

OPERATING BUDGET

POLICY NUMBER: RESERVED FOR FUTURE USE

POLICY TYPE: ADMINISTRATIVE

RESPONSIBLE OFFICIAL TITLE: CHIEF FINANCIAL OFFICER (CFO)

RESPONSIBLE OFFICE: UNIVERSITY BUDGET OFFICE

I. POLICY STATEMENT

This document defines the policies, procedures and reporting relationships that attend the University's annual operating budget. These policies support a decentralized approach to budget management with flexibility allowing academic deans, directors, and vice presidents to administer payroll, operating and capital budget dollars. These policies must be adhered to unless specific exception is granted by the president or by the budget director as appropriate.

BUDGET REVISIONS

Adjustments to the current-year budget should be processed in a timely manner so that the budget always represents a current estimate of revenues and a realistic plan for expenditures. Credit balances result when expenditures exceed the expenditure budget. Credit balances are unacceptable and require immediate resolution. Failure to address credit balances may preclude further processing of expenditures, cause delay in purchasing, and affect carry forward privileges. If there are credit balances during year-end closing, the Budget Office may fund credit balances from a superior unit's remaining available operating funds. If there are remaining credit balances after the year-end process is complete, they will be carried forward in total in the account that generated the credit balance. The unit administrator must provide in writing through the respective vice president to the budget office the plan to fund credit balances carried forward and what steps have been taken to prevent future credit balances. The budget transfer document provides the means for accomplishing budget adjustments as they become necessary. The budget transfer authority matrices (Schedules 1 and 2 attached) describe permissible and non-permissible movement of budgeted funds among budgetary pools and minor object codes as well as the level of review and approval required.

- All budget transfers should include an adequate explanation that supports its initiation and comply with all appropriate budget policies describe in this document. The budget transfer authority matrix is subordinate to all other budget policies.
- All transfers between major areas of the University are subject to review and approval by the budget director or delegated authority.
- Vice presidents must establish in writing any delegated signature authority to implement these policies. This authorization should be submitted to the Office of the Comptroller. Notice should be provided immediately for any revision or update to delegated authority.
- The reversal of a prior transfer which would normally violate the control matrices may be allowed in the following situations: (1) to correct a previous transfer, (2) to recover funds previously allocated, (3) to redistribute allocated central funds, and (4) to reverse a previous transfer moving operating to payroll.
- Requests to reverse a previous transfer should be advanced on a budget transfer form. The justification should clearly indicate the original document number and must include a clear explanation of the cause and

intent of the reversal.

- Requests for reversal of transfers must be submitted by the budget manager through the vice president to the comptroller's office. Such transfer reversals are subject to the review and approval of the budget director or delegated authority.

BASE BUDGET ADJUSTMENTS

Changes to the University's budget base are to be addressed only during the Annual Budget Process. During the fiscal year, budget managers should track allocation commitments from the President, the need for permanent reallocations within fund centers or fund centers, and permanent changes to the position base as well as the funding source of the proposed changes. Instructions for submitting permanent base adjustments will be addressed in the annual budget process. All budgetary adjustments that will impact more than the current and a portion of the subsequent fiscal year should be considered base budget adjustments and should be submitted during the Annual Budget Process.

PERSONAL SERVICES

The University compensation budget is categorized as regular payroll, special payroll, student payroll, contracted services and fringe benefits associated with each category as appropriate. Like operating and capital funds, special payroll, student payroll and contracted services dollars are budgeted directly to a particular commitment item or budgetary pool (502000, 505000, 530000). The regular payroll budget; however, is funded at the specific position level. The regular faculty and staff payroll budget is comprised of individual positions assigned to specific funding source fund centers. The position base budget is reflective of a unit's budgeted positions including salary, FTE and benefits for a given fiscal year as identified during the annual budget process. The original regular payroll or "501100 pool" budget in each University fund center reflects the total budgeted value of the fiscal year position base or employment plan. Budgetary management of this pool of payroll dollars is referred to as *position control*.

Position control responsibility resides first with the budget manager and ultimately with the division Vice President. Budget managers are responsible for the administration and integrity of their personnel budgets. Managers must assess the financial impact of hiring decisions and position changes at the time these decisions are made. In considering the impact of personnel and position base changes, managers should distinguish between the annualized recurring budgetary impact as well as the current year impact. Any compensation expense in excess of the base budget is the total responsibility of the budget manager and the vice president.

Provided that employment/personnel actions and position restructuring are consistent with human resource policies and procedures, the budgetary policies contained in this document shall apply. Additional budget policy information related to the use of Staff Compensation pool funds is described in the NKU Staff Compensation Pool Policy.

Faculty Positions

Primary administrative control of the faculty position base resides with the Vice President for Academic Affairs and Provost. This responsibility has been delegated or decentralized to the dean level in order to maximize flexibility in responding to enrollment demands. The following general policies apply to the

faculty position base.

