



Policy Title: BF4024 - Budget Policy and Procedures

Subject Area: Finance

Responsible Official(s): Executive Vice President and Chief Operating and Financial Officer

Responsible Office(s): Financial Planning and Analysis

Policy Statement

The University of Memphis operates under the authority of the Board of Trustees (BOT) and follows the fiscal policies set by that Board and the Tennessee Higher Education Commission (THEC). The operating budget must be approved by the President and the Board of Trustees in advance of its implementation. The Tennessee Board of Regents (TBR) shall give final approval to the operating budget of the University to ensure the ability to satisfy both contractual obligations to the Tennessee State School Bond Authority and obligations to that authority's bondholders.

Budget control is essential for effective financial management of any organization. It is the purpose of this policy to provide clear and specific responsibility for proper budget management and control. It is the control mechanism of budgeting that is the focus of this policy.

Definitions

Unrestricted – Funds the University retains full control over for use in achieving any of its authorized institutional purposes.

Restricted – Funds that are required to be used in a specific way or for a specific purpose.

Educational & General (E&G) – Core functions necessary to support the teaching, research, and public service missions of the University.

Auxiliary Enterprises – Self-supporting enterprises that furnish services to students, faculty, and staff. Examples include housing, bookstores, food services.

Proposed Budget – The original budget prepared in the spring that is for the fiscal year to begin July 1.

Revised Budget – This budget is a revision of the proposed budget. It is prepared as of October 31 after actual fall enrollments and other estimated costs and closing balances are known.

Estimated Budget – This budget is the final budget submitted for the current year operations. It is submitted in the spring at the same time as the Proposed Budget for the coming year. This is the final approved budget for the University and therefore contains the control totals against which final year-end amounts are compared.

Operating Budget – Approved formal plan for financing the University’s academic and support programs for the fiscal year beginning July 1 and ending June 30 of each year.

Unexpended Plant Funds – Used for the construction or acquisition of physical properties for institutional purposes.

Renewal and Replacement – Funds set aside for major maintenance items.

Retirement of Indebtedness – Funds set aside for the retirement of indebtedness on institutional property.

Position Controls – Refers to the creation, maintenance, and monitoring of positions and their budgets. A position budget is established to monitor and control budgets for employee pay assignments.

Procedures

Submission of Budgets

The annual budget cycle includes the following processes:

1. Annual request for state appropriations
2. Proposed Budget development and approval
3. Revised Budget development and approval
4. Estimated Budget development and approval

Appropriations Request

The University’s annual request for state appropriations is made to the Tennessee Higher Education Commission (THEC) in September. This request includes both capital and operating sections. The Campus Planning and Design office prepares and submits the capital budget request. The Office of Financial Planning coordinates the submission of the operating request which includes detailed statistics on student progression, degrees granted, research expenditures, facilities, square footage, utilities expenditures, and other aspects of University

operations that THEC uses to develop the formula component of the Tennessee Higher Education Commission recommendation for state appropriation.

Proposed Budget

Development of the Proposed Budget begins after the Governor's proposed budget is published (usually in early February). Detailed Academic and Administrative budgets are developed; consolidated into a budget for the entire University; and subjected to detailed analyses, review, and approval.

The Executive Vice President for Business and Finance and Chief Financial Officer or designee shall present the Proposed Budget to the Board of Trustees for review and approval before the beginning of each fiscal year. It is customary to present this proposal after the General Assembly has enacted the appropriations bill for the upcoming fiscal year. The University will submit the final Board of Trustee approved Proposed Budget to TBR as soon as practical. TBR shall give final approval to the operating budget of the University

Revised Budget

The University shall submit a Revised Budget to the Board of Trustees for review and approval reflecting revisions made through the end of the first quarter of the fiscal year. The Revised Budget includes adjustments made to show:

1. Changes to state appropriations that are typically issued by the state in September.
2. Material changes to operating plans, organizational structure, revenue projections, or fixed costs made after July 1.
3. The Proposed Budget is implemented before the close of the previous fiscal year and is based on budgeted beginning balances. The Revised Budget incorporates actual net asset balances (prior year funds) as of the end of the previous fiscal year.

The Executive Vice President for Business and Finance and Chief Financial Officer or designee shall present the Revised Budget to the Board of Trustees for review and approval at its winter meeting. The University will then submit the final Board of Trustee approved Revised Budget to TBR as soon as practical. TBR shall give final approval to the operating budget of the University.

