

**UNIVERSITY OF NORTHERN COLORADO**  
**Budget Process Guide**

**Narrative**

The budget process is an ongoing cycle that can be seen as beginning with budget development, moving into budget loading and continuing with ongoing budget management, even as budget development begins for the next fiscal year.

The purpose of this document is to provide guidance to the University community in understanding the process and effectively managing budgets.

The Budget Office facilitates the process and supports college and other area budget personnel in managing budgets. Please refer to the Budget Office web page at <http://www.unco.edu/acctservices/budget/staff.shtml> for specific staff assignments. We trust that the following guide will provide a general overview and serve as a useful reference. Any italicized terms are defined in the glossary.

**ONGOING BUDGET MANAGEMENT**

Ongoing budget management involves evaluating the short- and long-term operating needs of a particular area. An “area” can be as small as a particular program or as large as the entire university. UNC’s budget structure begins at the account level and is grouped by *activity code*, department, college or program area, and *executive level*.

HEIRARCHAL STRUCTURE	ACCOUNTING/BUDGET TITLE	MANAGER
Specific activity, event or operation	<b>Account</b>	Responsible Person
Group of accounts that comprise all the operations of a department.	<b>Department</b>	Manager, Director, Chair, etc. The day-to-day manager may be an assistant or business manager.
All operations of a college or other program area, such as Information Technology, Athletics, or Multicultural Affairs.	<b>School</b> In some cases a school may be comprised of only one department.	Dean, Assistant Vice President, Director, etc. The day-to-day manager may be an assistant or business manager.
The entire division of a Vice President or the President.	<b>Executive Level</b>	Vice President or President. The day-to-day manager may be an assistant or business manager.

Ongoing budget management includes the following activities:

- Reviewing, adding and modifying accounts to appropriately capture financial data for operations. This also includes review and correction of account *attributes* which include structural attributes like department, school and responsible person, as well as, the *function* or expense purpose. The *function* is one of eight nationally standardized categories (instruction, academic support, institutional support, operation and maintenance of plant, public service, research, student services, and scholarships).
- Processing actual transactions through Purchasing, Accounts Payable, Payroll, Accounts Receivable and General Accounting. Processing one-time Budget Transfers (code 22) through the Budget Office to accommodate current year operating needs.
- Preparing *Proposed Base Transfers* (code 20) as the need for permanent or base budget adjustments become apparent. These transfers require presidential approval and are not finalized until the next fiscal year's budget development. In addition, if permanent changes are proposed in personnel, a *Position Management Change* form must be completed to maintain the accuracy of position management and retain coherence with the base budget.

## **BUDGET DEVELOPMENT**

Budget development begins with some preliminary work to reconcile position-by-position detail, *Position Management Reports (PMRs)* to base budget lines and a review of the adequacy/accuracy of the account structure and attributes. This generally takes place in November for the fiscal year beginning the following July.

The most significant involvement of the budgetary manager (Director, Manager, Chair, Dean, etc.) and his or her assistant or business manager is the Request Process and preparation of the *budget package*. The *budget package* includes *Budget Proposal Worksheets (BPWs)*, *Position Management Reports (PMRs)*, a narrative summary, and may include other informational items. Please see the budget development chart on page 9 for additional detail.

The *budget packages* are reviewed at the *executive level* by the appropriate Vice President or the President. Changes may be made and requests are prioritized.

The *Budget Council* then begins discussions, which may include presentations by the colleges and/or other areas. The discussions conclude with the President's proposed budget to the Board of Trustees (the "May Book"). A final

recommended budget is presented to the Board for approval in June (the “June Book”).

## **BUDGET LOADING**

Once the budget is approved, it becomes the *original base budget* for the next fiscal year and loading can begin. Loading occurs in four phases, three of which relate to the permanent base budget and one that only affects current year budgets. Please see the budget loading chart on page 8 for additional information.

