



Policy Number: III.07  
Policy Level: Operating Policy  
Originally Issued: December 4, 2013  
Revised: April 9, 2014  
Revised: April 25, 2018  
Reviewed: August 17, 2021  
Policy Owner: VP for Financial Affairs  
Policy Implementation: VP for Financial Affairs, Business Manager

## **Budget and Budgetary Control**

### **I. Policy Statement and Purpose**

The University has been entrusted with public funds to fulfill its mission of education, research, and service. All University faculty and staff under the leadership of the Board of Trustees and the University administration are obligated to ensure that University funds are used only for mission-related purposes and are used in compliance with accepted financial management procedures, University policies, and state and federal requirements.

All employees involved in the preparation and control of the University budget are expected to be familiar with and conform to budgeting policies and procedures, including related Administrative and Financial Operating Policies, and budgetary directives/procedures issued by the Office for Financial Affairs.

### **II. The University Budget**

The approved University budget is the formal plan for financing the academic and support programs for the fiscal year beginning October 1 of each year. The budget is prepared prior to the beginning of each fiscal year and is approved by the Board of Trustees in advance of its implementation.

The preparation of the University budget entails two primary steps: 1) the request for State appropriations and 2) the internal budget process.

#### **The State Appropriations Request**

In the Fall of each year, the University prepares and submits its Legislative Budget Request for State appropriations to the Legislative Fiscal Office. Formula-generated requests for the University are prepared each year by staff of the Alabama Commission on Higher Education (ACHE) and submitted to the Commission for approval. The Alabama formula attempts to allocate equal State dollars to all institutions for the conduct of the same types of activities in comparison with peer institutions, but does not assess the quality of activities. Neither does the formula measure the effectiveness or outcomes of academic programs. The formula relates only to unrestricted Educational and General monies and does not include restricted or Auxiliary Enterprise funds.



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### **Internal Budget Process**

The University's internal budget process is conducted during the spring of each fiscal year for the purpose of preparing the budget for the upcoming fiscal year. The process begins with distribution of the annual budget guidelines and forms. Following receipt of these materials, budget managers conduct departmental discussions, as appropriate, to set program priorities and objectives. Budget managers prepare budget requests for submission, through appropriate administrative channels, to the Budget Advisory Committee (BAC).

The BAC includes the following:

- Vice President for Financial Affairs
- Assistant Vice President for Financial Affairs
- Executive Assistant for Vice President for Financial Affairs (Recorder)
- Faculty Representative - College of Business
- Faculty Representative – College of Arts and Sciences
- Faculty Representative – College of Education
- Faculty Representative - Library
- Presiding Officer of Faculty Senate
- Presiding Officer of Staff Senate

After review and discussion of budget requests, the Budget Advisory Committee prepares a recommended budget for the President and the President's Cabinet to review. After consideration of immediate needs and long-range planning by the President and the President's Cabinet, the President approves budget objectives and priorities, and the VP for Financial Affairs prepares a budget for the President to present to the Board of Trustees for approval.

Thereafter, the Board is informed about the status of the budget at each Board meeting.

### **III. Budgetary and Fiscal Control**

The budget of each department is divided into principal budget categories, namely, Salaries, Benefits, Materials and Supplies, Other Operating Expenses, Travel, and Equipment. The allocations for each category are the maximum amounts which may be expended or obligated for payment during the fiscal year. The allocations are for services and materials required for current year operations. Allocations for salaries and benefits are subject to independent budgetary control, and any balance in one of these



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categories may not be considered as authorization or justification for overspending any other allocation.

Adherence to budgetary limits is required. Responsibility for control of expenditures within budgetary limits ultimately rests with the administrative head of each University division; however, the details of carrying out this responsibility are delegated to deans, department heads, directors or other supervisory personnel who serve as budget managers.

Due to the variance in size, scope, and nature of University departments and activities, no standardized procedure is specified for the maintaining of financial records within each department. However, each budget manager should develop procedures and maintain records which will provide accurate, effective budgetary control of departmental expenditures.

All employees are expected to follow the University's practices and procedures as detailed in the Office for Financial Affairs Practices and Procedures Manual.

#### **IV. Budget Revisions**

From time to time it may become necessary to make revisions to the University budget. Requests for budget revisions are reviewed through appropriate administrative channels. Examples of situations requiring such revisions include:

- Legislative and/or Board of Trustee actions
- Request for establishment of a budget for a new activity;
- Request for additional funds due to urgent needs not apparent at the time of the original budget appropriation;
- Request to add new faculty or staff due to growth, identified need or establishment of a new activity.
- Changes in credit hour production or projected revenues due to enrollment or other funding sources.

Legislative and/or Board of Trustee budget action items and updates relating to actual credit hour production and external funding sources are directly reflected in the budget without additional approval. The Vice-President for Finance is responsible for bringing to the Cabinet recommendations on how shortfalls are to be covered within the budget. The President is responsible for approving any recommended adjustments. Additionally, new budget line items, including the addition of unbudgeted personnel, must be approved by the President. All adjustments that involve an overall increase or



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decrease in overall expenditures, revenues or transfers and that result in a net overall change to the budget must be approved by the President and communicated to the Board of Trustees at the quarterly Board meetings.

## **V. Responsibility for this Operating Policy**

### **Policy Owner**

As part of the initial approval of this policy by the President and subsequent to the original dissemination of the policy, the President has assigned the Vice President for Financial Affairs as the policy owner for the ongoing evaluation, review, and approval of this policy. Subsequent reviews and revisions to this policy must be in accordance with approved operating policy procedures and processes.

This policy will be reviewed every three years or more frequently as needed by the Policy Owner. Revisions will be reviewed/affirmed by the Cabinet and approved by the University President. This policy will be updated in the University's Policy Library.

### **Responsibility for Policy Implementation**

The President has assigned the responsibility of implementing this policy to the Vice President for Financial Affairs and the University Business Manager.