Florida Institute of Technology

Operating and Capital Budget Policy

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INTRODUCTION

The following defines the overall approach and philosophy for budgeting and planning for Florida Institute of Technology, including common terminology, procedures, and principles used in that process. It is through this strategy that priorities can be ranked to maximize and/or reallocate available resources and achieve a balanced budget.

BUDGET POLICY STATEMENT AND PURPOSE

Florida Institute of Technology has been entrusted with funds to fulfill its mission of education and research, and is committed to conducting its business under the highest ethical standards. All University faculty and staff, under the leadership of its officers, are obligated to ensure that University funds are used for mission related purposes, and are expected to exercise their responsibilities with integrity, following ethical business practices.

Leadership responsibilities for fiscal control include assurances that the following exist:

- Documented policies and procedures;
- Employees properly trained for assigned duties;
- Mechanisms to ensure compliance with policies.

All Financial Managers are responsible for familiarizing themselves with official policies so they may provide guidance to University employees. Every University employee is responsible for following this policy.

The University’s Board of Trustees require senior management to (1) submit the proposed Consolidated Operating and Capital Budget for the coming fiscal year for approval at the Trustees’ annual meeting in April, and (2) report updates on the actual operating results against budget at regularly scheduled meetings during the year. The University’s organizational structure is defined by function, which parallels the span of control of various senior vice presidents, deans, and department heads. This policy applies to all University departments and affiliated programs for all funds in preparation and management of operating and capital budgets.
RESPONSIBILITIES

All individuals who are involved in business transactions within the University have a fiduciary responsibility to safeguard the assets of the institution and ensure the integrity of its accounting records.

The University Budget Committee is responsible for oversight of the annual budgeting process, reports directly to the University President, and is chaired by the Senior Vice President for Financial Affairs/CFO. The Committee consists of the Senior Vice President for Operations & Global Initiatives, the Senior Vice President for Accreditation, Academic and Student Affairs, the Vice President for Enrollment Management, and a faculty representative. The Committee is supported by the Associate Vice President and staff of the Office of Financial Services.

The Senior Vice President Financial Affairs/CFO is responsible for 1) recommending the University’s fiscal year operating and capital budget for submission to the University President for review and passed to the Finance Committee of the Board of Trustees. Under the direction of the Senior Vice President Financial Affairs/CFO, the Office of Financial Services develops and administers the Operating and Capital Budget Policy and is accountable for the accuracy of its subject matter, issuance, and timely updating.

The Office of Financial Services is responsible for 1) managing the fiscal year budgeting process, 2) maintaining the budget schedule, 3) aggregating and reviewing the University Consolidated Budget, 4) producing the fiscal year Budget Book for Board approval, 5) providing training and guidance to all University personnel involved in the process, 6) maintaining position control budgeting, and 7) reporting budget to actual performance.

Financial Managers are responsible for operating their departments within their budgets and should monitor the spending on a monthly basis as directed in the Budget Planning Guidelines.
DEFINITIONS

**Academic Year** – The University’s academic year follows the academic calendar and schedule of classes.

**Calendar Year** – is defined as the twelve month period beginning January 1 through December 31 of any given year. Some maintenance and service agreements may be contracted on a calendar year basis which would need to be translated to a fiscal year basis for budget purposes.

**Capital** – is defined as a tangible asset having a service life of more than one year and a value of $1,000 or more. Capital may be one tangible asset or a major construction project.

**Financial Manager** - is the departmental employee responsible for the supervision and handling of the financial affairs a specific fund or Org.

**Financing Activities** - involve transactions relating to acquiring or repaying capital (borrowings, repayments, etc.).

**Fiscal Year** – is defined as the twelve month period beginning May 1 and ending April 30 of the following calendar year. It is important to make the distinction of the fiscal year to plan for and budget all projected operating activities within the appropriate timeframe.

**Fund** – is a certain part of the organization defined in accounting terms and for which separate accounting records are kept. Fund accounting segregates assets and liabilities into separate accounting entities associated with specific activities, donor-imposed restrictions, or objectives. All fund activity must be classified in the appropriate net asset classification; unrestricted, temporarily restricted, or permanently restricted, based on the absence or existence and type of donor-imposed restrictions. All fund balances are included in the University’s Statement of Financial Position and Consolidated Statement of Activities. Specific questions relating to fund accounting classifications may be directed to the University Controller.

**Investing activities** – involve transactions which affect the University’s assets (purchase or sale of plant, equipment, or investment instruments).

**Operating Activities** – involve receiving contributions, collecting tuition revenue, paying employees, and procuring and receiving goods and services within the twelve months of the designated fiscal year. Operating activities are therefore distinct from investing and financing activities.