- Phase One occurs in July and is the bulk of the *original base budget*.
- Phase Two is completed by September 30 and includes allocations of salary increases to the account level (a modification of the *original base budget*). Phase Two is necessary because faculty and exempt salary increases are not available by position in time to include in Phase One and this also gives departments a chance to make adjustments to staffing plans for the new year. Phase Two also includes one-time loading of prior year roll-forwards and fund balances.
- Phase Three occurs October through February and involves *Proposed Base Transfers*, which will be reviewed and approved in the next year’s budget process. Any *Proposed Base Transfers* after the end of November will not be finalized as part of the permanent base budget until the budget discussions begin the following March and they are approved by the President.
- Phase Four occurs August through June and involves one-time current year transfers only (ongoing budget management).

## **PERSONNEL BUDGETS**

Management of personnel budgets requires special attention for a number of reasons.

1. Salaries and benefits comprise about 90% of the budget.
2. Fringe benefits and classified salary increases are mandatory costs in each year’s budget.
3. Once a position is authorized and filled, reducing expenditure is not as easy as with other current expenditures (OCE), for example, cutting back on mailings to reduce postage and printing costs.
4. The allocation of salary increases, particularly for faculty, is a complex and time-consuming process.

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5. Finally, by presidential directive, *salary savings* are recouped centrally on each vacated position (except entry-level or multiple vacancies to one position in a single year).

Because of these five factors, a position management process must take place to ensure that only authorized positions are filled, that personnel budget lines can be reconciled to detailed *Position Management Reports*, and that any base budget changes to personnel lines are accompanied by a *Position Management Change Form* and vice versa.

Questions and Answers

**BUDGET DEVELOPMENT**

**1. *When should I start work on budget development?***

Budget items will be distributed in November and December for the fiscal year beginning the following July. However, you can begin internally gathering information and making plans as soon as you become aware of operational changes.

**2. *What do I need to do in the budget development process?***

In November, you should work with your budget analyst to be sure that *Activity Codes* are accurate and account information (active or frozen, attributes, etc.) is up to date. In December, you will receive a package of information including: an electronic *Budget Proposal Worksheet (BPW)* database, *Position Management Reports*, instructions and other summary information. You need to update the BPW information to reflect any *Proposed Base Transfers* for the upcoming year and any *New Changes* (requests or Resource Strategies). By the due date, mid-January, you will need to submit a budget package including the BPW changes (electronically), *Position Management Change Forms* for any proposed adjustments to personnel lines, and a narrative summary for your area. You DO NOT need to be concerned about salary increases or mandated campus-wide changes (e.g., postage increases).

**3. *How does the budget development process work?***

Once each area submits its budget package, the Budget Office compiles information for each Vice President and the President for his or her respective Executive Level or division. Review and prioritization is completed by each division and final information is returned to the Budget Office. Additional work-sessions may be held at the discretion of the senior administration.

In March, the budget discussions begin and will generally include presentations by each college and selected other areas. The *Budget Council* consists of the senior administration, other selected administrators, a faculty representative, a PASC representative, an SRC representative and a SPEEC representative. Budget decisions include not only a consideration of requests, but also policy decisions which impact the budget and review of mandated items and compensation. The results of these discussions are incorporated into the Original Base Budget.

Budget discussions conclude in April and the President forwards a proposed budget to the Board of Trustees in May (the "May Book"). The President submits the recommended budget to the Board for approval in June (the "June Book"). This becomes the Original Base Budget for the next fiscal

year.

## **BUDGET LOADING**

### **4. *What is Phase One of budget loading?***

Phase One occurs in July. *Original Base Budgets* --consisting of prior year Original Bases, plus approved Proposed Base Transfers, plus approved New Changes-- are loaded. No other budget entries are processed during this time.

### **5. *What is Phase Two of budget loading?***

Phase Two is when salary allocations within in each area are loaded and reconciliations take place. Generally, information on exempt and faculty salary increases is not available at a detail level in time to be included in Phase One. Phase Two is the allocation of these increases to individual accounts from the overall division or Executive Level. Phase Two adjustments become part of the *Original Base Budget* for the current fiscal year.

In addition, roll-forwards and fund balances from the prior fiscal year are posted on a one-time basis.

