

SECTION: 1. GENERAL

SUBJECT: BUDGET POLICY

Subject: Budget Policy

Background: This policy describes responsibility for budgetary control and specific actions required in the event of deficits.

Point of Contact: Budget Director

Other LCSC offices directly involved with implementation of this policy, or significantly affected by the policy: Vice Presidents, Deans, Controller's Office, Grants & Contracts, HRS

Date of approval by LCSC authority: October 15, 2018

Date of State Board Approval: N/A

Date of Most Recent Review: New

Summary of Major Changes incorporated in this revision to the policy: N/A – New Policy

1. Introduction

- A. Vice presidents, deans, division chairs, directors and principal investigators are responsible for managing the funds of the units they administer, and for maintaining the fiscal integrity of the programs under their control. All funds received by and deposited with the college shall be expended in accordance with applicable state and federal statutes, regulations, college policy and specific directives of the Idaho State Board of Education, outlined below.

2. General Policy

A. Fund Types/Restrictions

- (1) Appropriated Funds – Appropriated funds are provided by the State of Idaho as part of an annual appropriation of tax and other dollars (including student tuition), and are allocated among the units of the college based upon a board-approved operating budget and state-authorized spending level. For purposes of this policy, appropriated funds include those supporting the General Education and Career & Technical Education programs, as well as any capital appropriations made by the legislature.
- (2) Idaho code and board policy both preclude institutions from spending beyond their authorized level in any given fiscal year. Units are discouraged from overspending their appropriated funds budget allocations, since these allocations represent extensions of the institution's overall authorized spending level.

SECTION: 1. GENERAL

SUBJECT: BUDGET POLICY

- (3) Auxiliary Enterprises – Auxiliary enterprises are defined by board policy as self-supporting activities whose services relate directly to the mission, goals, and objectives of the college. Operating costs are paid out of the income produced by the activity. Auxiliary enterprise expenditures are budgeted based upon the revenue expected to be generated by the activity during the fiscal year, and accounted for within a single fund. Expenditures should not exceed income generated unless a sufficient fund balance exists to support them.
- B. Board policy precludes using state appropriated funds to cover the operating costs of auxiliary enterprises, unless expressly authorized, as in the case of Intercollegiate Athletics.
- 1) Local Funds – Local funds include all funds held locally and accounted for by the institution, outside of the state accounting system. Local service operations, auxiliary enterprises, student fees (facility, activity and technology), course fees, certain restricted and agency funds, and any scholarships not accounted for as institutional financial aid are considered local funds.
 - 2) Board policy defines local service operations as those providing a specific type of service to various institutional entities, supported by charges for such services to the user. Examples include student course and activity fees.
 - 3) Restricted funds include federal, state, and private gifts, grants and contracts. Agency funds are funds held for others, including club accounts.
 - 4) Expenditures in local fund cost centers in any given year should not exceed the available revenue and/or cost center balance. Grants and contracts may have negative cash balances in the short term as a result of the cost reimbursement process with the grant sponsor, but should not overspend the total authorized grant award.
- C. Expense Categories

With minor exception, the policies and practices used for appropriated, auxiliary enterprises, and local funds are the same. Funds are budgeted and/or accounted for by object of expense in the following major categories:

- 1) Salaries
- 2) Irregular Help
- 3) Fringe Benefits
- 4) Operating Expense
- 5) Capital Outlay

SECTION: 1. GENERAL

SUBJECT: BUDGET POLICY

Salaries include personnel costs for employees holding permanent positions with established Position Control Numbers (PCN's), including adjuncts (PCN 9999). Irregular Help includes personnel costs for temporary employees not on permanent appointment, who are paid from group positions (911X and 912X).

D. Budget Adjustments & Budget Transfers (Appropriated Funds)

- 1) Budget adjustments represent augmentation or reduction of appropriated funds in cost centers, adjusting the total budget either up or down. Appropriated funds are allocations of overall institutional spending authority, therefore, budget adjustments involving appropriated funds must be offset within the overall institutional total. Budget Office assistance is required to increase or decrease an appropriated-funds budget.
- 2) Budget transfers represent movements of budget, either between cost centers within a single fund group, or between categories of expense. Budget transfers between appropriated and local funds are not allowed, as these funds must remain within their designated fund group.
- 3) Budget transfers into salaries or fringe benefits are not allowed. Establishment of a permanent position must be approved by central administration before any appointment or contractual commitment to fill the position is made. Budget transfers of salary savings from salaries and fringe benefits may be allowed, upon approval by the requesting unit's designated Vice President (see Policy #4.107, Position Vacancy Pool).
- 4) Budget transfers among remaining support funds categories (IH, OE, and CO) are allowed, and may be initiated by contacting the Budget Office.

E. Revenue & Expenditure Transfers (Local & Auxiliary Funds)

- 1) Revenue and expenditure transfers represent movements of cash (revenues already recorded or costs already incurred). Expenditures already incurred on local funds may be moved to appropriated funds, assuming a sufficient balance exists to absorb the expense. Expenditures on appropriated funding cannot be moved to local funds.
- 2) Revenue and expenditure transfers involving local fund cost centers or transfers of expense from local to appropriated funding may be initiated by contacting the Controller's Office.

