

Issued: January 2017

Responsible Official: Assistant Vice President, Finance

Responsible Office: Office of Financial Planning

Purpose

As a public entity, the University is responsible for the prudent management of resources entrusted to its care by Tennesseans. Ensuring that budgets are prepared in accordance with sound budget principles is fundamental to good stewardship of financial resources. The budget principles included in this policy are intended to respond to the expectations of various stakeholders relating to the generation and expenditure of funds. All University officials responsible for budgeting processes are directed to adhere not only to the specific requirements of this policy, but to also act within the spirit of this policy and in a manner that evidences forthrightness and engenders public trust.

Policy

Guiding Principles

Working within the University's governance process, the President has the responsibility and full authority to propose a budget to the Board of Trustees. The President will ensure that budget development is an open process, provides for accountability, includes appropriate constituencies in budget planning, and incorporates clear guidelines and adequate training for those involved.

The following principles shall be adhered to in the development and submission of budgets:

1. Budgetary needs should be prioritized relative to the University's core mission and consistent with its strategic plan, with resources aligned accordingly. In situations where resources are constrained or limited, resources should be redistributed as needed to ensure that limited resources meet the highest priority needs of the University.
2. The budget must be balanced:
 - a) In total, such that all planned expenditures do not exceed expected revenues and use of reserves or other non-recurring funds; and
 - b) On a recurring basis, such that planned ongoing expenditures do not exceed expected recurring revenues. Use of non-recurring funds to meet recurring expenditures is

discouraged; however, it is acknowledged that circumstances may arise when it is in the best interest of the University to do so.

3. A degree of fiscal conservatism must be incorporated in the budget to reduce the risk of year-end deficits by:
 - a) Ensuring all costs are fully recognized. Use of anticipated savings as a funding source (e.g., lapsed salaries) for recurring expenses is discouraged.
 - b) Using financially conservative, yet reasonable, revenue estimates in light of existing conditions. Estimates of revenues derived from students must be based on analysis of historic enrollment patterns, modified for any recent observable patterns. The basis for student derived revenue estimates must be communicated to the Board of Trustees as part of the budget consideration process; and
 - c) Maintaining appropriate contingency funds for revenue shortfalls and emergencies for both Education & General and Auxiliary operations, consistent with relevant policies and guidelines.
4. To ensure the long term viability of the University, sufficient provision must be made in both Education & General and Auxiliary budgets to annually fund:
 - a) Maintenance and facilities renewals to the physical plant and grounds; and
 - b) Acquisition, repair and replacement of teaching equipment, computers, and other equipment.
5. Opportunities for cost savings arising from shared services and resources between departments and organizations within the University should be aggressively pursued.

Operational Provisions

Accountability for the effective management of the budget rests with the University's President, who ensures that proper controls and budget management policies are established.

Guidelines may be developed that further direct and clarify application of the above principles in the budget development and administration process.

Definitions

Education & General Funds

State appropriation, tuition and fees, sales and services of Education & General activities, indirect cost recoveries (IDCR) and other unrestricted funds.

Auxiliary Funds

Business-like operations that generate revenue from sales and service. This includes student housing, food services, bookstore and parking.

Restricted Funds

Gifts, grants and contracts with external restrictions. This includes sponsored research, Federal financial aid and private gifts with donor stipulations.