

SECTION 7.0 - BUDGET

7.1 Introduction

This section explains the College's budget process. It also outlines the process allocating both state and non-state funds to departments and describes budget management responsibilities.

7.2 State Appropriation

Hastings is a publicly assisted educational institution which receives substantial funding from the State of California. The State delegates to the Department of Finance the responsibility of compiling, reviewing and recommending to the Governor the budget for Hastings. Once the Governor has reviewed the proposed budget, he/she in turn makes changes according to the available resources and his/her particular funding priorities. The Governor's budget is issued early January.

In February and March, the Legislative Analyst's Office reviews the Governor's budget and makes their own analysis of the Governor's proposals. The Legislative Analyst's Office publishes the Analysis of the Budget Bill, with comments on the Governor's funding requests.

Typically, in March, legislative budget hearings are held. In attendance are the Legislative Budget Committee, committee staff, staff from the Department of Finance, staff from the Legislative Analyst's Office and Hastings'.

Upon enactment of the Budget Bill, usually in June, the Governor signs the agreed-upon budget for Hastings.

7.2.1 Budget Development Procedures

The budget process for the upcoming fiscal year begins in July of the current fiscal year when the Department of Finance (DOF) issues the Budget Preparation Policy Letter which outlines the general guidelines for price increases, and the development of budget change proposals.

Basically, the current year's level of funding becomes the baseline budget for the upcoming (or budget) year as adjusted by the following:

- 1) full-year costs of programs initiated in the current year,
- 2) deduction of one-time costs incurred in the current year,
- 3) deduction of prior year's appropriation balances carried forward to the current year,
- 4) addition of approved price increases, and

- 5) addition of approved Budget Change Proposals increases (BCPs).

Therefore the process entails requesting funds a year in advance, based upon the current year's level of funding as adjusted above.

The DOF also requests information regarding the estimated expenditures for salaries and wages for the upcoming (budget) year. Total estimated salaries are calculated by listing all the filled authorized positions at their current salary levels, and adding the vacant positions at their entry salary levels. This information is submitted to the DOF as Schedule 7A and is used to determine the institution's staffing costs...

7.2.2 Price Increases

A price increase is an approved percentage on all non-salary, non- equipment expenditures.

7.2.3 Budget Change Proposals

A BCP is a request for additional funding above the baseline budget. A BCP may be a request for the one-year cost to purchase a piece of equipment, or may be for on-going costs of a maintenance contract for the equipment. The DOF each year provides specific guidelines regarding acceptable topics for BCPs. All Budget Change Proposals are brought to the Board of Directors for approval before submission to the Department of Finance.

7.2.4 Finalizing Hastings Budget with the State

The College performs required calculations and submits them to the DOF on a planning estimate. The program budget manager at the DOF reviews the submission and meets with College officials to discuss his/her proposed, recommended funding levels. At this meeting, any submitted budget change proposals are also discussed.

The College can accept or challenge DOF's recommendations. If challenged, a meeting with the Director of the Department of Finance can be scheduled. Proposals for and against funding are made. The Director then submits his/her recommended level of funding to Governor.

After the legislative hearings, the agreed-upon level of funding appears in the budget for the State. This budget also includes information regarding tuition and fee levels, enrollment data, and narrative regarding the programs at Hastings. See Exhibit F for an example of the College's budget as it appears in the Governor's Budget for the State.

7.3 Non-State Funds

The College administers hundreds of non-State accounts, including scholarship, endowment, and loan accounts. Budgeting for these accounts is the responsibility of the respective department head or principal investigator (PI). For this purpose, the department head and PI are referred to as the budget manager.

In May, Fiscal Services issues budget worksheets indicating the current level and type of expenditures and revenues to the budget managers. The budget managers are requested to indicate on these worksheets the amount and types of revenues and expenditures for the upcoming year. The budget managers may only authorize expenditures to the level of current revenues plus accumulated fund balance unless new sources of revenue are also being proposed.

The Chief Financial Officer reviews and approves these budget submissions for validity of type and amount of revenues and expenditures. Once approved by the Chief Financial Officer, the budgets of all non-State funds are brought to the Board of Directors for approval.

