

# MANSFIELD UNIVERSITY BUDGET PROCESS

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## Foreword

The purpose of this document is to provide the Council of Trustees, faculty, staff, students, and the general public with an understanding of how Mansfield University's budget process works.

There have been several changes in the past four years that have forced Mansfield University to change the budget process. The two most significant were the changes in the system funding formula and the downward trend in FTE enrollment.

The outlook for high school graduates is continuing to decline; however, for fiscal year 2007-08 Mansfield University was able to secure additional funding through the state appropriation.

With this increase in funding, it did not mean Mansfield University could return to business as usual. A commitment was made by Cabinet to allocate these funds in a way that would increase enrollment and retention. The entire campus was solicited for their input on how best to utilize these funds and a Strategic Budget Committee was selected to evaluate these requests for funding. This will be an ongoing process each fiscal year.

## What is a Budget?

A budget is a flexible plan that integrates views from different campus constituents to migrate to a common goal. By implementing this common goal, the university can work together to provide our students with a meaningful, challenging, and affordable educational experience. An established budget holds the university/department to certain spending limits. Since we are a public university, supported in part by the Commonwealth of Pennsylvania, we must be held accountable for our spending and a budget holds us to these means.

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## Education and General Budget

Mansfield University's fiscal year begins July 1<sup>st</sup> and ends June 30<sup>th</sup> of the following year.

The main budgeting categories are:

- Salaries – cost associated with contracted personnel. Includes faculty, management, professional staff and classified staff.
- Wage – costs associated with temporary staff hires and student employment.
- Benefits – costs associated with all wages paid such as Medicare, FICA, retirement, and workers' compensation. Other benefits include medical, health and welfare, annuitant medical, life insurance, and tuition waiver benefits. All salaries employees have the option of picking a retirement plan through State Employees Retirement Plan (SERS), Public School Employees Retirement Plan (PSERS), or TIAA/CREF.
- Utility costs – costs associated with electric, gas, coal, water, and sewer.
- Operating expenses – costs incurred for the operation of departmental activities.
- Capital – costs of equipment purchases greater than \$5,000.
- Transfers – costs associated with repaying bond debt and/or transfers made to other funds within the university budget (i.e. designated funds, restricted funds, plant funds).

The annual budget is a plan based on the best information available at a given time. Personnel budgets are covered for all approved positions at that given point. Operating budgets are allocated to each department by their appropriate Cabinet member. Any personnel costs not budgeted but incurred (i.e. overtime, higher class pay, etc.) will be taken from the departments operating allocation. Once these allocations are made, each department is expected to assume the responsibility of managing the resources given to them. This includes living within the funds available. Deficits are not an acceptable practice.

## Auxiliary Enterprise Budgets

Auxiliary enterprises are defined as activities that are self-supporting and enhance the mission of the university. On Mansfield University's campus these areas include: Residence Halls, Dining Hall, Student Center, and Fitness Center. Fees are assessed to students to cover the direct and indirect operation of these facilities. The Office of Budget Planning assists in reviewing the expenses relative to their operation. Changes in fee rates must be approved by the Council of Trustees prior to implementing. This usually goes to the Trustees for approval in April or May.

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## Grants and Contract Budgets

The Office of Budget Planning has little involvement in the budgeting for grants received by the university. Every effort is made to insure appropriate funding is set aside to cover any university match requirement needed to fulfill the grant.

## Plant Fund Budgets

Plant funds consist of activities to improve the facilities on campus. This may include remodeling, renovations, and new construction. Funding may come from the Commonwealth (Key '93) which is used only for deferred maintenance activities, Education and General funding which is used to improve our infrastructure, and bond issuance which is used for major renovations or new construction where we distribute the repayment over several years.