### **6. *What is Phase Three of budget loading?***

Phase Three occurs August-November and includes transfers that are intended to affect the base budget permanently. These *Proposed Base Transfers* (code 20) require presidential approval and will be reviewed in the next year's budget development process and fine tuning of balance between PMR and budget.

### **7. *What is Phase Four of budget loading?***

Phase Four occurs August– June and includes transfers that are intended to affect the current year budget only. One-time transfers are processed on a budget transfer form, generally as code 22 transfers.

## **PERSONNEL BUDGETS**

### **8. *What are salary savings and how do they work?***

Please see the separate Salary & Vacancy Savings procedure.

### **9. *What are Position Management Change Forms?***

*Position Management Change Forms* reflect personnel changes in a department due to any reason. They are used to document changes to the Personnel Management Reports, which reflect the authorized personnel costs in a department. Forms are available on the Budget Office web page.

## Glossary

**Account** - An account (six digit numeric code) is the most basic structure of UNC's financial accounting and budgeting system. It represents the transactions of a discrete operation or event. The scope of activity covered by a single account varies, depending upon the need for reporting and analysis. Of significant concern is the relationship of the account to the *function* attribute (see below). All activity relating to a particular account should belong to the same *function*.

**Account Attributes** – Each account is assigned attributes which identify what standard *function* the activities of the account belong to as well as several other grouping attributes: executive level, school, department and division.

**Activity Code** – An activity code is assigned to each account to facilitate the grouping of accounts for budgeting and reporting purposes. It is particularly useful in grouping accounts across different funds that relate to the same activity. All accounts in a department may be under the same activity code OR a department may include several activity codes. An activity code may even cross departments. See also *division*.

**Authorized Position** -- All positions and maximum salaries require presidential approval. Once this approval occurs, the position becomes "authorized" and a part of the Position Management database maintained by the Budget Office. When a position is vacated, it requires re-approval to remain an authorized position.

**Executive Level** - All accounts have a series of hierarchical attributes that relate to the organization structure of the University. Currently, there are six executive levels, the topmost attribute: President, Provost, University Affairs, Finance & Administration, Board of Trustees and Other.

**Budget Council** – The Budget Council will consist of the President, Vice Presidents, other selected administrators, Faculty Senate President, PASC representative, SRC representative and SPEEC representative. It will be facilitated and staffed by the Budget Director and Budget Analysts. The Council serves as an advisory body to the President. Meetings will take place in March and April.

**Budget Loading** – The *original base budget* will be loaded in **Phases One and Two** of the loading process (July and August). Any "permanent" changes will be made beginning in October, as a Proposed Base Transfer for the next budget development process. The **Phase Three** proposed change will impact the current budget but **not** on a permanent basis until subsequently approved. **Phase Four** is simply one-time transfers, which will begin in August after original budgets are loaded.

**Budget Packages** – Budget packages are due in the Budget Office mid-January and will include BPWs and PMRs, as well as a narrative. These packages will be organized by *activity code* – i.e., all accounts from all funds that relate to a particular area will be grouped together.

**Budget Presentations** – As part of the budget meetings, each college and individual areas as selected by the President, will have the opportunity to make a presentation.

**Budget Proposal Worksheets (BPWs)**– These are the heart of the budget development process. BPWs are distributed by the Budget Office in December. They will include, by line-item, actual expenses to date, current year *original base budgets*, prior year total expenses and Proposed Base Transfers to date. College and area budget personnel will need to work with vice presidents, deans, directors, etc., to complete the following: 1. *Proposed Base Transfers* to take effect for the next year. 2. *New Changes* (new funding or reduced funding, i.e. "Resource Strategies").

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**Department** – All accounts have a series of hierarchical attributes that relate to the organization structure of the University. A department is the lowest level attribute.

**Division** -- A division is an account attribute that is not hierarchical. Currently there is some inconsistency in how these are applied, and the division attribute is rarely used; it may be combined with the *activity code*.

