

## **205-02 BUDGET PROCESS—PROCEDURAL GUIDELINES**

### **1. PURPOSE**

The purpose of this procedural guideline is to outline the annual budget development process, including assumptions, communication of guidelines to budget managers, and adoption of the budget by the District Governing Board (DGB).

### **2. PROCEDURE**

#### **1. Step-By-Step Budget Process**

A summary of the budget development process is listed below.

- a. November – Review performance measures data
- b. November - Review Strategic Plan
- c. November – Present Budget Assumptions to the Budget Planning Committee (BPC), Budget Managers, and District Governing Board (DGB)
- d. November - Distribute tuition and fee schedules to budget managers
- e. December – Tuition and fee recommendations due to Budget Analyst
- f. December – BPC reviews tuition and fee requests and makes recommendations
- g. January – Distribute base budget reallocations and travel justification forms to budget managers – forms must be approved by Vice Presidents and President
- h. January – DGB work session to review tuition and fee recommendations
- i. February – Present tuition recommendation to Student Forum
- j. February – Open-Ended Budget manager and supervisor meetings to review budget reallocations, requests, and zero-base travel requests
- k. February – Compensation Committee makes recommendations to Vice Presidents and President
- l. February – BPC reviews budget requests and makes recommendations based upon strategic planning initiatives and operational changes
- m. February – DGB approves tuition and fees and provides direction on salaries and benefits
- n. March – Budget managers review and confirm budgets
- o. April – BPC and DGB review preliminary budget
- p. May – DGB final budget adoption
- q. May – College-wide budget presentation

#### **2. Budget Planning Committee (BPC)**

The College has a Budget Planning Committee that provides guidance in developing the annual budget. This committee provides input into developing broad assumptions, tuition and fee recommendations, and prioritizing requests for resource allocation based upon strategic planning goals and objectives.

3. Strategic Planning  
The President leads a review of the strategic plan in November to compile strategic planning accomplishments for the current calendar year and establish the strategic planning initiatives for the upcoming calendar year.
4. Assumptions  
Beginning assumptions provide a financial starting point for developing the budget. The College uses trend analysis, current economic data, and any new legislation to develop realistic assumptions for revenues and expenses.
5. Budget Development Guidelines  
The Budget Analyst prepares budget guidelines annually for budget managers to use in preparing their budgets. The budget guidelines typically include strategic planning information, the budget calendar, consumer price index data, and preliminary assumptions, including enrollment projections, anticipated tuition increases, state appropriations, and property tax increases.
6. Revenues
  - a. Enrollment  
Enrollment projections are based upon trend analysis and Coconino County projections for population growth.
  - b. Tuition and Fees  
Tuition and fee rates are reviewed annually. Smaller incremental increases are preferred because they are easier to manage financially than waiting and implementing large increases all at once. In addition, attention is paid to ensure tuition and fees are fairly and equitably priced. Based upon value to the community, some tuition and fees may be partially subsidized through other district revenue sources. Trend analysis of enrollment within the different rates of tuition is used to project tuition revenue.
    - i. Standard tuition rates – rates are based upon long-term tuition pricing strategy and reviewed annually.
    - ii. Differential tuition rates - Specialty tuition rates for higher-cost programs are added to the standard tuition rate per credit hour. Specialty tuition rates are based upon cost of supplies by subject area; however, some subject areas have been partially subsidized because of the value they provide to the community. Academic Deans review specialty tuition rates for higher-cost programs, market data, and instructional expenses to determine if increases to specialty tuition rates will be recommended.
    - iii. Out-of-state Western Undergraduate Exchange (WUE) tuition is a multiplier of the in-state rate by 1.5.
    - iv. Out-of-state tuition is a multiplier of the in-state rate by 3.5. The pricing strategy for out-of-state tuition is based upon recovering at least the full cost of attendance and is reviewed annually against market data.

