



Idaho State University

POLICIES AND PROCEDURES

Budget Administration

ISUPP 2300

POLICY INFORMATION

Policy Section: *Finance*

Policy Title: *Budget Administration*

Responsible Executive (RE): *Chief Financial Officer*

Sponsoring Organization (SO): *Finance*

Effective Dates: *1-28-2013; September 13, 2023*

Last Reviewed: *September 13, 2023*

Next Review: *September 2028*

I. POLICY STATEMENT

This policy provides direction and guidance for administration of University budgets, including budget planning, budget oversight, and fund balances.

University administrators, Deans, University Business Officers, Department Chairs, Account Directors, Principal Investigators, and other faculty and staff with budget authority are responsible for ensuring proper stewardship of University funds in accordance with this policy and all other applicable state and federal statutes and regulations, ISU policy, and specific directives of the Idaho State Board of Education (SBOE).

II. DEFINITIONS

A. University Funds

University Funds is a general term indicating financial resources maintained and utilized by the University. Financial resources received are recorded in a collection of different fund types, with each fund type having a different purpose depending on the source of revenue. Fund types include:

1. **Central University Fund:** The Central University Fund is composed of state appropriations and select Local Funds designated to be held centrally.

State appropriations include state general fund appropriations, state endowment funds, and student tuition and fee revenues. Annual appropriated expenditure budgets for Units are established against these resources and are used to fund personnel, operating, and capital expenditures in support of ISU's mission. Appropriations must be spent in accordance with all applicable state policies and requirements.

Local Funds designated to be held centrally include, but are not limited to, interest income, general facility and administration (F&A) recovery, rebates, certain rental revenues, and general administrative and overhead expenses that do not have a dedicated revenue stream such as debt services and Information Technology Services. The Office of Budget, Planning, and Analysis is responsible for managing the designation of Local Funds to be held centrally.

2. **Special Appropriations:** Special Appropriations are appropriations from the State of Idaho which are restricted for specific programs and services to include Career Technical Education, Family Medicine Residency, Idaho Dental Education Program, and the Idaho Museum of Natural History. These Special Appropriation resources may only be used for designated purposes.
3. **Local Funds:** Local Funds host a variety of Unit-specific resources such as class and professional fees, sales and services, gifts and donations, and other miscellaneous revenues. These resources are used to support associated programs and activities.
4. **Auxiliary Funds:** Auxiliary Funds, as defined by Idaho State Board of Education policy V.B., are managed as self-supporting activities whose services are provided primarily to individuals in the institutional community rather than to departments of the institution.
5. **Restricted Funds:** Restricted Funds house resources restricted for a specific designated use such as research, grants, and federal financial aid funds.
6. **Agency Funds:** Agency Funds are established as temporary resources held by the University as a fiduciary agent for third parties such as student clubs and organizations.
7. **Capital Project Funds:** Capital Project Funds house resources and expenditures related to capital construction or renovation projects that are primarily funded through grants, bonds, and other external funding sources.

- B. **Cash Balance:** The Cash Balance represents the cumulative balance in an individual fund.

- C. **Cash Reserve:** The Cash Reserve represents the portion of a Cash Balance which is held in reserve to meet policy requirements, short-term and emergency funding needs, and/or future investments.
- D. **FOAP:** (Fund, Organization, Account, and Program) FOAP is a structure of codes used for the classification, budgeting, recording, and reporting of financial transactions.
- E. **Index:** Index represents a unique combination of Fund, Organization, and Program and is used as a quick reference for budgeting, data entry, reporting, and analysis.
- F. **Proposed Budget:** The Proposed Budget is a revenue and expenditure budget for the new fiscal year developed by each Unit. Proposed Budgets are presented to Leadership Council for discussion and review, then forwarded to Administrative Council for approval.
- G. **Unit:** A division, college, department, administrative, or functional area administered by a Dean, Director, or Unit administrator for the purposes of budget development, administration, and oversight.
- H. **University Budget Authority:** University Budget Authority represents the total adjusted expenditure budget for each Unit of the University within an individual fiscal year.