**Function** -- The account function, also known as the “expense purpose” is a key attribute for reporting purposes. There are eight standard functions in higher education: instruction, research, public service, student services, institutional support, scholarships, fellowships and operation & maintenance of plant.

**New Changes** – Any requests for new funding or offers of funds for *resource strategies* are new changes in any given budget development cycle.

**Object Codes** – Object codes provide the mechanism of grouping like types of transactions within any given account and across accounts. For example, all advertising expenditures should be identified by a 3800 object code.

**Original Base Budgets**— The budget as approved by the Board of Trustees for any given fiscal year. Includes the prior year’s Original Base plus approved Proposed Base Transfers plus approved New Changes.

**Position Management Change Forms** -- These forms are used to explain any permanent, budget, or FTE changes in a position and to update the Position Management Report so that it remains in balance with base budgets.

**Position Management Reports (PMRs)** -- PMRs are a key component of the budget process. Staffing information, by position, must be reconciled to the appropriate line-item on the associated BPW.

**Proposed Base Transfer** – Any permanent budget changes requested subsequent to the loading of Original Base Budgets require presidential approval and review in the next year’s budget development process.

**Proposed Budget** -- After the March and April Budget council meetings, the President will forward the proposed budget to the Board of Trustees at their May meeting. (The “May Book”).

**Recommended Budget** – The President will present the recommended budget to the Board of Trustees for approval at their June meeting. (The “June Book”).

**Resource Strategies** – In any given budget development cycle, funds which are able to be recaptured and become available centrally for re-allocation to university needs are resource strategies.

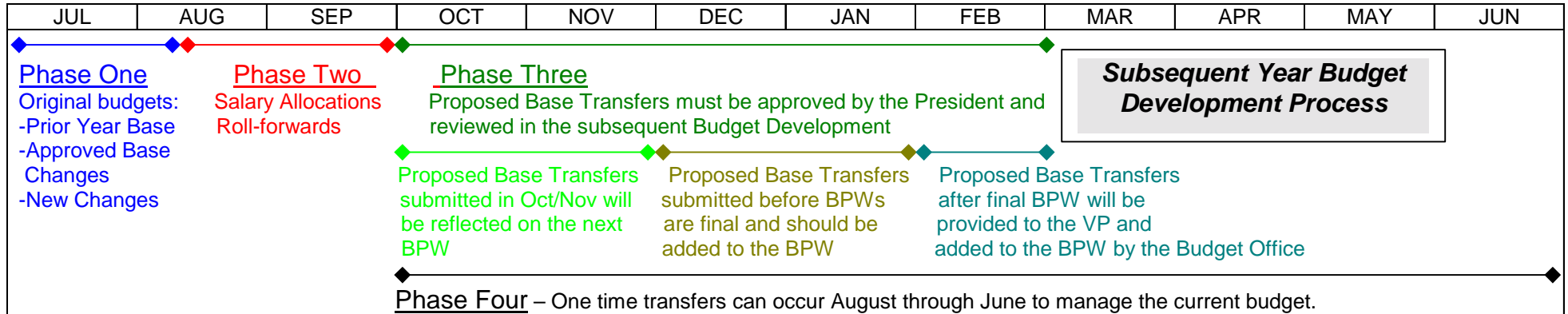
**Salary Savings** -- Generally speaking, salary savings are the funds available that represent the difference between a departing employee’s salary and benefits and the salary and benefits of the new employee filling that position. See Salary & Vacancy Savings procedure for information on the use and central re-capture of salary savings

**School** -- All accounts have a series of hierarchical attributes that relate to the organization structure of the University. From low to high the attributes are: *department*, *school* and *executive level*. The school attribute is used for the entire group of accounts in a college, as well as for other groups of accounts that form an organizational structure within an *executive level*. That is,

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the manager of a “school” (in terms of account groups) reports to the manager of an executive level (President or Vice President).

**BUDGET LOADING PHASES**



I. Phase One of the current year original base budget loading takes place in July

- A. The original base budget consists of the following three pieces:
  - 1. Prior year Base Budget.
  - 2. Proposed Base Changes which were processed in the prior year Phase Three (October - February) and approved in the budget process.
  - 3. New Changes approved in the budget process.
- B. No other budget entries occur during this time.