**Organization** – aka “Org”, is the element of the University’s Chart of Accounts that designates specific departmental/budgetary subdivisions within the University. Every Org is assigned a Financial Manager.

**Senior Budget Manager** - is the senior vice president, dean, or academic/administrative department head with responsibility over one or more Orgs. A list of Senior Budget Managers and their respective groups is found in the Budget Planning Guidelines.

BUDGET CALENDAR

The Fiscal Year budget calendar is prepared by the Senior Vice President Financial Affairs/CFO and approved by the President. It contains a timeline for required Budget Committee meetings leading up to the Board of Trustees approval of the budget. Detailed delivery requirements needed for each meeting are noted on the calendar. Once the dates are firm, the calendar will be placed on the Office of Financial Services website.
OPERATING BUDGET
BUDGET APPROACH

Fund Type 01 – Educational & General

The University’s Educational and General budget is the largest component of the Consolidated Operating Budget. It includes all tuition and fee revenues and expenses for the core business of the University.

Each year, as a result of careful analysis of comparative data, the Tuition and Fees schedule is presented to the Board of Trustees for approval. The financial results of matching the Board approved schedule with projected future enrollment provides the baseline funding source from which all expenses are evaluated. Once the baseline revenue projection has been approved, each Senior Budget Manager is assigned a target level of spending to develop their departmental budgets.

Each department is then responsible for submitting a budget for labor and operating expense to support the target. It is strongly encouraged to take a long-term strategic approach to this exercise using three years history as a minimum. This approach entails an annual review of costs incurred (regardless of past practices) compared to previous budgets to determine areas of efficiencies and fiscal improvement. Within the boundaries of the baseline, needs are defined and established. Ideally, this would involve the following approach:

- a. Defining the current and future needs for labor and expense required to meet the University’s mission.
- b. Evaluate current operations and identify issues and gaps to meeting the target.
- c. Look internally for cost saving measures or the elimination of services that are no longer required. It is assumed that before any funding request comes forward that it has the approval of the Senior Budget Manager for that unit.

Fund Type 1A – Ancillary Support/Accountability Units

Activities included in this category are those that are revenue generating and organized to provide support services to the three primary programs of instruction, research, and public service. They usually provide a mechanism through which students can gain practical experience.

There are several level 3 and 4 ‘three funds’ in the Chart of Accounts that make up Fund Type 1A.

They are: Continuing Education WFIT
          Scott Center Camps-Summer/Academic Year
          Museums WeVenture
          FIT Consulting

The Financial Managers for each ancillary support activity are expected to budget anticipated revenue and expense for the fiscal budget year. These will be required to be budgeted and tracked on a line-item basis. Since these activities are intended to have some external funding specific to its purpose, the fund balance year-to-year is an important consideration in this task. A long term approach to budgeting is strongly encouraged.
**Fund Type 02 – Federal and State Sponsored Grants - Restricted**

The Office of Sponsored Programs is responsible for providing the annual Grants and Contracts budget for research along with an estimate of Indirect Cost Recovery revenue for the fiscal year. Categorizations between federal, state and private grants are required.

Additional information regarding sponsored grants can be found on the Office of Sponsored Programs website.

**Fund Type 03 – Auxiliary Enterprises & Departmental Support**

This category primarily includes activities that were established for the purpose of providing goods or services to faculty, staff, students, other University departments, or members of our community. Auxiliary activities are most closely related to “real world” businesses, and are expected to develop and follow a budget, be self-supporting, have expenditures directly related to the production of revenue, and charge fees that are directly related to the cost of goods or services they provide.

This category also includes departmental support funds such as Greencarding and Dean’s discretionary funds. The source of funding may be internal or external to the University, and budget considerations are expected to encompass both revenue and expense.

Additional information regarding three funds can be found in the 3 Fund Guidelines.

**Fund Type 05 – Scholarships**

The budget for Scholarships and Financial Aid are the sole responsibility of Enrollment Management. Details to support the amounts included for the fiscal year should be linked to enrollment projections and scholarship funding availability.

**Fund Type 06 – Endowment**

All permanently restricted Endowment activities are maintained and tracked in Fund Type 06. Each individual fund included in this fund type is tied to an official Memorandum of Understanding from the donor. Projected earnings on the corpus and the allowable distribution calculated for spending are to be included in the budget process. These amounts are the responsibility of the Office of the Controller. Additional permanently restricted gifts to the endowment are projected by the Development office.

