL account linked to it or it may have many SL accounts. This concept and process is officially known in FAMIS as “SL Mapping” and is important when understanding allocations, transfers, and beginning balances in relation of budgeting. The Budget Office enters the SL to GL and GL to GL matching to finalize the budget process and post individual budgets to FAMIS.

- The budget process is completed in two steps. Phase 1 is the submission of the budget in early Spring or Summer (depending on legislative years) to the Texas A&M University System Board of Regents (BOR). After BOR approval, Phase 2 begins. Additional expense detail and updates to personnel data are added to the budget without altering the BOR approved bottom line. This version is submitted in FAMIS as the September 1st beginning fiscal year balances.
- FAMIS budget summary reports (FDAR 670 & 671) are generated reflecting the final version submitted to FAMIS. An SL Operating Expense Allocation by Division/Department is prepared and distributed to departments. All of this is posted on the Budget website. The Budget Office meets with divisions/departments as needed to discuss allowable expenses for each of their funding sources. If budget fund transfers are requested during the fiscal year after the budget process has been completed, a budget transfer request form must be submitted and approved by the Budget Office and processed by Accounting. Transfers between accounts with the same source of funding are generally allowed; however, transfers that would co-mingle fund types are strictly prohibited.
- Accounting monitors deficit balances and sends emails to account managers requesting review of pool balances. When needed, for instance Special Item funding, the Budget Office monitors balances throughout the fiscal year and meets with divisions/departments as necessary to ensure funds are spent timely within fiscal year deadlines. At the end of the fiscal year, the Budget Balance Available (BBA) on non-budgeted accounts (i.e. grants, gifts, etc.) rolls forward into the next fiscal year. For budgeted accounts, only enough of the BBA to cover remaining encumbrances rolls forward, with the rest of the budget rolling into an unallocated reserve SL. Fund balances are reviewed periodically by the Controller and the CFO to ensure the appropriate amount of reserves are held and that surpluses are utilized appropriately. Each year, the CFO makes a recommendation to the President related to departments maintaining roll over balances or if those funds roll into the unallocated reserve accounts for uses as determined by the President. The Budget Office will communicate this decision and work with accounting for any necessary end of year flag updates to support the President’s decision.

## OVERVIEW

This will provide an overview of the annual Texas A&M University-Texarkana's budget development process. The budget process is done in two phases: Phase I begins in the early Spring, this version is the submission to the Texas A&M University System Board of Regents (BOR). Phase II involves the reallocation of expenditures utilizing the approved resource allocations to individual budget units and personnel updates. Phase II submission is the final operating budget and will be reflected in FAMIS as September 1<sup>st</sup> balances. This guide is intended to assist account managers and help administration understand the budget process and the materials used.

## OBJECTIVES

The following will be discussed:

- What is a Budget?
  - Definition of a budget
  - The different types of budgets
  - Fund/Ledger Information
- Budget Process
  - A&M-Texarkana Budget Philosophy
  - An overview of the state budget process
  - An overview of the annual budget preparation process for A&M-Texarkana
  - Information on the role of the Budget Office
  - A discussion of the differences between fund types-for example: Educational and General (E&G) and Auxiliary budgets
  - Overview and discussion of the assumptions and data used in the annual budget process
- Overview of the Budget System
  - Pool Budgeting
  - FAMIS/CANOPY Screens

## INTRODUCTION

The budget has multiple sources of income and has many types of expenses associated with the operation. Examples of sources of income (revenue) include tuition and fees from students, state appropriations, and funds from grants and contracts from various sources. The university also earns income from its auxiliary enterprises and from gifts and endowments.

The university also has expenses to pay. The single largest category of expense is costs associated with paying the faculty and staff. Other expenses include those for operating the physical plant such

as for utilities, maintenance, and repair. The university must also pay for supplies and equipment, travel, rental of equipment and facilities, debt service, and insurance.

Given the complex nature of our university, extensive sources of revenue, and multiple items of expense, the university must have a strategy for managing those resources. In order for the revenues and expenses to line up exactly and flow so all needs will be met as they arise requires planning.

***That plan is called an operating budget.***

## WHAT IS A BUDGET?

A budget is a comprehensive financial plan that includes revenues and expenditures for one fiscal year. The purpose of the expenditures must be supported by a common goal. In this case, the common goal is spelled out in the university's mission statement. At A & M - T e x a r k a n a , o u r m i s s i o n is to provide students with academically challenging, engaging, and rewarding educational experiences through quality teaching, scholarship, student support services, co-curricular programming, research and service.

A&M-Texarkana has outlined its strategic plan and mission statement that guides our budget development process through our vision of being known for our commitment to academic excellence, student success and community leadership.