II. Phase Two of the current year base budget loading takes place in August

- A. During Phase Two compensation allocations / staffing plan reconciliations occur and base budgets are updated.
- B. Roll-forwards and fund balances are also posted by August 30.

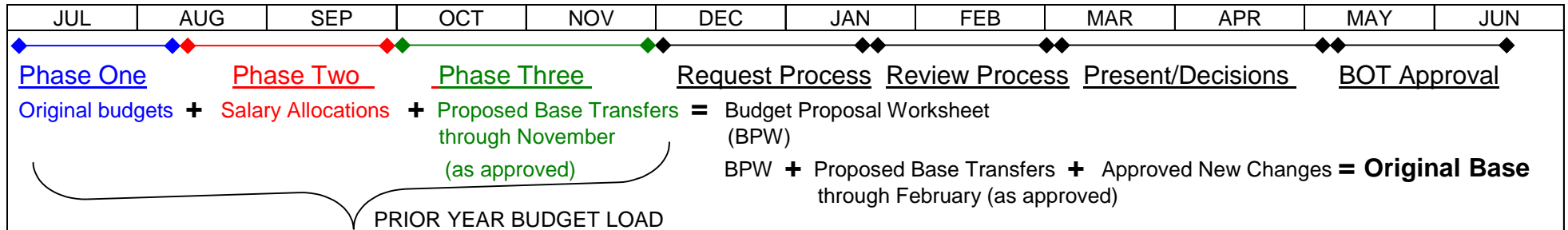
III. Phase Three of the budget loading, Proposed Base Transfers, takes place October through February

- A. Proposed Base Transfers must be approved by the President and reviewed in the subsequent Budget Development.
- B. Proposed Base Transfers are permanent budget changes that apply to the current year as well as future years.
- C. Any Proposed Base Transfers that involve personnel lines must be submitted with a Position Management Change Form.
- D. The timing of the Proposed Base Transfer affects how it impacts the BPW for the subsequent Budget Development Process.
  - 1. October-November transfers will be included in the BPW as distributed in December.
  - 2. December/January transfers should be added to the BPW before it is finalized and should be submitted as one-time transfers if applicable to the current year.
  - 3. February transfers will be reported to the VP and added to the BPW before the Budget Development Process.

IV. Phase Four of budget loading is One-time transfers and occurs August through June.

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**BUDGET DEVELOPMENT**



Preliminary Work –

In November the Budget Office will work with each area to ensure that personnel base budgets are reconciled to detailed Position Management Reports. In addition, Activity Codes and account information will be updated.

Request Process –

The budget development process begins in December with the distribution of Budget Proposal Worksheets (BPWs) and Position Management Reports (PMRs).

- BPWs will include the current year Original Budget plus any Proposed Base Transfers submitted through November.
- Personnel lines on the BPWs MUST BE reconciled to position-by-position details on the PMRs.
- The BPWs should be updated for Proposed Base Transfers to take effect in the next fiscal year (within College or Area / within Executive Level / between Executive Levels).
- New Changes (requests for new funds or Resource Strategies) should also be reflected.

Items to be submitted include:

- Electronic update of BPW for Proposed Base Transfers and New Changes
- Position Management Change Forms for any modification to personnel object codes
- Narrative summary of budget

Review Process

The review process begins when areas submit their budget packages (due in mid-January). The Budget Office will review and compile information as well as add summary reports for the Vice Presidents / President.

The Vice Presidents and President will review the budgets in their area, make changes as appropriate and prioritize New Changes.

The Budget Office compiles final budget information.

Presentations and Decision-making

Beginning in March, the budget discussions take place. Generally, the colleges and certain other areas will make presentations to the Budget Council comprised of the senior administration, a faculty representative, a PASC representative and a SPEEC representative.

Board of Trustees Approval

The President proposes a new fiscal year budget to the Board in May. A final recommendation is made for their approval in June. This becomes the Original Base Budget.