**Fund Type 09 – Plant**

The fund types included in this hierarchy are related to capital and noncapital expenses for fixed assets, major and minor repairs, maintenance and renovations. The costs incurred will be capitalized in accordance with the University’s capitalization policy.
BUDGET DEVELOPMENT

Each Senior Budget Manager will receive an electronic budget worksheet containing the base budgets of the departments for which they are responsible. The worksheet will be provided in Excel format through temporary shared budget drives. The budget worksheet provides historical expenditures and the base budget for labor and operating expenses. The Budget Planning Guidelines are provided to assist department leaders in developing the proposed budgetary changes necessary to facilitate the department’s goals and objectives in support of the University’s mission.

A complete submission will include an updated position budget that includes all filled and vacant positions (faculty, staff, student and adjunct) on the regular payroll, as well as all other compensation such as overtime and limited duration payroll. The position budget should be updated to reflect proposed budget year position and salary information. The salaries and benefits from the position budget will populate the appropriate salary and fringe lines in the financial budget. Please be mindful that merit and cost of living (COLA) increases are decided by the President and Senior Vice President of Financial Affairs/CFO.

All requests for incremental expense beyond baseline must be submitted in writing to the Senior Vice President of Financial Affairs/CFO for Budget Committee review and approval. Detailed instructions and forms are found in the Budget Planning Guidelines.

1. Labor Expense Budgets

Labor expense budgets are created to fund the labor costs for current employees and new employees. Requests for new positions may be submitted as an incremental expense beyond baseline as described above. **The new position is neither guaranteed nor is it considered automatically approved when submitted as part of the budget development process.** The submission merely affords the opportunity to recognize a placeholder in the budget should the request to hire be approved at a later date. Every new hire or salary change must follow the normal approval process as directed in the University’s policies and procedures related to Position Control.

As part of the budget packet, Senior Budget Managers will be provided with an employee roster for his or her entire unit with the expectation that the Senior Budget Manager will:

- Confirm the data is accurate as provided:
  - Individual position budgets should equal the employee’s annual salary
  - Positions such as College Roll, Temporary Workers, or GSA should have a dollar amount set to meet the department’s needs for the entire fiscal year
  - Vacant positions – document expected date position is to be filled
- Present requests for new positions separately. The request should include the following:
  - Position Title and Job Description
  - Salary Range, within HR guidelines
  - Expected Hire Date
  - Brief justification for the new position

The above noted documentation will be submitted to the Office of Financial Services via the shared drive according to the published timeline for all funds within the span of control for the Senior Budget Manager.
2. **Fringe Rates**
Fringe expense is budgeted as a percentage of labor expense based upon a position’s Employee Class or ECLS. It is intended to represent the cost of providing benefits to the University’s employees. The calculated fringe rate includes benefits such as health insurance, tuition remission, retirement matching funds and liability insurance. The percentage is reviewed annually by the Controller’s Office and is based on actual, most current data. As the cost of benefits increase, the fringe rate will adjust accordingly. Fringe rate assessment will occur during the budget development period and will become effective as of the first day of the fiscal year in which an increase is deemed necessary. A copy of the most recently calculated rates to be used in the budget development process can be found in the [Budget Planning Guidelines](#).

3. **Operating Expense Budgets**
Operating expense budgets are to be developed at the account level for all funds. The amount budgeted for each account should be enough to cover the expenses that will be charged to the account during the fiscal year. Careful account budgeting will minimize delays for non-sufficient funding and the amount of temporary budget adjustments that are needed. Once operating expense budgets are developed, the values are keyed into Banner Self Service. Persons who have been given authorization by the Senior Budget Manager for budget development input, will enter the data as an increase or decrease to the base fiscal year budget. Once posted, the resulting “Proposed Budget” should reflect the spending needs for that line item.

While the Fund Type 01 – Education and General operating expenses are directly related to the earned revenue for the fiscal year, the same concept is not necessarily true for Fund Type 1A and Fund Type 03. These funds may carry forward designated fund balances for the specific purpose in which they were intended. Accumulation of funds may be intentional for planned future expense that may cross fiscal years.

4. **Natural Classification of expenses**
Along with the typical functional categorization of expense (e.g. Instruction, Academic Support, Institutional Support), the Consolidated Budget is presented to the Board of Trustees by natural classification for trending purposes. According to the Financial Accounting Standards Board (FASB) codification, natural classification is defined as “a method of grouping expenses according to the kinds of economic benefits received in incurring those expenses. Examples of natural expense classifications include salaries and wages, employee benefits, supplies, rent, and utilities.” All expenses should also be evaluated in terms of natural classification.

Additional information regarding details on labor and operating expense budgets for functional and natural classification purposes can be found in the [Budget Planning Guidelines](#).