Tuition and fee recommendations are taken to the Board in January in a work session to review recommendations and receive direction. The Board approves tuition and fee rates in February for the next academic year.

c. State Appropriation Aid

Estimates for State Appropriation aid are based upon statutory formula (A.R.S. §15-1466) and are incremental changes based upon increase or decrease in the audited full-time student equivalent (FTSE) between the two most recent fiscal years. One FTSE equals an average of 15 credit hours in each of the fall and spring semesters, for a total of 30 credits hours for one year. The state aid funding is differentiated based upon two enrollment categories of non-dual enrollment and dual enrollment.

d. STEM and Workforce Programs State Appropriation Aid

STEM aid is restricted for science, technology, engineering, mathematics, and workforce programs. Estimates for STEM and Workforce Programs State Appropriation aid are based upon statutory formula (A.R.S. § 15-1464) which is based upon funding per audited full-time student equivalent (FTSE) of the most recent fiscal year. The FTSE is divided into two enrollment categories of non-dual enrollment and dual enrollment. The estimate is calculated using the audited FTSE multiplied by the prior rate per enrollment category.

e. Property Taxes

By February 10th of each year, the County Assessor's Office provides a levy limit worksheet. The primary levy cannot exceed the prior year levy by more than two percent plus new construction added to the tax rolls. The Board typically adopts the maximum allowed tax rate and is required to follow statutory Truth-in-Taxation (TNT) requirements. Secondary taxes are based upon a voter-approved debt retirement schedule.

f. Other Revenues

Other revenues include gifts, grants and contracts, investment income, and other income, including bookstore income, in-lieu income, non-class fees such as parking fees, and lease income. Trend analysis, increases in the consumer price index (CPI), and recommendations for increases in non-class fees are used to estimate other revenues.

g. Grants

Grants are a useful potential source of revenue to the College, but must be pursued and used in a way that promotes the financial sustainability of the College. See the Grants policy 206 and procedures for more information.

h. Non-Recurring Revenues

Non-recurring revenues are one-time sources of revenue and are not expected to continue. Examples include settlement from a lawsuit, sale of an asset, or one-time capital aid from the state. Non-recurring revenues shall be used for one-time expenditures such as capital or equipment, one-time startup costs, increasing reserves, or paying down debt. They are not used for ongoing operating expenses.

7. Expenditures

### *Budget Organization*

An explanation of funds and programs codes used to organize the College's accounting is described below. Funds are based on the Uniform System of Accounting and Financial Reporting for Arizona Community College Districts, and program codes are established by The National Association of College and University Business Officers (NACUBO) Financial Accounting and Reporting Manual for Higher Education.

#### a. Funds

- i. General Fund is used to account for all general operations of the College and is the largest fund.
- ii. Auxiliary Fund is used to account for self-supporting activities that perform a service to students.
- iii. Restricted Fund is used to account for resources that are restricted by outside donors or agencies such as grants, contracts, and financial aid.
- iv. Loan Fund is used to account for federal loan programs.
- v. Unexpended Plant Fund is used to account for equipment, or the construction or improvement of buildings.
- vi. Retirement of Indebtedness is used to account for the resources for payment of principal in interest of debt.

#### b. Program Codes

- i. Instruction – activities directly related to instruction including faculty salaries, benefits, and supplies
- ii. Public Service – activities provide non-instructional services beneficial to individuals or groups external to the institution
- iii. Academic Support – activities that support instruction including libraries, academic computing, curriculum development, and deans' offices
- iv. Student Services – non-instructional, student-related activities such as recruitment, admissions, advising, career counseling, financial aid, and student clubs and organizations
- v. Institutional Support – general administrative services such as executive management, legal and fiscal operations, human resources, and public relations
- vi. Plant Operations and Maintenance - service and maintenance of the physical plant, buildings and grounds, utilities, and property insurance
- vii. Scholarships – institutional spending on student scholarships, including restricted federal financial aid

#### c. Budget Requests

Budget requests are requests for increases to a budget that are not covered by a reallocation of funds. Budget requests are prioritized based upon strategic planning initiatives and recommendations from the Budget Planning Committee and administrative leadership.

#### d. Salary and Benefits

- i. Salary and benefits are the largest expenditure of the College and account for approximately 63% of the General Fund budget. Salaries and benefits are budgeted centrally by the Budget Office and Human Resources. The Board has directed staff to conduct a salary survey every other year. In alternate years, employees and supervisors can request position reviews or reclassifications. The Board reviews and provides direction on salaries and benefits at the February and March meetings, respectively. The Board's allocation includes any increases for CPI, merit, market, reclassifications and benefits for all faculty and staff.
- ii. The Arizona State Retirement System (ASRS) establishes the required employee and employer contribution rates each year.
- iii. Health benefits are determined through the Northern Arizona Public Employees Benefit Trust (NAPEBT) which is a trust formed by local public employers to provide cost-effective benefits packages to their employees. The benefits covered include self-funded medical, vision and pharmacy, traditional life and dental insurance, and voluntary benefits such as short-term and long-term disability.

e. Open-Ended Budget Manager Meetings

In February of each year, individual meetings are held with each budget manager to review his/her base budgets, reallocations, and budget requests.