Because there are competing demands, there is never enough money available to satisfy all the needs of our campus. The key is to strike a balance between mission requirements and the resources available. The budget is the tool we have available to provide that balance, but it also plays other roles.

## A&M-TEXARKANA BUDGET PHILOSOPHY

- A&M-Texarkana's budget and budget policies will reflect and be aligned with the university's and the Texas A&M University System's vision and core values.
- The budget process will assure that A&M-Texarkana's financial position remains in a condition to sustain growth and provide for unforeseen contingencies.
- The normal budgeting process will provide a balanced budget; budgeted revenues should equal budgeted expenditures and transfers.
- The creation and maintenance of A&M-Texarkana's budget will be a transparent process so that faculty, staff, students and the public can understand the uses of the university's funds.
- Account/Budget managers are expected to be fully engaged in the budget process and remain engaged throughout the fiscal year.
- Account/Budget managers are stewards and fiduciaries of state funds and will be responsible and accountable for the proper use of those funds. They will follow established policies and



procedures relative to expenditure of funds and will be aware of the status of their accounts at all times.

- A&M-Texarkana's budget will be decentralized to the divisional level. Budget executives for each administrative division will have the flexibility to allocate budget resources to departments within their division based on mission and need.
- Allocations of tuition and fees will be transparent and a collective undertaking. Allocations will be linked to university goals and allocated to provide the greatest benefit to the university as a whole.
- Salaries will be budgeted to the extent allowable by law to state appropriated funds (Educational & General). This will assure the most savings to the university for employee benefits.
- Salaried positions budgeted to E&G will be currently staffed. Careful monitoring of vacant position will provide for full use of state budgeted benefits. Vacant positions may be moved to Institutional funding if a filled position is available to move to E&G.
- Salary Savings accounts will be monitored on a consistent basis and should be made available for the greatest need.
- In order to track the budget status of salaried positions, all budgeted positions must have a PIN assigned, including new and vacant positions, prior to being included in the budget.
- Any requests submitted to executive management for approval of payroll related expenditures over and above the amount originally budgeted must have adequate source funding located and made available prior to the submission of the request. It is the responsibility of the account/budget manager to work with the head of their division to locate these funds within their division's total budget.
- Budgeted, unfilled positions should be justified if budgeted again for the next fiscal year.
- Account/budget managers will be properly trained. Training will be timely and mandatory.
- Excess available balances, if carried over to the subsequent fiscal year, should be aligned with an existing project or goal.
- Carryover balances not utilized after two consecutive budget cycles will be forfeited unless clearly justified.
- The budget will be monitored sufficiently in order to assure available funds are properly expended where needed.
- Account/budget managers are expected to be aware of the status of their budgets as all times. If notified that their accounts are in a deficit balance, the account manager must notify their division ASAP to correct the balance.
- The division executive controls the budget allocated to their division. Units within the division must consult the division executive or their delegate to request additional divisional budget funding. Additional funds will come from within the division's budget.

- Budget requests should be realistic and account for departmental operating needs. A department should not be over budgeted at the expense of another department.
- One-time requests should be clearly identified so budget is not overfunded from year-to-year.
- Contingency accounts should be few and their balance should be for the overall benefit of the university to the extent allowable by state law.
- At the President's discretion and if funds are available, end of the year available balances are subject to being roll forward into the subsequent year through an established roll forward request process

## TERMS AND DEFINITIONS

### APPROPRIATION

Based on the adopted state budget, the authorization to make expenditures and incur obligations for specific purposes. The appropriation is limited (in most cases) to a single fiscal year. See Article III of the General Appropriation Act (GAA). The Texas Legislature appropriates funds for a biennium budget period on each odd numbered year.

### AUXILIARY SERVICES

Activities within the university, which furnish a service directly or indirectly to students and faculty, are considered auxiliary services. These activities charge fees directly related to, but not necessarily equal to, the cost of service. The public may also be served indirectly by some auxiliary services. These services are essential support elements of the institution's program and are considered self-supporting.

### BEGINNING FUND BALANCE

The amount remaining after accounting for the previous fiscal year's revenues less the previous year's expenditures.

### BIENNIUM

A two-year budget period.

### BUDGET

A published and approved comprehensive financial plan for one fiscal year.

### BUDGET ADJUSTMENT

When funds must be transferred from one budget to another, a transfer form must be completed, signed by the account manager, and forwarded to the Budget Office for processing. This form

must also be completed when moving funds between budget pool (i.e., benefits, wages) or account to another pool or account.