- Faculty dollars may be assigned as necessary among faculty employment categories (part-time, full-time, and temporary) to meet instructional demands, regardless of funding source. However, faculty funds may be used only for faculty payroll expense.
 - The vice president and provost may approve as necessary the creation of new faculty positions within the funds allocated for faculty expense.
 - Under special conditions, a faculty position may be re-defined as a staff position. In this case funds may be moved to the staff position base. (The reverse is also true. Staff positions may be re-defined and moved to the faculty base.)
- Please refer to the budget transfer authority matrices (attached) for additional information regarding the movement of faculty payroll dollars.

Staff Positions

Primary administrative control of the staff position base resides with the Office of Human Resources (classification and pay) and the Budget Office (funding). During the course of a fiscal year, managers may find it necessary to revise their position base. This may come in the form of hiring decisions or position restructuring. These actions require the review and approval of the Office of Human Resources. The budget manager and vice president must ensure that funding is in place to address such changes in the current fiscal year. Also, the recurring, annualized impact of such changes must be tracked and funding sources identified so that such permanent base changes may be advanced during the next annual budget process.

The following general policies apply to the staff position base:

- Access to staff payroll dollars is permitted for the purpose of funding other non-recurring payroll- related activities across the Division including overtime pay, temporary employment, 12 month or less contract employment, supplemental pay and student payroll.
 - Vice presidents may reassign staff payroll dollars, create positions, or restructure positions within the total dollars allocated to the divisional position base (501100 pool) in the original budget. All personnel actions that will impact more than the current and a portion of the subsequent fiscal year should be considered base budget adjustments and should be submitted during the Annual Budget Process as part of the Division's position plan.
 - Should a division's payroll expense exceed the original budget, funding must be reallocated from within the division's operating budget, or a supplemental funding request must be forwarded to the president.
 - Vice presidents must reconcile the staff position base to the original budget each fiscal year during the annual budget process. Permanent position base adjustments and funding sources should be provided to the Budget Office when personnel actions are approved.
 - Departmental payroll budget pools should be watched closely throughout the fiscal year to avoid credit balances in the payroll pools.
 - Should a personnel action be processed that will require a funding adjustment to the departmental staff payroll pool, a budget transfer should be processed simultaneously to address both the salary and benefit costs.
 - It is not necessary to submit a funding transfer to realign budgets among specific positions within a fund center if that fund center has a positive balance in the 501100 pool.
- It is important to remember that while funding policy is flexible, any change to

an employee's salary or a position requires the review and approval of the Office of Human Resources prior to implementation of the change. Please refer to the budget transfer authority matrices provided in schedules 1 and 2 (attached) for additional information regarding the movement of staff payroll dollars.

Fringe Benefits – Faculty and Staff

Fringe benefits are viewed as cost extensions of each budgeted position or special payroll line. Budgeted benefits are based upon the most current cost information available, the benefit eligibility of the position, and program enrollment known at the time the annual budget is prepared.

The following policies governing the use of fringe benefit funds apply to both faculty and staff positions:

- Any change to a budgeted position, temporary or permanent, must provide for the associated change in fringe benefits and ensure adequate funding of benefits in the affected fund center(s).
- If a part-time employee becomes eligible to enroll in a benefit program due to an increase in hours, the cost of that benefit (both in the current year and on an annualized recurring basis) is the responsibility of the initiating department.
- Salary dollars transferred between fund centers must be accompanied by the associated salary-sensitive fringe benefits.
- Fringe benefit dollars may not be used for any purpose other than benefit expense. Questions regarding fringe benefit eligibility and current rates should be addressed to the Office of Human Resources.

Student Employment

- Institutional or federal work-study funds may not be used to supplement other payroll, operating or capital accounts.
- Vice presidents may transfer work-study funds between departments within their division.
- Students eligible for the federal work-study program must be charged to the federal work-study program budget so that the University can maximize the use of its federal funds.
- If a budget manager determines that the departmental budget has insufficient funds to fully support a student eligible for federal workstudy, they should contact the vice president to obtain assistance in identifying the availability of federal funds.
- If a budget manager has sufficient institutional work-study funds to fill a work-study position but desires to hire a student who is eligible for federal work-study, the IWS funds may be moved to the FWS overmatch account. Budget managers should contact the Office of the Comptroller for assistance.

OPERATING FUNDS

Operating expenses fall into two categories, pooled and non-pooled. Pooled expenses encompass numerous expenditure codes that have been grouped to provide greater flexibility to budget managers in the implementation of the expenditure budget. Although the budget is initially loaded at the commitment item object code level, the pooled concept permits fluctuation between the expense lines within the aggregate total of the pooled codes. Non-pooled commitment items isolate expenses and, for the most part, track fixed cost expenses.

- Operating expenditures must be charged to the fund center responsible for the activity and properly coded in accordance with the expenditure

commitment item definitions established by the Office of the Comptroller. Questions related to expenditure coding should also be addressed to that office.

- In the event that two or more fund centers share in expenditure, those costs must be distributed on the expenditure document (i.e. a purchase request form). As a general rule a budget transfer should not be utilized for the purpose of sharing in the cost of a program or purchase.
- Transfers between “pooled” commitment items within a fund center are not required.
- Base budgets for commitment items within a “pool” should be adjusted during the annual budget process to reflect the spending plan for the upcoming fiscal year
- Refer to the budget transfer authority matrices provided in Schedules 1 and 2 (attached) for further information regarding the movement of operating dollars.

