



## Policy 03:001 – Budget and Budgetary Control

The approved University budget is the formal plan for financing the academic and support programs for the fiscal year beginning October 1 of each year. The budget is prepared prior to the beginning of each fiscal year and is approved by the Board of Trustees in advance of its implementation.

The preparation of the University budget entails two primary steps: 1) the request for State appropriations and 2) the internal budget process.

### **The Appropriations Request**

In early November of each year, the University prepares and submits its Legislative Budget Request for State appropriations to the Legislative Fiscal Office. Formula-generated requests for the University are prepared each year by staff of the Alabama Commission on Higher Education (ACHE) and submitted to the Commission for approval during its December meeting. The Alabama formula attempts to allocate equal State dollars to all institutions for the conduct of the same types of activities in comparison with peer institutions, but does not assess the quality of activities. Neither does the formula measure the effectiveness or outcomes of academic programs. The formula relates only to unrestricted Educational and General moneys and does not include restricted or Auxiliary Enterprise funds.

### **Internal Budget Process**

The University's internal budget process is conducted during the latter half of each fiscal year for the purpose of preparing the budget for the coming fiscal year. The process begins with distribution of the annual budget memorandum, guidelines and forms. Following receipt of these materials, budget managers conduct departmental discussions, as appropriate, to set program priorities and objectives. These priorities and objectives are set based upon the approved five-year University plan and the needs of each operating unit. Budget managers prepare budget requests for submission, through appropriate administrative channels, to the President. After review and discussion of budget and long-range planning with members of the President's staff, the President approves budget objectives and priorities and prepares a budget recommendation by functional categories.

The recommendation of the President is presented to the Audit and Finance Committee of the Board of Trustees for its consideration and recommendation to the full Board for action at the annual August meeting.

Thereafter, the Board is informed about the status of the budget at each of its meetings, and through written monthly reports.

### **Budgetary and Fiscal Control**

The budget of each department is divided into seven principal budget categories, namely, Faculty Salaries, Staff Salaries, Student Employment, Benefits, Materials and Supplies, Travel, and Equipment. The appropriations for each category are the maximum amounts which may be expended or obligated for payment during the fiscal year. The appropriations are for services and materials required for current year operations, and any amounts not required for current operations should not be used to stockpile supplies for the subsequent fiscal year. Appropriations for salaries and benefits are subject to independent budgetary control, and any balance in one of these categories may not be considered as authorization or justification for overspending any other appropriation.

Adherence to budgetary limits is required. Responsibility for control of expenditures within budgetary limits ultimately rests with the administrative head of each University division; however, the details of carrying out this responsibility are delegated to deans, department heads, directors or other supervisory personnel who serve as budget managers.

Due to the variance in size, scope, and nature of University departments and activities, no standardized procedure is specified for the maintaining of financial records within each department. However, each budget manager should develop procedures and maintain records which will provide accurate, effective budgetary control of departmental expenditures. Upon request, the Business Office will advise and assist departments in setting up acceptable departmental financial record keeping procedures.

At the close of each month, the Business Office provides each budget manager with a detailed Departmental Budget and Expenditure Report for each unit account. These reports should be promptly checked against departmental records and the Business Office notified of any discrepancies.

### **Budget Revisions**

From time to time it may become necessary to make revisions to the University budget. Requests for budget revisions are reviewed through appropriate administrative channels. Examples of situations requiring such revisions are as follows:

- transfer between Materials and Supplies, Travel, and Equipment appropriations within a budget account to cover variances of actual requirements with anticipated requirements;
- transfer between Materials and Supplies, Travel, and Equipment appropriations between budget accounts to cover variances of actual requirements with anticipated requirements;
- request for establishment of a budget for a new activity;
- request for additional funds due to urgent needs not apparent at the time of the original budget appropriation.

Upon approval, the budget revision will be reflected in the next monthly departmental report.

The Vice President for Business Affairs, or designee, is responsible for maintaining procedures for budget planning, budgetary and fiscal control and budget revisions and for evaluating their effectiveness.

*Approved 2/99*

*Revised 04/08*