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#### BUDGET POOL

Refers to the groups of funds within the budget. At A&M-Texarkana, we budget all expenses in budget pools( operations, benefits, wages) rather than by specific line items.

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#### BUDGET PREP

Each year, an estimate of revenues and expenditures are projected and balanced for the following fiscal year. The process of preparing the budget materials and submitting them for approval or modification is referred to as budget prep. All of this information is loaded into the budget module for approval by the BOR and finally submission as fiscal year beginning balances.

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#### CAPITAL EXPENDITURE/OUTLAY

Expenditure category that includes the acquisition of land, buildings, improvements, machinery, and equipment.

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#### CONTINGENCY

A budget account to provide for unanticipated occurrences or funds to be held for future distribution.

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#### DEBT SERVICE

Expenditure category for repayment of principle and interest on bonds, interest-bearing warrants, and short-term loans.

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#### ENCUMBRANCE

The process of reserving the funds is referred to as encumbrance, also referred to as an open commitment. Once funds are encumbered, they are removed from the balance available. This prevents over-expenditures from occurring. Salaries are also encumbered and follow this process when completing an EPA or during the annual budget initialization process.

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#### EXPENDITURES

Refers to the actual funds expended. When an expense is paid, it is no longer an encumbrance.

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#### FISCAL YEAR

The twelve-month financial period used by the university. A&M-Texarkana's fiscal year runs from September 1 through August 31.

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#### FTE

The equivalent of a 12 month full-time employee.

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#### FUND BALANCE

The difference of fund's revenues over expenditures.

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#### INDIRECT COSTS

Indirect costs represent the expenses of doing business that are not readily identified with a particular grant, contract, project function or activity, but are necessary for the general operation of the organization and the conduct of activities it performs. In theory, cost allocation plans or indirect cost rates are used to distribute those costs. An indirect cost rate is simply a mechanism for determining fairly an amount of the university's effort of maintaining that function.

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#### INTERDEPARTMENTAL TRANSFER

When funds must be transferred between budgets at the university, an Interdepartmental Transfer Request (IDT) form must be completed. The IDT form is forwarded to Accounting for processing. Transfers can be processed for the following reasons: to reimburse a department for expenditures, to pay for services rendered.

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#### JOURNAL ENTRY

This term refers to accounting entries used to move revenues, expenditures, make adjustments or corrections to accounts.

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#### LIQUIDATION

After a purchase order is complete, the vendor bill is paid. If the amount expended is less than the original amount encumbered, it is possible some funds will remain encumbered. The process of releasing those funds is referred to as liquidation. Liquidation requests are handled by the university's Purchasing Department.

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#### OBJECT CODE

The object code is for use in identifying a category of expense or transfer payment in the budget process. The codes are also used to organize or summarize budget transactions at the pool level for management review. This view can be seen in Canopy on the Summary tab or in FAMIS on screen 34, 74 or 19.

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## REVENUES

Funds paid to the university for services or for donations. Revenues are recorded in the period in which they are earned, regardless of when the payment is actually received. The term revenue is also used synonymous with appropriation, tuition and fees.

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## SALARY SAVINGS

Accounts set up to deposit the savings from vacant positions on a monthly basis. These funds are held centrally by the university and lose departmental identify. Considered university funds, these funds are allocated as needed.

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## SERVICE UNITS

Areas that provide specific types of services to the university community as a regular course of business. An example of a service unit includes Postage and Transportation services.

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## TRANSFERS

The act of moving money from one account or budget pool to another.

## TYPES OF BUDGETS

There are many types of budgets, but for our purposes, we will look at only two broad categories -- **Operating** and **Capital**. In general terms, they are defined by:

- Source of funds
- Life of funds
- Use of funds

## OPERATING BUDGETS (DAY TO DAY OPERATIONS)

Operating budgets usually encompass the revenue and expenses of the day-to-day operation of an enterprise.

- **Revenue** includes state appropriations (allocations), student tuition and fees (in the form of allocations or revenue), income from sales of products or services, transfers from foundations, and routine income from grants or research projects.
- **Expenses** include the salaries for the faculty and staff, system assessments, operating supplies and equipment, travel, rentals, service charges, routine maintenance and repair, debt service, and utilities.

In most cases, the funds allocated in an operating budget are usually available for one year, at which time the authority for their use expires. These accounts are typically funded or budgeted from State Appropriations and the accounts will begin with a “1” or Designated Tuition or “2”.

## CAPITAL BUDGETS

Capital budgets are normally associated with major expenditures on durable items.