5. **FIT Aviation, LLC Budget**
The Dean of the College of Aeronautics and the Assistant Dean of Flight Operations and Deputy Executive Director of FIT Aviation, LLC are responsible for providing the fiscal year budget for this entity. The budget will include a complete profit and loss statement and a capital plan for inclusion into the University’s Consolidated Budget consistent with University budget guidelines.
BUDGET ACCOUNTABILITY AND REPORTS

The objective is to maintain an annual balanced budget and to keep spending within boundaries.

The Office of Financial Services has fiduciary responsibility for overseeing actual performance against the University’s consolidated approved budget and providing recommendations on budget revisions throughout the fiscal year.

The University’s Senior Budget Managers are accountable to executive management for their departments’ performance to budget. Each Financial Manager reporting to the Senior Budget Manager has the responsibility to ensure that expenses are incurred in accordance with the approved budget. The Financial Manager is responsible for executing appropriate documents (e.g. purchase requisitions, personnel action forms, etc.) to use funds provided in the approved budget. Routine budget reviews by Financial Manager with appropriate Senior Budget Manager are required. Any discrepancies or budget surpluses must be reported in writing to the Associate Vice President of Financial Services to ensure that timely corrections can be completed. Funds no longer needed will be returned to the University and applied to the general operating fund.

Budget reports are available via the University’s financial system (Banner) and PAWS Finance Self Service. The data is updated continuously and Financial Managers and Senior Budget Managers are encouraged to review budget reports regularly to ensure accuracy and proper usage of budgetary resources. The Office of Financial Services monitors departmental budgets on a routine basis and may provide additional reports to Financial Managers and Senior Budget Managers when necessary to assist in managing potential issues.

Instructions on how to run reports can be found in the Budget Planning Guidelines.

Minimum Financial Transaction Review and Budget Monitoring Requirements

Financial reviews – transaction review and budget monitoring – are essential components of an integrated system of control activities. Along with preventive controls, after-the-fact financial reviews provide reasonable assurance, that financial activity is accurate, valid, and complete. Good judgment and common sense are the guiding principles for performing an efficient and effective financial review of transaction activity.

An essential component of the financial review process is to identify errors, anomalies, potential compliance issues, and significant budget variances and review them with those in financial oversight roles.

- All transaction reviewers and Financial Managers have a duty to question, research, and correct, if necessary, the potential issues discovered during the review process.
- Corrective actions taken and explanations of significant variances should be documented.
- Issues that cannot be expeditiously resolved should be brought to the attention of the Senior Budget Manager.
BUDGET ADJUSTMENTS

Through continuous monitoring of the operational budget, Financial Managers may find that budgeted funds need to be realigned or repurposed. Authorized users may submit a request to realign budgeted funds to their approval chain online through Self-Service in PAWS. Realignment of operational funds within an organization’s budget requires the electronic approval of the Financial Manager. A clear and concise explanation must be provided on the description line before submitting the budget transfer.

Transfers from one fund/organization to another where the initiator does not have posting authorities to both entries can be submitted via e-mail to the Office of Financial Services. Once approval has been given by all organizations affected, the Office of Financial Services will complete the transfer.

It is important to note the following:
- Budget adjustments between individual line items of operating expense is acceptable, but not between labor and operating expenses.
- Budget adjustments to repurpose capital funding to labor or operating expense will not be accepted.
- Once the Board of Trustees has approved the fiscal year budget, there are no changes. Spending remains fixed. That means, budget adjustments for spending missed will require a reallocation of funds within the guidelines stated above.

Budget adjustment forms can be found in the Budget Planning Guidelines.
BUDGET APPROACH

Items purchased by the University that have a cost equal to or greater than $1,000 AND a useful life greater than one year shall be recorded as assets and their cost shall be capitalized and depreciated over a scheduled recovery period.

Each department will be required to budget for capital needs in Fund Type 09 Plant. All requisitions, purchase orders, and capital expense will be recorded to this fund as well by department.

The Vice President for Facilities Operations and the Vice President for Information Technology will provide the Office of Financial Services with a schedule of approved and anticipated capital and major maintenance projects. The goal is to associate current year resources to meet the current year costs to be incurred with growing and maintaining the University’s buildings and equipment.

The schedule is to include the following:
   a. Project name
   b. Total cost estimate
   c. Costs to be incurred as of the end of the fiscal year
   d. Costs to be incurred in the remaining fiscal years
   e. Source and amount of funding (if any)

In addition, Facility Operations will provide a vehicle replacement plan and a schedule of deferred maintenance items.

Additional information can be found in the Capitalization and Depreciation Guidelines.