3. Deficits and Overspending

All administrators, including Vice Presidents and Deans, are responsible for ensuring that their respective area remains fiscally solvent. Division chairs, for example, have the responsibility of ensuring that the division as a whole is not overdrawn, and for establishing internal departmental policy for resolving overdrafts. Individual cost center administrators faced with a potential overdraft in their cost center are responsible for consulting with their respective division chair or unit administrator, and for initiating procedures to clear overdrafts.

SECTION: 1. GENERAL

SUBJECT: BUDGET POLICY

A. Appropriated Funds Deficits

Unit administrators are responsible for ensuring that their appropriated-funds budgets are not overdrawn. Any unit incurring a deficit in an appropriated cost center will be required to cover the deficit from their remaining appropriated funds by means of a budget transfer, or by transferring the expense(s) to another appropriated budget under that unit's control. Units may not process expenditure transactions on overdrawn appropriated accounts without prior approval of a Vice President or the President. State-appropriated cost centers incurring a deficit are required to carry forward 100% of the deficit remaining at the end of the fiscal year into the next fiscal year's budget. Local funds may not be used to cover appropriated cost center deficits due to state spending authority restrictions.

B. Local Fund & Auxiliary Enterprise Deficits

- 1) Local fund and auxiliary enterprise cost centers may run deficit cash balances in the short term, but must be monitored throughout the year and (in the case of auxiliary enterprises), cleared before the close of the fiscal year. Persistent deficits in an auxiliary enterprise will warrant intervention by central administration, including development of a deficit reduction plan. Expenditures already incurred on local funds may be moved to appropriated funds per section §2(D) of this policy.
- 2) Year-end deficits in local fund cost centers will carry over from year to year. If an overdraft occurs or is anticipated, the responsible cost center administrator may request that the Controller's Office transfer expenditures or revenues from another account. Course fee revenues can only be used to defray course expenses, and may not be transferred to other cost centers.
- 3) Sponsored projects (grants and contracts) may have negative cash balances in the short term, but are not allowed to overspend the total authorized award on the grant. The principal investigator and division chair are responsible for ensuring that expenditures on sponsored projects do not exceed the amount awarded by the sponsor at the time the grant is closed.

4. Employee Overtime

- A. Appropriated Funds – Unit administrators are responsible for ensuring that their appropriated-fund budgets are not overdrawn with the exception of salaries and benefits that are institutionally maintained. Salaries are allocated among the units of the college based upon a board-approved operating budget. Overtime is not included in the operating budget. If overtime is necessary, approval is required by their appropriate Vice President, who in turn shall forward the request (if approved) to the Vice President of Finance and Administration for approval. The President will confer with the Vice President for Finance and Administration when approving requests from the direct reports to the President.

SECTION: 1. GENERAL

SUBJECT: BUDGET POLICY

- B. Local & Auxiliary Funds – Overtime is at the discretion of the unit administrator and is subject to budget and deficit guidelines.

5. Carry Forward of Unspent Appropriated Funds

- A. To encourage units not to spend down remaining budget funds for non-essential purposes, the following carryforward policy for unexpended General Education appropriated support funds (as defined in §2(B) of this policy) will apply in any given fiscal year, unless notified otherwise:
 - 1) Seventy-five percent of the unexpended balance in a unit's General Education appropriated support funds will be carried forward as an addition to the unit's operating expense budget.
 - 2) For any unit running a deficit in support funds (irregular help, operating expenses, or capital outlay), 100% of the deficit balance in General Education appropriated support funds will be carried forward as a reduction to the unit's operating expenses budget.
 - 3) Year-end outstanding encumbrances will be carried forward and charged to the new fiscal year budget.
 - 4) Exceptions may be requested through the appropriate Vice President, who in turn shall forward the request (if approved) to the Vice President of Finance and Administration for approval. The President will confer with the Vice President for Finance and Administration when approving requests from the direct reports to the President.

6. Salary Savings

- A. Per institutional policy 4.107, positions, salary, and staff benefits are centrally controlled by Administrative Services. Salary savings resulting from resignations or other personnel turnover will be used to address institutional-level financial needs on a priority basis.
- B. Units generating salary savings in a given fiscal year may request one-time use of these funds through their appropriate Vice President, who in turn shall forward the request (if approved) to the Vice President of Finance and Administration for approval. If approved, the Vice President of Finance and Administration shall forward to the President for final authorization. The President will confer with the Vice President for Finance and Administration when approving requests from the direct reports to the President.

7. Position Control

- A. A formal position control system is used to ensure prior approval of all personnel actions. Per institutional policy 3.124, on-line personnel action forms are used to initiate or change payroll for employees in permanent PCN's, irregular help on benefits, adjunct faculty and individuals being paid for one-time temporary duties. These on-line forms must be completed, and approved by all parties involved before submitting to Human Resource Services to initiate any action regarding payroll, i.e. new hire, salary change, leave of absence or separation.

SECTION: 1. GENERAL

SUBJECT: BUDGET POLICY

8. Monthly Budget Review

- A. Any division/department requesting or needing assistance with their budget and finances should contact the Budget Office. The Budget Office will produce a budget status report that meets the needs of all parties involved. The report will be distributed on a monthly basis unless otherwise noted.