- i. During the meetings, three years of budget-to-actual trend data is reviewed.
- ii. Budget requests are covered first through any reallocation of funds by the budget manager or division funds. If the budget request is not covered by reallocated funds, then the net difference is listed on a budget request spreadsheet for further review.
- iii. Budget reallocations are entered by the Budget Analyst and sent back to the budget manager for his/her review and approval.

f. Zero-Based Travel Requests

All travel expenses are zero-based and must be requested and justified each year. Travel expenses are sorted into three categories: in-district travel, in-state travel, and professional development travel. Supervisors and budget managers typically pool travel funds and alternate which employees are able to receive professional development funds from year to year.

- i. Professional development travel is allocated annually on an FTE basis to benefit-eligible positions based upon classification of Administrator, Professional Technical and Faculty (exempt), and Classified staff (hourly).
- ii. An additional \$10,000 is budgeted annually in the training and development program to supplement department budgets for priority and strategic planning initiatives. The funds are made

available to employees through Professional Development Scholarships.

- a. Preventative Maintenance (Life Cycle Replacement)
  - i. The College allocates funds for preventative maintenance projects annually, based upon a cost per square foot indexed by the CPI. Allocated funds not used in any one year are rolled over and reserved for future preventative maintenance projects. This process allows the College to set funds aside annually for larger projects.
  - ii. The College has preventative maintenance schedules for 20 years that include major maintenance and replacement of items such as HVAC units, roofs, parking lots, and carpeting. The Executive Director of Facilities assesses the condition of the facilities and adjusts the schedules annually, or as needed, to ensure the facilities are maintained and the life and safety of the students and staff are protected. Any capital items that improve or extend the life of the facilities and are over \$5,000 are capitalized and budgeted in the Plant Fund.
  
- g. Academic Support Technology

Students pay a per credit hour technology fee to cover costs of technology used by students in classrooms, labs, and student services. This is a pay-as-you-go process. The Instructional Technology Services department uses the funds to pay for equipment, software, and maintenance agreements for the instructional, academic support, and student services program codes. The budget is based upon projected enrollments and must be tracked against actual enrollments.
  
- h. Institutional Technology and Other Equipment

The College budgets annually for institutional technology and other equipment. To receive funds, a requestor completes a budget request form. The equipment requests are prioritized based upon strategic planning initiatives, recommendations from the Budget Planning Committee, and the executive leadership. Any equipment items over \$5,000 are capitalized and budgeted in the Plant Fund.
  
- i. Presidents Discretionary Fund

An allowance of \$100,000 is budgeted for unforeseen expenditures and is expended at the President's discretion.
  
- j. Innovation Fund

The purpose of the Innovation Fund program is to provide financial incentive to faculty, staff, and students in developing and implementing innovative projects that will generate revenue, create savings or technological solutions, improve services to students, and/or advance strategic planning

initiatives of access, retention, and completion. A \$100,000 fund has been set aside in the President's budget for innovation projects.

k. Contingency Fund

A one-million dollar contingency is budgeted in the General Fund from reserves (also known as Fund Balance) and is to be used for emergencies or revenue shortfalls. If the contingency is not used it is returned to the Fund Balance.

8. State Budget Document

The Budget Analyst prepares the budget on state prescribed forms provided by the Auditor General's Office. The preliminary budget is presented to the District Governing Board at the April meeting. Once the preliminary budget has been presented, it cannot be increased for any reason. The College is required to follow statutory requirements for posting and advertising the preliminary budget for the public. In May, the District Governing Board holds a public hearing, a tax hearing and a special board meeting to formally approve the budget through a roll call vote. The budget is required to be submitted by June 20<sup>th</sup> each year.

**3. BACKGROUND**

1. References: A.R.S. §15-1466 and §15-1464, NACUBO, Government Finance Officers Association, Uniform System of Accounting and Financial Reporting for Arizona Community Colleges
2. Revision history: 03/11/2015 (new)
3. Legal review: None
4. Sponsor: VPBA

Guidelines effective: 03/11/2015

**COCONINO COMMUNITY COLLEGE**