- The fund source for capital budgets is normally from state appropriations, debt financing, major gifts from private sources, or in rare cases, self-financing from accumulated reserves.
- Capital budget expenditures typically include construction or major maintenance/modernization of real property, large equipment purchases, and the purchase of land or other real property.
- Due to the nature of the expenditures, the funds are normally available for the life of the project with which they are associated. For example, major construction projects commonly take several years to complete.

The university receives Higher Education Assistance Funds appropriations that can only be used for Capital Outlay. These funds are budgeted annually but may also be allocated for various projects during the fiscal year.

## TYPES OF OPERATING BUDGETS

### ALLOCATED BUDGETS

#### STATE APPROPRIATIONS

- The largest of our allocated operating budgets, the E&G budget, is an annual budget funded through state appropriations, and are called the general revenue portion.
- The general revenue-dedicated (non-general) funds are composed of tuition and fee revenue collected from students.
- The revenue for the E&G budgets is managed and budgeted centrally.
- The funds allocated to the E&G budgets are available for only one fiscal year and expire upon completion of that year (use or lose).
- E&G funds support most of the mission of the university to include instruction, student services, physical plant, administration, academic support, etc.
- E&G accounts begin with a “1”.

#### DESIGNATED TUITION

- Designated accounts are funded through designated tuition revenues.



- The revenue for the Designated budgets is managed and budgeted centrally.
- The funds allocated to the Designated budgets are available for only one fiscal year and expire upon completion of that year (use or lose). The university retains funds not spent in unallocated reserve accounts or reserves.
- Designated funds support most of the missions of the university to include instruction, student services, physical plant, administration, academic support, etc.
- Designated accounts begin with a “2”.

#### AUXILIARY BUDGETS

- Auxiliary budgets are funded exclusively from non-general funds (no state appropriations).
- The revenue for the auxiliary budgets is budgeted at the account level.
- The university operates the various auxiliary enterprises using annual budgets, but the funds do not expire at the end of the fiscal year.
- Auxiliary-funded operations within the university include university Services operations including Athletics, Housing, and Parking.

#### KEY DIFFERENCES BETWEEN E&G AND AUXILIARY FUNDS:

There are two key differences between E&G and auxiliary funds. How long does the fund last? Where do the funds come from?

- How long does the fund last? E&G funds are appropriated on the basis of a fiscal year, and at the end of the fiscal year the funds expire. In other words, E&G funds can only be used from September 1<sup>st</sup> through August 31<sup>st</sup>. However, Auxiliary Enterprises funds do not expire at the end of the fiscal year but go on as long as the unit remains financially solvent.
- Where do the funds come from? E&G funds are made up of two allocations called general and non-general. The general funds are revenues collected by the State and appropriated to the university as our share of all revenues-these are run through a formula. The non-general funds are the tuition charges paid by students. These revenues are budgeted centrally. On the other hand, Auxiliary Enterprises do not receive an allocation of general funds from the State. These activities are defined as self-supporting. This is accomplished by establishing fees and service charges for the services, and budgeting the revenue expectations.

While the university develops and executes its budget somewhat independently, as an entity of the state, it must comply with the state’s budget process.

#### FUND/LEDGER INFORMATION

Many times departments have access to funds from sources other than state funds. When references are made to local and state funds, there can be some confusion about what constitutes these funds.

**Local funds** are accounts that begin with 2, 3.

**State funds** are accounts that begin with 1. These funds are maintained in different ledgers and have different restrictions and regulations governing expenditures.

**Restricted funds** are accounts beginning with 4. Restricted gifts, grants, and other restricted resources are accounted for in the appropriate restricted funds.

If you have specific questions about restrictions associated with your budgets, please contact the Budget Office at ext. 3058.

#### SUMMARY OF GROUP FUND DEFINITIONS

**CURRENT FUNDS** are available for University operations and are resources, which are expected to be expended in the near term and used for operating purposes.

**RESTRICTED FUNDS** may only be expended for the purposes indicated by the donor or grantor & includes gifts, grants, contracts, and financial aid.

**UNRESTRICTED FUNDS** are available for current operations at the discretion of the university includes Educational and General Funds (E&G), Designated Funds and Auxiliary funds, 1, 2, and 3 accounts. *Unrestricted does not mean uncontrolled.*

**ENDOWMENT AND SIMILAR FUNDS** are designated by donors. Income is used to support scholarships, and educational programs. Endowment and similar funds record the usage of income from moneys subject to the restrictions of gift instruments requiring that the principal be invested and the income only be utilized.