## Strategic Budgeting Process

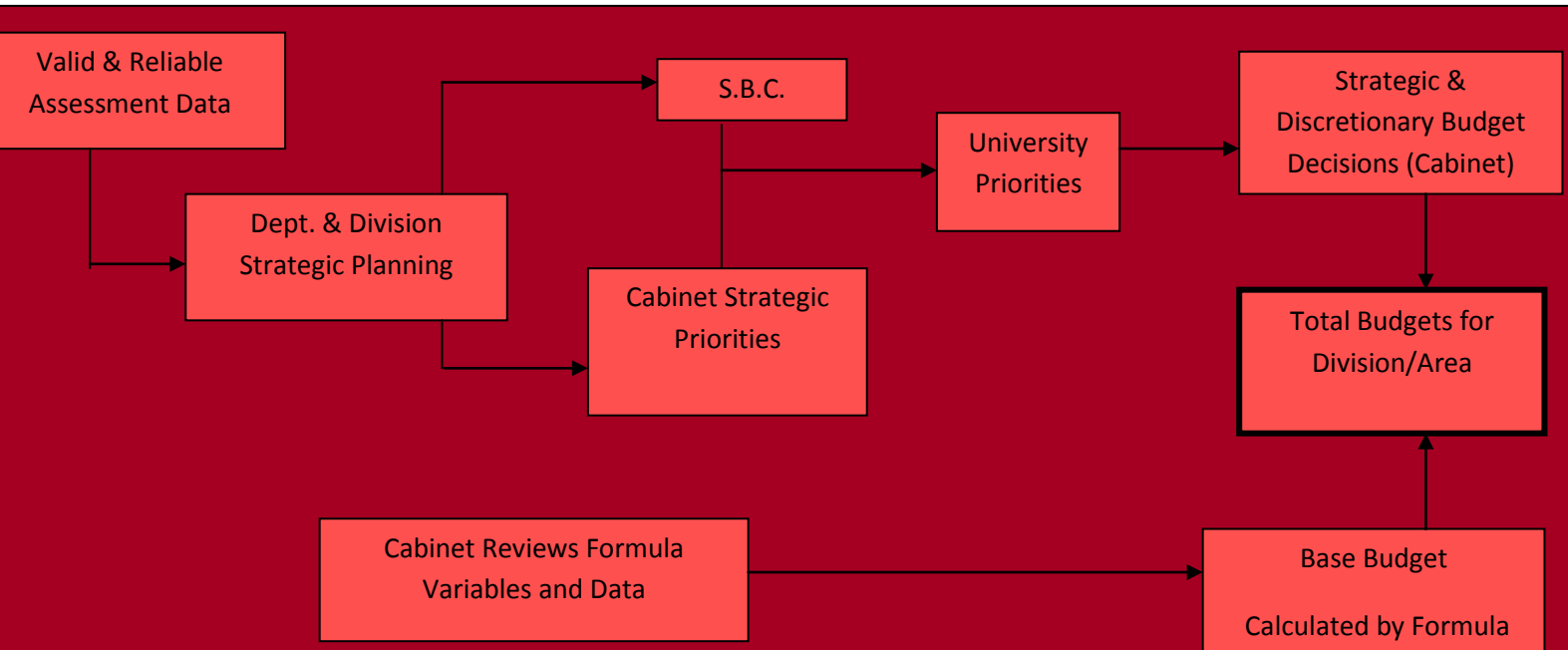
A budget formula was devised to provide a simple, reasonable and fair distribution of a base budget to all Mansfield University divisions. The purpose of the formula is not to determine the budget for every institutional account but rather only a base amount for each major division. It is then expected that each division head will distribute the funds according to their management priorities and operational requirements. It should be remembered that the formula provides a base budget only. Base budget is defined as adequate funding to maintain essential operations at a minimal level. Program development, new equipment, new employees, and other non-essential areas are not expected to be covered by the formula. Essentially, the formula provides adequate funding to meet current payroll and a limited operational budget.

