

Budget 101

What is a budget?

A budget is an initial plan of financial action for a list of proposed activities, each with their associated cost. It is the “best” plan.

Why is a budget important?

A budget plan anticipates the revenue and associated costs of an operation, and is a means of tracking revenues and expenses to assure that resources are being used effectively to meet the goals of the University.

A budget helps to ensure a proposed activity is in compliance with the legislative intent for the state appropriation.

A budget may also be used to identify an appropriate level of funding for a department or function by comparing the operational units within other comparable universities.

How should I plan my budget?

One good way to plan a budget is to take a look at the historical spending patterns within a unit. Examine one or two years of financial report information and see how much money was actually spent on salaries, benefits, travel, materials and equipment. This analysis provides a solid basis for planning a budget for future years. Then consider what items may be different from the past years and make budget adjustments for salary increases, equipment replacement and any other items that may cause changed funding needs.

State accounts are built on base-plus – current year’s budget (with any permanent changes) plus inflationary increases. Departments have flexibility to make adjustments within accounts in areas outside regular salaries and fringe benefits. Local budgets should be based upon anticipated revenues. If budgets are submitted where expenses exceed revenue, there must be sufficient prior year fund balance to cover the budget deficit.

When should I change (revise) my budget? How do I do that?

When spending plans change mid-way through a year, it is necessary to make an adjustment to the budget. For example, the need to travel to an additional conference may require the budget to be decreased in the materials category and increased in the travel category. It is sometimes necessary to move budget from one account to another. When additional funds are available from another unit or funds are transferred to another unit, a budget revision is needed.

To transfer budgets within the same account or from one account to another account, a signed memorandum is submitted to the budget office and should include the following: (1) account number the transfer is from; (2) budget category the transfer is from; (3) account number the transfer is to; (4) budget category the transfer is to; (5) indication whether the transfer is a permanent or temporary change; and (6) reason for the transfer. A budget can only be transferred within the same fund type (e.g. state account to state account or local account to local account). Remember that the increases and decreases should be equal. See page 4 for a

sample of a budget transfer request. This budget transfer request can be downloaded as an Excel File from our budget web page <http://www.isu.edu/finserv/budget.shtml>.

Help! I'm responsible for a budget. What should I be doing?

Remember everything you sign or approve may have budget implications, including travel authorizations, personnel recommendations (PR), blanket purchase orders, interdepartmental transactions, P-card transactions, timesheets, etc.

The easiest way to get started is with a spreadsheet - start with your beginning (original) budget allocation. Each time you need to spend funds, check your remaining (unspent) balance on your spreadsheet. If sufficient funds are available, proceed with the purchase, and make a note of the dollar amount spent on your spreadsheet. Some budget managers prefer to use other tracking methods instead of a spreadsheet to monitor and reconcile the account.

Some managers find it more useful to track detail outlining and planning budgets for copying expense, professional development for each person in the department, events and speakers, computer replacement, etc. A budget is as unique as the department and person managing the funds. If you need assistance with setting up and tracking your budget, please contact the budget office for an appointment or consultation.

How do I reconcile my budget?

It is important to reconcile your account each month just as it is important to reconcile your personal checking account. If each time you make a commitment to spend funds you record it (see paragraph above), the reconciliation process is fairly simple. Recording expenditures and commitments during the month as they are made is similar to recording each check in your personal checkbook register.

As the responsible person for your budget, you should receive a monthly accounting activity statement. Compare the accounting activity statement to the expenditures listed on your spreadsheet and mark all expenditures that have been paid. Make special note of unexpected expenses- add them to your spreadsheet if they are something you merely overlooked. If you discover an unfamiliar charge on the monthly accounting activity statement, you should investigate to make sure you have not been charged incorrectly.

Most problems with reconciliation arise when managers do not reconcile monthly. You may save many hours of frustration by setting aside time each month to take care of your budget responsibilities.

What does my account number mean?

Idaho State University account numbers are 8 numeric digits (XXX-XXX-XX). The first three numbers of the account number are known as the element. The element identifies the department responsible for the account. The middle three numbers are known as the account. The account uniquely identifies the particular accounts within the department. The last two numbers represent the fund. The fund indicates the funding source of the account. A list of funds and fund descriptions are listed below:

01 thru 12 – State Appropriated Funds
15 thru 29 – Local or Departmental Funds
40 thru 49 – Federal Grand Funds
50 thru 59 – State and Other Restricted Funds
60 thru 69 – Loan Funds
80 thru 89 – Plant Funds
90 thru 99 – Custodial/Agency Accounts

What is the difference between one-time funding and permanent base funding?

“Permanent base” or “base” funding describes a funding source that is ongoing. An example of permanent base funding would be a permanently allocated portion of state funds and an ongoing steady stream of revenue in a self-supporting account. Salary and fringe benefits for permanent employees need to be funded using an ongoing (permanent) source of funds. The budget office, along with the responsible department or unit, monitors the state appropriated permanent base funding throughout the fiscal year. When a personnel recommendation form (PR) is routed for a permanent employee, the budget office checks to make sure the appropriate amount of permanent base funding is available for that individual.

One-time funding describes a funding source that exists for a limited time. An example of one-time funding is the temporary salary savings a department might have if an employee is on temporary leave without pay. The salary savings funding is available in the current fiscal year, but will be needed in the future when the employee returns to pay status. Another example of one-time funding is spending a portion of fund balance. One-time funding can be used only for one-time expenditures such as material purchases, travel or equipment. One-time funding may be used for temporary employees, but not for permanent employees.

What is salary savings?

Salary savings are created when salary payments are less/more than the budgeted amount for a position. If the actual salaries paid out are higher than the budget in your account, the account will have negative salary savings. If the actual salaries paid out are less than the budget in your account, the account will have positive salary savings.

Overview of the Budget Office.

Idaho State University has approximately 2500 accounts created to monitor all revenue and expenditure activity. These accounts identify the college, department and funding source. The budget office is responsible for compiling and monitoring all state and local budgets as well as all personnel paid from any account. The Budget Office processes PR forms, Temporary Pay Distribution Forms, budget transfer requests and employment contracts for permanent non-classified, faculty, and temporary full-time employees. Information gathered from PR forms and budget transfers is used to develop the base information for each budget cycle and fiscal year.

**IDAHO STATE UNIVERSITY
BUDGET TRANSFER REQUEST**

TO: Leo Herrman, Budget Officer

Date

April 21, 2008

FROM: _____
Department: _____

FROM									
Account	Reg Sal Amt	Reg Sal PCN	Irreg Sal	Fringe	Travel	Communic	Materials	Capital	Total
									0.00
									0.00
									0.00
									0.00
									0.00
									0.00
									0.00
									0.00
TOTAL	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00

TO:									
Account	Reg Sal Amt	Reg Sal PCN	Irreg Sal	Fringe	Travel	Communic	Materials	Capital	Total
									0.00
									0.00
									0.00
									0.00
									0.00
									0.00
									0.00
									0.00
TOTAL	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00

Net Transfer (Should = \$0.00) \$0.00

Reason for the Transfer:

<input type="checkbox"/> TEMPORARY	<input type="checkbox"/> PERMANENT
/	/
Requested By (Signature)	Date

<input type="checkbox"/> APPROVED	<input type="checkbox"/> DISAPPROVED
/	/
Dean/Director (Signature)	Date
/	/
Budget Officer (Signature)	Date