**CAPITAL BUDGETS (PLANT FUNDS)** Plant funds (Fund 8) represent the physical assets of the university and are divided into five groups:

1. **CAPITAL BUDGETS (GENERAL FUND BUDGETS) - UNEXPENDED PLANT** Represent construction in progress. Unexpended plant funds represent funds, which were specified by external sources or designated by the BOR for the acquisition and construction of physical properties.
2. **MAINTENANCE RESERVE (RENEWALS AND REPLACEMENTS)** Renewal and replacement funds represent funds for the renovation and replacement of physical properties. Regulatory funding (i.e., asbestos containment, federal requirements).
3. **DEBT FINANCE (RETIREMENT OF INDEBTEDNESS)** Payment of debt is recorded in this fund (both principal and interest).
4. **NET INVESTMENT IN PLANT** Investment in plant funds represents all property, plant and capitalized equipment owned by the university.

**AGENCY FUNDS** Agency funds reflect funds held in custody for others by the university. The university acts as the fiduciary of the funds for clubs and other activities.

## HOW IS THE TEXAS STATE BUDGET ADOPTED? (NOTE 1)

Texas has a biennial budget system, which means it adopts a two-year budget. Developing the State's budget is a process, which takes many months and involves many participants, from the public to state agencies to the legislature. The process includes five distinct phases:

1. **Agency Budget Preparation Phase.** State agencies analyze their programs and needs through a strategic planning process which includes a review of their mission and how well they serve their customers through customer satisfaction surveys or other methods of public input. Based on this analysis, agencies prepare and submit their requests for funding, the Legislative Appropriations Requests (LAR), to the Legislative Budget Board (LBB). Agencies generally submit their LAR's to the LBB in the late summer, usually the first week of August, and then a revised LAR in fall, mid-October, for updated year-end financial, group insurance and enrollment numbers.
2. **Budget Development Phase.** The LBB analyzes the budget requests of agencies to verify costs, confirm the need for services, investigate any alternatives for funding, and identify policy issues for the Governor's consideration. During the fall prior to the legislative session, LBB staff prepares the general appropriations bill draft. This proposed appropriations bill contains performance measures, the maximum number of full-time equivalent (FTE) positions allowed per agency, capital budget information, specific enumerated instructions and contingencies on certain expenditures (called riders), the amount of funding recommended by the LBB, and the method of financing each agency's appropriation. The amount of funding that the LBB staff sets forth for each agency in the appropriations bill and the amount of funding requested by the agency do not always match.
3. **Legislative Action Phase.** The appropriations bill is filed in both houses of the legislature, allowing each house to work on the bill simultaneously and independently. The final bill is sent to the governor, traditionally, a senate bill is sent one session and a house bill the next. The comptroller is required to provide to the legislature a biennial revenue estimate (BRE) at the beginning of each regular session. Because the legislature is constitutionally prohibited from appropriating more revenue than will be collected, the BRE is used by the legislature to ensure that appropriations will not exceed the anticipated revenue. During the first part of the session, the Senate Committee on Finance and the House Committee on Appropriations independently receive testimony from state agencies, including institutions of higher education, on the budget. Each committee makes changes to the budget document. This process is referred to as "markup." After the bill passes out of the respective committees in each chamber, it will come before the full body for a vote. The bill is then referred to a conference committee, composed of members of both houses, to resolve differences between the senate and house versions of the bill. Like the designation of the final bill, the senate and the House of Representatives traditionally alternate each session in chairing the conference committee. After the conference committee has reconciled the differences and has agreed to an appropriations bill, the bill is sent back to both houses for a vote on final passage. The Texas

Constitution requires the comptroller to certify whether there will be sufficient revenue to cover the appropriations made by the legislature.

4. **Governor's review phase.** After the appropriations bill is certified by the comptroller, it is sent to the governor for his or her signature. The Texas Constitution, Section 14, Article IV, gives the governor line-item veto authority. If the legislature is still in session when that authority is exercised, it may override the governor's veto(es) by a two-thirds majority vote in each house.
5. **Budget execution phase.** The budget passed by the legislature and governor and enacted into law goes into effect on September 1st.

*Note 1: The above information was extracted from the LBB website.*

## THE UNIVERSITY BUDGET PROCESS

What is the goal of the university's budget process?

Each year through the budget process, every division of the university will critically examine every aspect of its operation and reallocate its own existing resources toward emerging priorities.

Through this reallocation, the university can strive to develop numerous new academic programs, academic support, institutional support, and student life programs that will accomplish the following:

- Attract and retain successful and engaged students
- Attract a superior faculty and staff
- Modernize the physical plant
- Implement modern information technology and library systems

Through a structured process of goal setting, reallocation of resources, and assessment of results, the university will put in place a culture of accountability that ensures the effective utilization of resources.

The A&M-Texarkana annual budget process is accomplished in two separate and distinct phases.

