

13.1 Introduction

The District annually prepares a balanced operating budget. The budget is a detailed financial plan reflecting the finances required to support instructional programs, student programs, and support services. In general, budgets are the mechanism by which an organization allocates the resources necessary to accomplish its mission in a given time frame. The core values of the District are also considered during the budget development process. The budget furthermore serves as a control mechanism to match revenues to expenditures and prevent financial deficits. The budget is developed with major consideration given to the strategic goals of the District and the priorities established by the Board of Trustees.

The budget is a key tool for helping the Board of Trustees and Administrators make informed decisions regarding provision of services and expenditures for capital assets in order to accomplish the mission of the District. The process of developing and preparing the budget involves employees from across the district looking at the long-term perspectives, organizational goals, outcomes, assessments and improvement strategies.

13.2 Legal Requirements

Each community college district in Texas is required, by law, to prepare an annual operating budget of anticipated revenues and expenses for the fiscal year beginning September 1. The Board of Trustees Policy Manual Sections CC(Legal) and CC(Local) describe requirements for the date of adoption of the budget, required hearings on the budget, etc. The budget is prepared on the modified accrual basis of accounting and the District's Board of Trustees must adopt the budget. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library and the Governor's Office of Budget and Planning by December 1.

Legal requirements regarding budget adoption as it relates to tax assessments are located in the Texas Comptroller's Truth-in-Taxation Manual published by the State Comptroller.

At the August Board meeting the agenda items for the proposed budget and the new year tax rate must be presented in the following order:

- Approval of the 20xx Calculated Effective Tax Rate and Rollback Rate
- Presentation of the Proposed 20xx-xx Budget
- Public Hearing on the Proposed 20xx-xx Budget
- Approval of the 20xx-x Budget
- Approval of Resolution Setting 20xx Tax Rate

13.3 Budget Development

13.3.1 Timelines

The budget development process follows an annual calendar attached in Exhibit 13.1 – *Annual Budget Calendar*. The budget process begins in January with initial revenue and expense projections and ends in August when the Board of Trustees approves the proposed budget. The detailed budget calendar followed by the Budget Accountant is included in Exhibit 13.2 – *Detailed Budget Calendar*. The Board approves a midyear budget at the March board meeting. This is the only time overall revenue and expenses can be modified.

13.3.2 Initial Projections

The budget process begins in January by reviewing and updating a multiyear budget model to ensure adequate funding is available to implement current as well as long-term initiatives. Revenue sources include state appropriations, taxes, tuition and fees, interest and contract and grants. The District Vice President of Administrative Services/CFO is responsible for projecting summary revenues and expenses for the upcoming year to develop initial base allocations for each organizational manager. Funds are also set aside for capital equipment, new personnel, and supplemental requests.

13.3.3 Budget Allocations

Budget allocations are prepared based on budgets from the prior years with reductions for non-recurring expenditures and budgets for roll-over encumbrances. Full-time salaries are also removed from the allocation and are budgeted by Administrative Services. If necessary, due to financial constraints, allocations may be lowered as necessary. The allocations are distributed by the Leadership Team to organization managers after the budget kick off meeting in March.

13.3.4 Budget Kick-Off Meeting and Training

The budget kick off meeting is held in March for all organization managers. The District President and District Vice President of Administrative Services/CFO give presentations outlining the budget processes and the key assumptions driving the upcoming budget cycle. A copy of the most recent power point presentation is included in Exhibit 13.3 – *Budget Kick-Off Meeting Presentation*.

Budget development training workshops are held for staff responsible for inputting the budget into the financial system and running reports for management.

13.3.5 Salaries

Organization managers are sent a list of full-time employees to review for accuracy and make any adjustments for vacant positions. The Budget Accountant is responsible for compiling all approved employee listings and projecting the budget

for full time employee accounts. All employee benefit accounts are budgeted by Administrative Services.

Organization Managers are responsible for budgeting part-time employee accounts, comp time and overtime.

13.3.6 Supplemental Requests

Organization Managers must submit a supplemental request listing for capital items, personnel and additional funding which cannot be funded by organization's initial budget allocation. The Organization Managers must be prepared to justify their requests and provide additional documentation at the Budget Hearings.

