

## 205-02 BUDGET—PROCEDURE

### 1. PURPOSE

A budget is an annual financial plan to carry out the College's strategic and operational plans. The purpose of this budget procedure is to outline statutory requirements, the budgeting principles, and techniques used in the development of the annual budget.

### 2. PROCEDURE

#### 1. Statutory Requirements

##### a. *Budget*

The College is required to prepare an annual budget on forms designated by the Auditor General's Office, publish a notice and budget, hold a hearing and special budget meeting, and adopt the budget by no later than June 20<sup>th</sup> [ARS § 15-1461].

##### b. *Truth-in-Taxation*

In a 1996 legislative session, a Truth-in-Taxation statute [ARS § 15-1461.01] was passed requiring political subdivisions to publish notice of and to hold public hearings on proposed tax increases on existing property. The first publication shall be at least fourteen but not more than twenty days before the date of the hearing. The second publication shall be at least seven but not more than ten days before the date of the hearing.

##### c. *Expenditure Limitations*

Each year, an expenditure limitation is set for political subdivisions of the State of Arizona in accordance with ARS § 41-563. The expenditure limitation is based upon FY 1979/80 and adjusted for changes in the population and cost of living between 1978 and the current year.

##### d. *Property Tax Levy limitations*

Property tax levy limitations for the College are defined by ARS § 42-301. The levy on existing property may not increase by more than two percent each year.

##### e. *Debt*

Any debt increase by local government that is paid exclusively through the secondary property tax must be approved by voters. Under Article IX of the Arizona Constitution, the total amount of indebtedness of the district may not exceed 15% of the County's secondary property assessed valuation.

##### f. *Uniform Expenditure Reporting System*

ARS § 41-1279.07 authorizes the Auditor General to prescribe a Uniform Expenditure Reporting System (UERS) for community colleges districts to ensure compliance with the constitutional expenditure limitation prescribed by article IX, §21, Constitution of Arizona.

#### 2. Budget Principles

The College established the following principles to guide the budget development process:

- a. Serve the greatest educational needs of the residents of Coconino County

- b. Take a long-term view versus a short-term view to ensure financial sustainability of the College
- c. Maintain affordable tuition and fees to ensure accessibility to the community
- d. Use student performance measures and data to make the best decisions for our students and community
- e. Use Strategic Planning goals to determine the allocation of limited resources
- f. Use a program review process to evaluate programmatic and financial data and optimize resources
- g. Provide an open and transparent process and communicate broadly to the College and community

### 3. Budget Techniques

#### a. *Incremental Budgeting*

The College primarily uses an incremental budget process. An incremental budget means that the prior year base budgets are the starting point and incremental changes are made to the base budget by accounting line item. Increments can be based upon changes in the Consumer Price Index for salary adjustments or full-time student equivalents for tuition and fee revenue.

#### b. *Modified Open Ended Budgeting*

The College uses a modified open-ended budgeting process with budget managers who submit budget requests. The budget managers and the budget office will try to reallocate resources and negotiate budget requests to try and fit available resources. Requests that are over the budget managers' available resources are compiled for further review by the Budget Planning Committee and College leadership.

#### c. *Zero-Base Budgeting*

The College also uses a zero-base budget process for travel and other account categories on a rotational basis. Zero-base means that the budget begins with "zero" and all expenditures must be justified.

#### d. *Program Budgeting*

The College uses program budgeting with budget managers who have been delegated the responsibility of a program that is assigned an organizational budget code to cover its operations. The budget codes are then combined at the program level. All of the program codes are then combined to create the College budget.

#### e. *Estimating*

The College uses trend analysis to develop realistic assumptions for revenues and expenses for the budget development process.

## **4. BACKGROUND**

1. References: ARS §15-1461, §15-1461.01, §41-563, §42-301, §41-1279.07; Arizona Constitution, article IX, §21; Uniform System of Accounting and Financial Reporting for Arizona Community Colleges, Government Finance Officers Association.
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3. Legal review: none
4. Sponsor: Business and Administrative Services

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**COCONINO COMMUNITY COLLEGE**