CAPITAL EXPENSE FUNDS

Equipment requests are normally funded through the annual budget allocation process. The vice president for their respective division identifies equipment needs. Funding of such requests is prioritized based upon an assessment of need and available resources.

- It is expected that capital dollars allocated through the budget process will be expended within the fiscal year in which the dollars are funded. Refer to the budget transfer authority matrices provided in Schedules 1 and 2 (attached) for further information regarding the movement of capital funds.

FIXED COSTS

The operating budget recognizes a class of accounts designated as fixed costs. Fixed costs are items that offer very limited choice in terms of funding. Fixed costs have been budgeted as a University priority. Items defined as fixed costs are subject to continuing review with respect to the appropriateness of funding in the category and are subject to change during the annual budget process.

- Budgeted fixed cost dollars in excess of actual costs are a central resource and may not be used for any other purposes.
- Actual costs in excess of the budgeted fixed cost estimate may be funded by savings in other fixed cost categories within the major division. If dollars are not available to fund fixed cost increases, these costs are centrally funded.
- Separate controls on fixed cost accounts have been established. All fixed costs are either classified as non-pooled expense codes or are isolated by fund center.

SPECIAL ACCOUNTS

Revenue/Auxiliary Accounts

Budget managers responsible for revenue and auxiliary fund centers must monitor the relationship between actual revenues and actual expenditures. A scheduled review of revenue accounts assists the Budget Office in monitoring the overall condition of the University’s revenues.

- Budget managers are expected to submit revised revenue and expenditure forecasts once during the annual budget process and again prior to the end of the fiscal year to the Budget Office. These forecasts should be submitted through the vice president to the Office of the Comptroller and the Budget Office along with an update to the budget plan.
- Budget managers may need to adjust revenues at times other than the

scheduled review dates. Requests for significant revisions to estimated revenue and related expenditure authorizations might be initiated at any time and submitted in the same manner as scheduled reviews.

- The revenue characteristics of the revenue and auxiliary fund center generally preclude the transfer of dollars into or out of these fund centers. Exceptions may be considered on a case-by-case basis.
- If a budget manager needs to adjust revenues, the manager needs to contact either the comptroller's office or the budget office after receiving approval from the respective vice president, in order to initiate a revenue transfer. (This is due to security issues within FI SAP.)

Institutional Resource Accounts

Institutional resource fund centers are established to address certain types of University-wide expenditures or to accommodate special institutional initiatives. A listing of these accounts is provided in Schedule 3 (attached).

- The nature of the institutional resource fund center generally precludes the transfer of dollars into or out of these fund centers. Exceptions may be considered on a case-by-case basis.
- There are no restrictions on the movement of dollars within these fund centers.

Revenue Lines

Line revenues are those revenues tied to a specific commitment item in a specific budgetary fund center.

- Line revenues should be monitored and adjusted throughout the fiscal year. Budget managers are scheduled to submit revised revenue forecasts for revenue lines during the annual budget process. A final adjustment must be made prior to the year-end closing.
- If a budget manager needs to adjust revenues, the manager needs to contact either the comptroller's office or the budget office after receiving approval from the respective vice president, in order to initiate a revenue transfer. (this is due to security issues within FI SAP)

CENTRAL SUPPLEMENTAL FUNDING REQUESTS

Under emergency or special conditions, a vice president may find it necessary to request funding outside of the annual budget process. This request should be advanced to the office of the president using a "One-Time Supplemental Allocation Funding" form. This request must address whether the funding is also required on a recurring or future year basis. This form may be obtained from the Budget Office web site.

A redistribution of these supplemental funds may be necessary to properly code expenditure or to distribute the allocation to various accounts within a division or college. The redistribution of supplemental allocations is governed as follows:

- Transfers that redistribute supplemental funds must cite the document number.
- The budget transfer must clearly state the reason for redistributing the funds.
- The vice presidents are responsible for maintaining a current accounting of supplemental allocations and any redistribution.
- The redistribution of central supplemental allocations requires the review and approval of the Budget Office.

CARRY FORWARD

The University budget represents a financial plan for the fiscal year July 1 through June 30. Dollars are allocated to accounts to provide for the operation of institutional programs and services, and it is anticipated that those dollars will normally be expended in a prudent and timely fashion. As a means of providing greater budgetary flexibility to budget managers, the University allows for automatic carry forward of operating and capital funds. In most cases, any outstanding credit balances at year end will be funded from a superior unit's remaining available operating funds before consideration in the automatic carry forward process. Additional budget policy information related to carry forward of funds is described in the NKU Carry Forward Policy.

II. ENTITIES AFFECTED

University Budget Managers

REVISION HISTORY

REVISION TYPE	MONTH/YEAR APPROVED
Choose an item.	
Choose an item.	
Choose an item.	
Choose an item.	
Choose an item.	
Choose an item.	
Choose an item.	