One of the main purposes behind the formula is to provide a pool of funds that can be distributed to the institutional priorities. Any division that is not adequately funded for their strategic or operational desires may seek additional funding through the strategic planning process. The formula provides an equitable base budget that is similar across the campus. Less efficient divisions will be recognized by those that are not able to maintain operations under the formula's allocation and are not granted additional funds through strategic planning. They then should identify ways to increase efficiency. Again, the formula should provide adequate funding to meet the current payroll and a limited operational budget per employee. The purpose is to allow operations to continue but to retain as much funding as possible to be dedicated to institutional priorities. Overall, the purpose of the new budget process is:

1. To create a system in which to help dispense the limited resources available to the University.
2. To provide a pool of funds that could be distributed to the Institutional Priorities.
3. Simplify with a reasonable and fair distribution of a base budget to all University divisions.

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## HOW THE BUDGET PROCESS WORKS



There are four main parts to the budget process:

- Base Budget Formula
- Strategic Budget Committee (S.B.C.) Priorities
- Discretionary Funds
- Divisional Budget Setting

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## Base Budget Formula

- The Base Budget can be defined as a budgetary component that is expected to cover routine and essential operating costs.
- The Base Budget should be established with a formula created by the Budget Office and adopted by Cabinet. A proposed model has already been developed.
- There are three main components to the base budget formula:

1. **Instructional** (*Student Credit Hour Driven*)

The academic area budgets are driven by a series of calculations based on faculty load, class size, and student credit hours within an academic department.

2. **Institutional Support** (*Standardized Efficiency Rates*)

Institutional Support funds are determined by providing institutional averages given the historical size of the division. This is the most obvious weakness in the model and a serious discussion about the viability of all operations should be held. Those functions and operations that are not essential or justifiable should be evaluated and possibly eliminated.

3. **Facilities & Grounds** (*\$ per Square Foot*)

Plant Operations is budgeted by multiplying the institutional gross square footage by the PASSHE funding per square foot in their allocation model. A recent Sightlines study indicates Mansfield University should be allocating \$8.00 per square foot to cover deferred maintenance needs. *Our current funding level is about \$6.00 per square foot.*

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## Strategic Budget Committee (SBC)

- Yearly, the Strategic Budget Committee evaluates (assesses) various data/information regarding current University priorities. The results of the assessment are reviewed and the SBC develops recommendations for University-wide priorities, planning & budgeting goals for the upcoming year.
- Cabinet reviews and approves the recommended priorities.
- Vice Presidents work with their departments to develop divisional goals that align with the University priorities.

## Discretionary Pool

- It is recognized that this budget formula and process is not perfect.
- There needs to be some flexibility and mechanism to deal with the unforeseen.
- There needs to be some flexibility and a mechanism to deal with unexpected strategic opportunities.
- The Discretionary Pool is established as a percentage of the total Base Budget allocation.
- As the formula is further refined and the process becomes more effective, the Discretionary Pool is expected to be reduced to provide more funds for the Strategic Planning allocation.

## Divisional Budget Setting

- Each person responsible for an account will receive a Base Budget Worksheet with historical and current budget information to assist in building next year's budget.
- A current staffing pattern with salary amounts will already be provided on the worksheet.
- Account Managers should work with their Supervisors (Chair, Dean, Director, VP) to complete Adjunct, Hourly, Operating and Travel portions of their budgets.

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## SUMMARY

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While this formula may not provide a perfect calculation for fund distribution, it does provide a fair method to distribute base budget across the institution.

- Formula calculates Base Budget.
- Discretionary Funding is determined.
- Remaining funds are allocated to Strategic Priorities.
- Departmental budgets are determined by the Division.

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## *TIMELINE OF BUDGET PROCESS*