Estimated Budget (Final Budget)

This budget is the final budget submitted for the current year operations. It is submitted in the spring at the same time as the Proposed Budget for the upcoming year. This is the final approved budget for the University and therefore contains the control totals against which final year-end amounts are compared. Once approved, cumulative budget transfers between functions in excess of 1% of the approved functional expenditure budget require prior approval of the President.

Budget Components

Operating Budget

It is the policy of the University that the annual operating budget shall:

1. Be developed according to the policies and guidelines established by the University's Board of Trustees.
2. Allocate resources according to established plans and priorities.
3. Comply with applicable state policies and procedures that govern appropriations requests, reporting requirements, state budget hearings, and appropriations legislation.
4. Ensure that authorized spending levels are within available resources.
5. Ensure Auxiliary Enterprises are controlled on a profit or break-even basis.

Plant Funds

The purpose of the Unexpended Plant Funds is to account for the unexpended resources derived from various sources to finance the acquisition of long-term plant assets and the associated liabilities.

1. These funds will be used for capital projects such as major additions and/or renovations to physical facilities.
2. All funds added or transferred into the Unexpended Plant Fund will be controlled by a specific project.
3. Commitments or expenditures for any capital project shall be in conformance with all applicable state laws and requirements of the State Building Commission.
4. Within the Unexpended Plant Fund, the University shall establish an account for extraordinary maintenance to be used for unusual or unanticipated maintenance needs.
 - a. The annual budget shall include a minimum balance in the extraordinary maintenance account. This minimum shall be the greater of 1% of plant funds or \$150,000.
 - b. All projects in the extraordinary maintenance account shall be approved as part of the operating budget submitted to the Board of Trustees.

Renewals and Replacements

Resources set aside for renewals and replacements, as distinguished from additions and improvements to plant, are accounted for in this fund group.

Auxiliaries who have the responsibility to replace equipment must transfer at least 5% of the auxiliary gross margin to the renewal and replacement fund.

Generally, the only non-auxiliary units that establish renewal and replacement funds are Information Technology and departments operating vehicles or major equipment.

Retirement of Indebtedness

The purpose of this fund is to account for the accumulation of resources for interest and principal payments and other debt service charges relating to plant fund indebtedness.

Additions to this fund are to be set up in separate debt service accounts.

Budget Revisions

Any changes to the current approved budget can be made with a budget revision. All budget revisions must:

1. Adhere to current guidelines for budget adjustments approved by the President.
2. Follow University procedures for review and approval.
3. Ensure that all budgets remain balanced and within available resources.

Position Controls

Position control is a part of the personnel budget process. The number of authorized permanent positions at the University is controlled within unrestricted education and general units and auxiliaries.

Controls exist on the total number of positions at the institution and on the classification of those positions (administrative, faculty/academic, professional, and clerical/support). All position count changes are reported to the Board of Trustees each year in both the proposed and revised budgeting cycles.

Roles and Responsibilities

Board of Trustees - The University Board of Trustees has authority to approve the operating budget and set the fiscal policies for the University.

- **President** - The President has ultimate responsibility for leading the University financially.
- **Executive Vice President for Business and Finance and Chief Financial Officer** - The Executive Vice President for Business and Finance and Chief Financial Officer of the University supports the President by providing leadership to the University's financial operations.
- **Financial Planning and Analysis** - The Financial Planning Office coordinates technical aspects of the University's ongoing budgetary processes and procedures under the direction of the Executive Vice President for Business and Finance and Chief Financial Officer. This includes issuing guidelines, schedules, and budget communications to

campus financial managers; developing the University's annual appropriations request, proposed budget document, and revised budget document.

- **Financial Manager** - The Financial Manager of a unit to which funds have been allocated is responsible for ensuring that all expenditures remain within the amount budgeted and revenue budgets are met or expenditures appropriately adjusted when revenue budgets are expected to fall short. Financial managers have no authority to expend funds in excess of approved budgets.

The operating budgets will be strictly adhered to in the administration of fiscal affairs. No official is authorized to make firm commitments or incur obligations unless budget provisions have been authorized.

Any exceptions to these policies should be directed to the Office of Financial Planning.

Related Documents, Policies and Forms

[Budget Principles](#)

[Budget Procedures](#)

[TBR Consideration of University Budgets Policy](#)

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