1. **BOARD BUDGET:** Phase I is used to develop and submit the budget for BOR approval. The process starts in the spring and may continue into May if it is a legislative year. During Phase I of the budget process, the upcoming fiscal year revenue is estimated by the VPFA and a fixed operating allocation will be provided to division heads as follows: President, Provost, Finance & Administration, Enrollment Management, Information Technology and University Advancement. Each division head will conduct their own budget process within their division for operating budgets. These budget allocation decisions will be communicated to the Budget Office for compilation into the budget module. This process may require a second round of review by the division head if submitted expenses exceed projected revenues. This budget is submitted to the Texas A&M University System Board of Regents for approval. This is referred to as the Board Budget.
2. **DONE BUDGET:** In Phase II, the BOR approved budget is reviewed and revised as budgetary decisions may have changed resulting in expenses budgeted differently and personnel expenses will be updated to reflect current staff and faculty positions. The bottom line may not change from the Board Budget, but expenses can be adjusted to fit the needs of the university's operating divisions. Phase II begins in the May-June and is finalized by mid-August when the final upload is completed. The Done Budget becomes the new fiscal year account balances in FAMIS as of September 1<sup>st</sup>.

## PHASE I OF THE BUDGET PROCESS (BUDGET PLANNING) - BOARD BUDGET

### EXECUTIVE BUDGET PLANNING

The President with the support of the Vice-President for Finance & Administration may engage in Executive Budget Planning activities that include assessments and updates of the previously funded initiatives, Enrollment and Revenue Projections, total Estimated Funds Available, and critical issues facing the university. These efforts establish the strategic framework and financial scope for the annual operating budget.

The President may hold meetings throughout the budget development cycle to deliberate the proposed initiatives and prioritize where allocations will be made and align the overall financial commitment of the projected resources that will be available. Final determination is made once the Tuition and Fee proposals are finalized and a final budget has been approved by the Legislature and Governor.

The President will may hold meetings to update the campus on issues pertaining to the budget and budget development process.

## RESOURCE/BUDGET REQUESTS WORKSHEETS

Budget guidance set forth by the President will be detailed and communicated to division heads with the distribution of the Annual Operating Budget Development Instructions. These guidelines may include:

1. The Strategic Initiatives that have been approved and the overall funding atmosphere. This communication may also include directives and updates from sources such as the Chancellor, System Budget Office, the Legislative Budget Board, and the Governor's Office.
  - a) Strategic Priorities such as recruitment, retention, compliance
  - b) Tuition & Fee guidelines
  - c) Required re-allocations of funding due to mandates
2. Fee/Service Charge changes not associated with Strategic Initiatives
3. Planning Assumptions
  - a) Enrollment Projections
  - b) Salary and Wage Increases
  - c) Employee Benefit Costs Increases

Modifications to existing fees and service charges, as well as new fees and services charges, must be approved prior to implementation. If approved, these changes will be incorporated into the annually published schedule of tuition, fees and services charges.

With this information in hand, each division head is required to document any changes or reallocations of resources within their respective budget units from the prior fiscal year. With the approval of the President and executive budget committee, requests for new or one-time funds may be considered. In addition to documenting the changes or new requests noted, detailed documentation of any requested changes to each position must also be documented. The Budget Office provides templates that must be utilized to complete the documentation and request phase of the budget process. Each division head is encouraged to align their budgets to reflect current operations and/or known plans for the upcoming budget year. This is the opportunity for you to realign your operating budget based on your best expenditure projections so that budgets are posted with accurate expenditure patterns in the budget pools.

A key aspect of the budget development process is the development and submission of Budget Requests for new funds by each division head. These worksheets are summarized by the Budget Office for review and prioritization by the President and executive budget committee. The Budget Office works with the Vice President for Finance & Administration to develop reports summarizing available resources (funds) for budget development to use in the allocation process. The respective areas must complete the worksheets to provide a summary/justification of the initiative for which funding is requested. The assessment process contributes to the overall budget development process in highlighting initiatives that may warrant initial or additional investment.

The Budget Office utilizes the documentation submitted by each division head to update the associated base budgets in the budget module incorporating any additional approved new funds requests and requests for One-Time funding and changes in positions which result in funding differences.



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## SELF-SUPPORTING BUDGET SUBMISSIONS (GEB)

From a budget perspective, self-supporting or generating expense budget (GEB) budgets or accounts differ from other university operations in that they are self-sufficient, meaning they generate their own revenue streams to support their current and on-going operations and do not receive General Fund support. In that regard, these budgets are developed outside of the normal budgeting process.