III. AUTHORITY AND RESPONSIBILITIES

- A. **The Chief Financial Officer (CFO)** is responsible for the overall financial management of the University, as approved by the Idaho State Board of Education. Accordingly, the CFO is responsible for developing budget and financial forecasts, maintaining accurate accounting and audit of all income and expenditures, and communicating budget and financial information to the University community. The CFO is also responsible for ensuring that the University has sound financial systems, processes, and internal controls.
- B. **Vice Presidents** are responsible for providing guidance in annual budget planning for the Units they supervise, regularly monitoring divisional budgets and fund balances, collaborating with Deans and Directors to resolve budgetary issues, and communicating divisional budget and financial issues and information in a timely manner.
- C. **Deans, Directors, and other Unit Administrators**, with the assistance of their University Business Officer, Account Directors, and Principal Investigators, are responsible for developing annual budget plans, actively monitoring all Unit funds, monitoring reserve balances, and communicating budget and financial issues and information in a timely manner.
- D. **University Business Officers**, under the direction of the Office for Budget, Planning, and Analysis, are responsible for providing budget and financial analysis, guidance, and support

to the Units they serve. University Business Officers play a lead role in tracking Unit revenues and expenditures relative to budget and collaborating with Deans and Directors to resolve budgetary questions and issues.

- E. **Principal Investigators** are responsible for ensuring expenditures charged to their grant awards and contracts comply with all federal, state, and University rules, regulations, and policies. Principal Investigators are also responsible for ensuring total expenditures fall within their authorized grant budget.
- F. **Grants and Contracts Accounting** is responsible for central monitoring of costs charged to sponsored Restricted Funds including compliance with all applicable rules, regulations, and policies. Grants and Contracts Accounting works with Principal Investigators, University Business Officers, and others to resolve regulatory issues and/or fund overages.

IV. POLICIES

A. Central University Funds Budget Planning and Administration

The following applies to all Central University Funds, including general appropriations and Local Funds designated to be held centrally:

1. Budget Planning

Units must consider all planned and anticipated needs when developing central University expenditure budgets and are expected to manage within established budget authority, regularly monitoring budgets against expenditures.

2. Budget Adjustments

In the event a Unit needs to exceed central University Budget Authority, the Unit must obtain advance approval by submitting a *Budget Adjustment Request* (available on the Budget website at isu.edu/budget/budget-forms) to Administrative Council.

Adjustments to central University budgets will only be considered for mission-critical opportunities or needs that could not have been reasonably anticipated during the annual budgeting process.

3. Surplus

a. Unit Surplus

If a Unit has surplus central University Budget Authority at the end of the fiscal year due to procurement or facilities delays; disruptions in services and activities; or other related factors, it will follow the guidelines listed below.

- i. Units may request one-time carryforward of central University budgets into the following fiscal year by submitting a *Budget Adjustment Request* (located at isu.edu/budget/budget-forms) to Administrative Council.
- ii. Requests will be considered based on the following criteria, and must be submitted to the Budget Office no later than August 15.
 - 1. Item(s) were budgeted in the preceding fiscal year
 - 2. Purchase orders were issued in compliance with annual fiscal year-end guidelines and deadlines
 - 3. Delays in approved facilities projects
 - 4. Demonstrated stewardship and need
 - 5. University appropriated budget outlook
- iii. Future central University budgets will not be impacted by year-end surpluses. Any adjustments to base appropriated budgets will be based on established budget procedures and allocation models.

b. University Surplus

The University will only realize a surplus if revenues exceed expenditures. Any central University surplus will go to the University Central Fund and be subject to section IV.E of this policy.

B. Special Appropriations Budget Planning and Administration

Special Appropriations Budgets are developed and administered in accordance with state guidelines specific to that appropriation. Units shall consider all planned and anticipated needs when developing Special Appropriation expenditure budgets and are expected to manage within established budget authority, regularly monitoring budgets against expenditures.

C. Local and Auxiliary Funds Budget Planning and Administration

1. Budget Planning

Units shall develop revenue budgets based on enrollment forecasts, tuition and fee rates, trend analysis, and other factors. Units must consider all planned and anticipated needs when developing Local and Auxiliary Funds expenditure budgets and are expected to manage within established budget authority, regularly monitoring revenues against expenditures.

If proposed Local Fund and Auxiliary Fund expenditure budgets exceed revenue, Units must budget a planned transfer of Local Fund or Auxiliary Fund Cash Balance so the overall budget is balanced.

2. Budget Updates and Adjustments

Units are encouraged to update Local Fund and Auxiliary Fund revenue and expense budgets throughout the fiscal year, with the same balancing requirements stated above.

3. Surplus/Deficits

Any Local Fund or Auxiliary Fund operating surplus at the end of a fiscal year will increase the Unit's Cash Balance. Any operating deficit will draw down the Unit's Cash Balance. Any cumulative Local Fund or Auxiliary Fund surplus or deficit will be subject to section IV.E of this policy.

D. Restricted Funds Budget Planning and Administration

Restricted Funds are generally subject to specific rules, practices, timelines, and other additional criteria in budget development and administration. These funds must be tracked separately from unrestricted funds, which are available for general use. This includes maintaining detailed financial records of all expenditures and ensuring they follow the donor or funding agency's guidelines and regulations.