Budget Office Task	Month	Cabinet Task
<ul style="list-style-type: none"> <li>➤ Ensures SAP budget loaded for start of fiscal year</li> </ul>	July	
<ul style="list-style-type: none"> <li>➤ Prepare Budget Request for upcoming fiscal year</li> </ul>	August	<ul style="list-style-type: none"> <li>➤ Provides Budget Office with University cost reallocation and initiatives for Budget Request</li> </ul>
<ul style="list-style-type: none"> <li>➤ Submit upcoming fiscal year Budget Request to Chancellor's Office</li> </ul>	September	<ul style="list-style-type: none"> <li>➤ Evaluates data regarding current year University priorities</li> </ul>
<ul style="list-style-type: none"> <li>➤ Prepares upcoming fiscal year Auxiliary indirect cost schedule</li> <li>➤ Prepares cost estimates for upcoming fiscal year institutional support costs</li> </ul>	October	<ul style="list-style-type: none"> <li>➤ Cabinet determines institutional support costs that should <u>not</u> be part of their departmental budgets</li> </ul>
	November	<ul style="list-style-type: none"> <li>➤ Strategic priorities established</li> <li>➤ University-wide planning and budgeting goals developed for the upcoming fiscal year</li> </ul>
<ul style="list-style-type: none"> <li>➤ Updates the base budget formula</li> </ul>	December	<ul style="list-style-type: none"> <li>➤ Reviews and approves established priorities</li> </ul>
<ul style="list-style-type: none"> <li>➤ Ensures base budget formula is updated and accurate</li> </ul>	January	<ul style="list-style-type: none"> <li>➤ Campus notified of established goals</li> <li>➤ Divisions establish goals &amp; projects for strategic funding</li> </ul>
<ul style="list-style-type: none"> <li>➤ Distributes base budget data to Cabinet</li> <li>➤ Assists Auxiliary areas with upcoming fiscal year budget documents to calculate the student fees required to balance budgets</li> </ul>	February	<ul style="list-style-type: none"> <li>➤ Reviews base budget data for <i>variable modifications</i> that may need to be made</li> <li>➤ VP's prioritize strategic funding requests</li> <li>➤ Reviews prior year strategic priorities to ensure funds were adequately spent and supported the strategic initiatives</li> </ul>
<ul style="list-style-type: none"> <li>➤ After Cabinet modifies variables in base budget formula, identify funding available for strategic priorities</li> <li>➤ Auxiliary rates finalized</li> </ul>	March	<ul style="list-style-type: none"> <li>➤ Base budget approved by Council of Trustees</li> <li>➤ Auxiliary rate projections shared with Council of Trustees</li> </ul>
<ul style="list-style-type: none"> <li>➤ Provide Cabinet with historical data &amp; budgeting tools which will include actual expenses for two years and current year to date</li> </ul>	April	<ul style="list-style-type: none"> <li>➤ Cabinet begins prioritizing departmental funding needs</li> </ul>
<ul style="list-style-type: none"> <li>➤ Receives from Cabinet the funded strategic priorities</li> <li>➤ Receives department budget data to update the SAP load spreadsheet from Cabinet</li> </ul>	May	<ul style="list-style-type: none"> <li>➤ Strategic priorities are funded in priority order based on Cabinet consensus</li> <li>➤ Provides Budget Office with departmental funding for the upcoming year</li> </ul>
<ul style="list-style-type: none"> <li>➤ Ensures divisional compliance with funding distribution</li> <li>➤ Loads budget file in SAP</li> </ul>	June	

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## BASE BUDGET ALLOCATION

DEPARTMENT NAME: \_\_\_\_\_  
 DEPARTMENT FUNDS CENTER: \_\_\_\_\_  
 BUDGET MANAGER: \_\_\_\_\_

COMMITMENT ITEM (Object Code)	ALLOCATION
502 Wages	
510 Student Wages (Department Funded Workstudy & G.A.'s)	
520 Overtime	
521 Shift Differential	
522 Higher Class Pay	
540 Social Security	
550 Retirement	
543 Workers' Compensation	
605 Postage & Freight Charges	
606 Phone	
607 Advertising	
608 Subscriptions	
609 Memberships/Accreditation Fees	
610 Printing/Copying	
615 Travel	
620 Computing/Software	
625 Specialized Services	
630 Contracted Repairs	
635 Insurance	
650 Rent/Lease Equip/Vehicle	
655 Civil Service Commission/Other Misc Services	
660 Supplies	
665 Food Services/Supplies	
690 Other Current Charges	
740 Equipment & Machinery	
750 Furniture & Furnishings	
760 Library Books	
<b>Total Budget</b>	<b>\$0</b>