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## CONCLUSION OF EXECUTIVE BUDGET PLANNING

Upon notification of the approved State Budget, the VPFA with the support of the Budget Office will formalize budget changes to Tuition, Fees, and Other Service Charges. With all of the budget decisions documented, the Budget Office compiles the university operating budget and plan for presentation and approval by the BOR. ***The President has final review and approval responsibility for all strategic and financial planning for the university before the annual operating budget is presented to the Board of Regents for approval.***

Upon BOR approval, the university shifts into Phase II of the Budget Process.

## PHASE II OF THE BUDGET PROCESS – DONE BUDGET

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### APPROVAL OF THE UNIVERSITY BUDGET & OPERATING PLAN

In Phase II of the process, the goal is to post the budget accounts, as approved, into the budget system. Revisions to the BOR approved budget may be necessary to align the operating budgets with current needs and personnel expenses. (See the university budget process)

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### BASE BUDGET ROLL

As the final step in the documentation phase, the Budget Office requests the base budget to post into the accounting system (FAMIS or CANOPY) for the new fiscal year and it becomes the operating budget for the new fiscal year.

- One-time only budget allocations that were not funded with budgeted operating funds and are not part of the base budget and, therefore, not included in the budget post, but are loaded via budget adjustment shortly after the initial budget load.
- **Each Account Manager should verify that the budgets were loaded correctly. If you experience difficulty in verifying the data, you should call the Budget Office for assistance.**

## SUPPLEMENTAL INFORMATION

### USE OF RESERVES

Budget recommendations shall be prepared within estimated funds available. The A&M System Budget instructions state that reserves should only be used to fund special one-time situations or where a definite plan provides justification of a limited use of such balances that will result in future cost reductions or increases in income or expenses of carryover balances. Any use of reserves to support the operating budget should be included in the beginning new position as entered in the FAMIS budget module. Each CEO must be prepared to justify the use of reserves for operating expenses.

Most Auxiliary enterprises and some other types of accounts should or are expected to build and maintain adequate reserves to ensure the longevity of their operations. Reserves must plan and account for expansion of facilities, establishment of new programs, replacement of inventory and supplies, and contingency funds. The university uses guidelines developed internally, by the System, State and other regulatory agencies that recommend that fund balances should be sufficient to provide for an operating reserve, a reserve for renewal and replacement, and an expansion reserve if possible. The operating reserve is based three to four months of operations.

### OVERVIEW OF THE BUDGET SYSTEM

The budget system (FAMIS or CANOPY) helps account managers plan for and manage all aspects of the financial activity of the university. A&M-Texarkana recommends that all account managers review their budgets each year during the budget development process and make revisions to the budget pools as needed.

#### ***Budgeting by Pool or Expense Category***

Account managers should review spending trends in accounts and adjust budget pools based upon that analysis. A blank template will be provided as needed for account managers to request budget pool changes for each account.

The current budget pools or categories are as follows:

|             |                                |
|-------------|--------------------------------|
| • Salaries  | • O&M-Operations & Maintenance |
| • Longevity | • Utilities                    |
| • Wages     | • Capital Outlay               |
| • Benefits  |                                |

***Account managers should review historical spending trends for all budget pools and estimate future needs to provide accurate estimates for these categories.***

## BUDGET POOL CODES

| Budget Pool Description            | Obj. Code |
|------------------------------------|-----------|
| Revenue                            | 0001      |
| Salaries Pool (includes Longevity) | 1100      |
| Longevity                          | 1600      |
| Wages Pool                         | 1700      |
| Benefits Pool                      | 1900      |
| Operations Pool                    | 3000      |
| Indirect Cost Pool                 | 9600      |

To see a complete listing of object codes, including descriptions, please go to the Accounting Office's web site, and look for the link to the Object Code Search of revenue and expenditure codes (screen shot of a page shown below) in HTML format:

Choose Revenue Object Codes Reference or Expense Object Codes Reference

The Texas A&M University System  
Office of Budgets & Accounting  
**Object Codes**

SSO Logon Help

Expense Codes Revenue Codes Account Control

Object Code Search Full PDF Report PDF Obj Code List

Simple  
Advanced

Obj Code:   
Text Search: office supplies in Usage only  
AFR Rev/Exp/Tran Group: --ALL-- Search Reset

Results in Excel Results in PDF Page 1 of 1  
2 Expense Code Records Found.