If a grant budget is overspent or contains unallowable costs, the Principal Investigator and Office of Grants and Contract Accounting are responsible for resolving the issue within ninety (90) days.

E. Cash Reserves

1. Central University Fund

Central University Funds shall maintain an annual minimum Cash Reserve of 7.5% of annual expenditures and transfers or the amount required to maintain the University's overall Target Reserves as specified in State Board of Education Policy V.B., whichever is higher.

When the central University Cash Reserve falls below this threshold, the University shall adopt a plan to replenish the balance within three (3) years. When the central University Cash Reserve exceeds 10%, the excess balance may be set aside for specific reserve purposes and/or investment in one-time expenditures.

Planned use of central University Cash Reserves will be included in annual budget plans and proposals presented to the Leadership Council and approved by the Administrative Council.

2. Special Appropriations

Special Appropriation Funds, including Career Technical Education, Family Medicine Residency, Idaho Dental Education Program, and the Idaho Museum of Natural History will operate in accordance with Special Appropriation funding rules and regulations.

3. Local and Auxiliary Funds (excluding Athletics)

- a. Local and Auxiliary Funds with annual operating expenditures and transfers of \$50,000 or greater shall maintain a minimum Cash Reserve of 5% of annual expenditures and transfers.
- b. Local and Auxiliary Funds with annual operating expenditures and transfers of less than \$50,000 shall maintain a positive Cash Balance with the understanding that Cash Balances can fluctuate due to the timing of revenues and expenses.
- c. When a Local or Auxiliary Cash Reserve falls below 5% or below -\$25,000, whichever is lower, the Unit shall adopt a plan to replenish the balance within three (3) years. When a Local or Auxiliary Cash Reserve exceeds 10% or \$100,000, whichever is higher, the Unit will adopt a plan for strategic use of surplus reserves. Replenishment and strategic use plans will be reviewed and approved by the Unit's responsible Vice President and Administrative Council.
- d. Special course fees are managed in accordance with SBOE policy V.R.
- e. Planned use of Local or Auxiliary Cash Balances and Cash Reserves will be included in annual budget proposals presented to Leadership Council and approved by the Administrative Council.

4. Athletics Auxiliary Funds

Athletics Auxiliary Funds must maintain a positive Cash Balance per SBOE policy V.X. If the Athletics Cash Balance becomes negative in any fiscal year, the University will submit a plan for SBOE approval that eliminates the deficit. If substantial changes occur during the fiscal year resulting in a projected deficit for that year, the University will notify the Executive Director of the State Board of Education immediately.

5. Restricted Funds

Restricted Funds are subject to sponsoring agency rules and regulations. All Restricted Funds are expected to balance over the life of the program or contract, which can include fully expending the funds, returning unused funds to the funding agency, rolling funds over to a new project, and/or seeking permission to redirect them to another approved use.

6. Agency Funds

Agency Funds for which the University serves solely as a fiduciary agent are expected to maintain a positive or neutral Cash Balance over time with the understanding that Cash Balances can fluctuate due to the timing of revenues and expenses.

F. Mandatory Expenditures

Mandatory expenditures include certain required operating expenditures in the Central University Fund that serve the entire institution; are outside the discretion of an individual department or Unit; are subject to year over year variation; and are greater than \$150,000 annually.

1. Budgets for Mandatory Expenditures will be reviewed annually by the Budget Advisory Group and the Office for Budget, Planning, and Analysis, with recommended adjustments incorporated into the annual Proposed Budget.
2. Mandatory Expenditure budgets may not be used or reallocated for other, non-related expenditures.

G. Budget Transfers

Budget transfers move budget authority from one FOAP to another to reflect changes in services or activities, vacancies, corrections, and related items.

1. Budget transfers must be processed in a timely manner so that the University's working budget reflects current plans and operations.
2. Budget transfers between Units must be approved by both Units.
3. Budgets cannot be transferred between fund types.

H. Revenue and Expenditure Transfers

Revenue and expenditure transfers move actual resources or expenditures from one FOAP to another.

1. Revenue and expenditure transfers must be made within ninety (90) days of the original posting. Time extensions may be granted to accommodate extenuating circumstances.
2. Units may not transfer Local Fund or Auxiliary Fund expenditures onto Central University Funds in order to draw down central University budgets. Moving expenditures onto central University Indexes will only be accepted for corrections or extraordinary circumstances approved by the Budget Office.

V. RELATED LAWS, RULES, AND POLICIES

A. Idaho State Board of Education Governing Policies and Procedures – Financial Affairs

1. Section V.B. Budget Policies
2. Section V.R. Establishment of Tuition and Fees
3. Section V.X. Intercollegiate Athletics