13.3.7 Accounts Budgeted by Administrative Services

The District Vice President of Administrative Services/CFO is responsible for determining the proposed budget for all revenue accounts including state appropriations, taxes, tuition and fees, investment income, contracts and grants and other miscellaneous revenue sources. The District Vice President of Administrative Services/CFO also determines revenues and expenses for the debt service fund, building fund, quasi-endowment fund and grant fund.

Business Administrative Services is responsible for budgeting all full time salary accounts, the vacation pay off account and all employee benefit accounts. A list of salary accounts budgeted by Business Administrative Services is located in Exhibit 13.4 – *Accounts Budgeted by Administrative Services*.

Business Administrative Services determines the budget for all reserves and mandatory and non-mandatory transfers.

13.3.8 Budget Hearings

Budget hearings are held in June each year. The initial draft of the budget is distributed to the Leadership Team prior to the budget hearings. Supplemental requests for capital items, personnel and additional funding are included in the draft. During the hearings, the Leadership Team may request Organization Managers explain their budget, including justification for supplemental requests for capital items, personnel, and additional funding over and above the original allocation. References to the goals of the Strategic Plan, Vision 2016, the recommendations from Program Reviews and the Continuous Improvement planning cycle are used to justify the budget proposals. The Leadership Team reviews and approves the proposed budgets and funding requests during these hearings.

13.4 Budget Approval

The District Vice President of Administrative Services/CFO presents the preliminary budget to the Finance & Budget Committee of the District during a called meeting of the committee in July. The Committee reviews the budget and presents any questions or comments to the District Vice President of Administrative Services/CFO. Final changes are made to the proposed budget based on recommendations made by the Board Committee. The Finance & Budget Committee recommends the proposed budget to the Board of Trustees at the scheduled August meeting for approval. Once approved by the Board of Trustees, the final budget is distributed to the Organizational Managers and various external entities.

13.5 Budget Monitoring

The approved budget is monitored throughout the year by Administrative Services, the Organization Manager and the Board of Trustees. The Budget Accountant reviews and adjusts budget variances as needed. The District Vice President of Administrative Services/CFO presents monthly reports to the Board of Trustees comparing actual results to budgeted amounts and addresses any variances. A monthly report is also sent to each Organization Manager detailing account actual and budget balances. Organization Managers are responsible for reviewing their budgets at least monthly to determine all transactions posted to their organization are accurate. Any accounts over budget need to be reviewed and a budget adjustment entered to transfer funds to cover the deficit. Organization Managers can also review actual and budget account information online with Banner Finance Self Service. A *Banner Finance Self Service User Guide* can be found in Exhibit 13.5.

13.6 Budget Transfers

Budget transfers are entered by Organization Managers to transfer funds to cover account deficits. The following guidelines need to be followed when entering budget transfers:

- Budget transfers cannot be made between funds
- Budget transfers can be made between organizations reporting to the same Organization Manager. If the Organizations have different Organization Managers then the Budget Accountant must obtain the appropriate approval and process the budget adjustment.
- Budget transfers cannot be made to or from accounts budgeted by Administrative Services
- Actual expenditures should be paid from the correct organization and account and not to an organization or account simply because there is budget available

All budget transfers entered by Organization Managers are approved by Budget Accountant. The Grant Accounting Manager approves all grant budget transfers. Any budget transfers entered by the Budget Accountant or the Grants Accounting Manager are approved by the Associate Vice President/Controller or Associate Vice President/Financial Services.

13.7 Mid-Year Budget

Throughout the fiscal year, organization managers may move operating funds between accounts, creating a working budget. A midyear budget is prepared at the end of February, incorporating the adjustments made to the original approved budget. Requests for any additional funds necessary in order to support institutional programs, student programs and support services may be requested through a deadline in February set by the District Vice President of Administrative Services/CFO. Those requests are reviewed by the District Vice President of Administrative Services/CFO and if approved are included in the midyear budget. . A presentation is made to the Board of Directors at the March board meeting noting major changes and transfers in the midyear budget. This budget, when approved by the Board of Trustees, becomes the new budget.