|                     |  |   |
|---------------------|--|---|
| Obj Code: 4010<br>% | Desc: Supplies - Office General  | Op Status: Operating                          |
| Pool: N             | LBB: 2003  | Report Category 1: Goods and Services         |
| Frz: N              | LAR: 2003  | Report Category 2: Supplies & Materials       |
| HUB Cat: C          | IRS 1099: Intra-TAMUS: N   | Report Category 3: Office Supplies            |
| PPI: Y              | Sys Patt Code: 30  | Sys Patt Desc: Operations and Maintenance     |
| CWF: N              | AFR Rev/Exp/Tran Group: (Expense) Materials & Supplies   | Transparency Expense: Other                   |
| Comp obj: 7300      |  | Transparency Type: Operations And Maintenance |
| F&A Excluded: N     | Usage Desc: To record payment for office supplies that are considered general and consumable. This code includes pens, pencils, calendars, tape, calculator ribbon, correction fluid, rubber bands, index cards, eraser, glue, stapler, paper and blank envelopes. |   |

## OVERVIEW OF AN ACCOUNT

Summary from FAMIS-Screen 34:

|   |                        |                        |         |              |                |
|---|------------------------|------------------------|---------|--------------|----------------|
| 034 SL Summary By Budget Pool   |                        |                        |         |              | 03/14/17 11:21 |
| VICE PRES FINANCE & ADMINISTRATION  |                        |                        |         |              | FY 2017 CC 22  |
| Screen: ____  | Account: 163000        | Fiscal Year: 2017      |         |              |                |
|   | Thru Month: 3_ March   | FY/PY/IN to Date: FY   | Calc CM | IDC: N       |                |
| Resp Person: SCOGIN, JAMES S  | Bottom Line Exclusion: |                        |         |              |                |
| Department: 30000   | Flags: D F B C Z G ABR | Net Dir BBA:           |         |              |                |
| Map Code: 16300   | N N Y R N 001          | Unprotected Available: |         |              |                |
| Obj   | Description            | Budget                 | Actual  | Encumbrances | Available      |
| -----   |                        |                        |         |              |                |
| 0001  | Revenue Pool           |                        |         |              |                |
| ****  | Total Revenue          |                        |         |              |                |
| 1100  | Salary Pool            | 304404                 | 151597  | 152807       |                |
| 1600  | Longevity Pool         |                        |         |              |                |
| 1700  | Wages Pool             |                        |         |              |                |
| 1900  | Benefits Pool          |                        |         |              |                |
| 3000  | Other Expense Pool     | 18702                  |         |              | 18702          |
| ****  | Total Expenses         | 323106                 | 151597  | 152807       | 18702          |
|   |                        |                        |         |              |                |
| * Account Total   |                        | 323106                 | 151597  | 152807       | 18702          |
| Enter-PF1---PF2---PF3---PF4---PF5---PF6---PF7---PF8---PF9---PF10---PF11---PF12--- |                        |                        |         |              |                |
| Hmenu Help EHelp  |                        |                        |         | Left Right   |                |

Summary Review of an account from CANOPY:

SearchCrosswalkSubcode SearchMy AccountsAttributesSummaryOpen CommTransactionsPayrollReportsVouchers

Account: 163000 VICE PRES FINANCE & ADMINISTRATIONDept: 30000 Vice President Of Finance And AdministraFreeze: No SRS: No  
Responsible Person: Scogin, James SSub-Dept:Delete: No

Select an account: 

List is empty

 or type in an account number: 163000 or type in a bark number: 

Thru Month: AprYear Type: FYSL Display: Summary by Budget Pool

SubmitReset

SL ACCOUNT SUMMARY (TOTAL DOLLARS)

| Object Code | Description        | C | P | Budget       | CM Actual | Actual       | Encumbrance  | Available |
|-------------|--------------------|---|---|--------------|-----------|--------------|--------------|-----------|
| 0001        | Revenue Pool       |   |   | \$0.00       | \$0.00    | \$0.00       | \$0.00       | \$0.00    |
| 1100        | Salary Pool        |   |   | \$304,403.58 | \$0.00    | \$177,064.17 | \$127,339.41 | \$0.00    |
| 1600        | Longevity Pool     |   |   | \$0.00       | \$0.00    | \$0.00       | \$0.00       | \$0.00    |
| 1700        | Wages Pool         |   |   | \$0.00       | \$0.00    | \$0.00       | \$0.00       | \$0.00    |
| 1900        | Benefits Pool      |   |   | \$0.00       | \$0.00    | \$0.00       | \$0.00       | \$0.00    |
| 3000        | (ther Expense Pool |   |   | \$18,702.37  | \$0.00    | \$0.00       | \$18,702.37  | \$0.00    |
| ****        | total Expenses     |   |   | \$323,105.95 | \$0.00    | \$177,064.17 | \$146,041.78 | \$0.00    |