7.4 Internal Allocation of Funds

7.4.1 Initial Budget Hearings

In May, when the preliminary amount of the State appropriation is known, budget hearings are scheduled for all departments. These hearings can include the Dean, the Academic Dean, a faculty representative, the Chief Financial Officer the budget manager and the budget analyst. The purpose of these hearings is to have all parties informed as to the goals and accomplishments of the departments and to receive the departments' requests for funding.

The College's level of funding for each department is limited to the total of the State appropriation plus collected tuition, fees, and miscellaneous revenues. The College views the revenues as owned by the College as a whole, and not owned by any one specific department.

The requests for reclassification of positions, temporary help, overtime, and research assistants are next reviewed. Some departments, such as Records and Security rely upon temporary help and overtime to accomplish their functions. Requests for position reclassifications are first reviewed by Human Resources and if approved generally funded to the recommended level.

New projects and equipment requests suggested by the department heads are reviewed and approved by their respective Sr. Staff Manager before submission in the budget hearings. These requests are reviewed in the context of the benefits to be derived for the College from funding them. Every effort will be made to fund the requests with significant benefit to the College.

It is the policy of the College to maintain a minimum of 5% of total operating revenues in reserve. The amount of the reserve will be determined as an element of the annual budget process and reviewed by the Finance Committee as part of its review of the overall budget.

In September, the final internal allocation of the State appropriation and the proposed non-state budgets are submitted to the Board of Directors for final approval.

7.4.2 Mid-year Budget Hearings

In January/February, mid-year budget hearings are held for all departments. The purpose of these meetings is to determine that all departments will meet their goals as set the previous May. If not, the department's new goals are reviewed and approved, and the necessary adjustments in funding are made.

7.5 Budget Authority

7.5.1 Board of Directors – Finance Committee

The Board of Directors approves the College's initial operating and capital budgets, for both State and non-state funds, in September. Until the budget is approved, departments are authorized to expend funds for regular and routine operating costs only, which are generally defined within each department's "base budget".

Following the mid-year budget hearings, revised State budgets and requests for additional funding are presented to the Board for approval at their March meeting. Any significant changes to the initial non-state budgets will also be presented.

7.5.2 Budget Managers

Budget Managers are College employees who are charged with the responsibility of managing their respective department's budget(s) to ensure they do not spend more than the authorized budget. Budget Managers are generally hired as Department Heads to direct and oversee a certain department of the College. Other Budget Managers may be appointed to managing the budget of a College program.

Budget Managers include:

- Senior Staff;
- Department Directors;
- Department Managers;
- Faculty members awarded state-funded Faculty Development funds;
- Faculty members named as an endowment Chair holder;
- Faculty members named as a Distinguished Professor;
- Principal Investigators – employees (typically faculty) whose program(s) is the recipient of private grants funds.

Budget Managers are responsible for preparing, presenting and managing their budgets to ensure that the department's programs, costs and commitments can be funded from approved budgets. Budget Managers may appoint a Budget Coordinator to manage the department's budget on a day-to-day basis.

Budget Managers are authorized to make line-item budget transfers in the financial system as authorized by their respective Senior Staff member. Such authorization is processed using the Signature Authority and/or Electronic Inquiry Access form (Exhibit AA).

7.5.3 Budget Coordinators

Budget Coordinators are employees of the College who are designated by the department's respective Budget Manager to have budget management responsibilities. This includes ensuring sufficient funds are available to fund program costs and commitments. Budget Coordinators should be familiar with the department's program and have a thorough understanding of various procedures on how financial transactions are processed.

Budget Coordinators are authorized to make line-item budget transfers in the financial system, as authorized by the respective Budget Manager. Such authorization is processed using the Signature Authority and/or Electronic Inquiry Access form (Exhibit AA).

7.5.4 Authority to Modify Board Approved Budgets

a. Augment Budgets - The Dean is authorized to modify budget estimates for activities and functions, and in connection therewith increase or decrease the approved budget and affect the expenditure of these funds accordingly. Such modification is not to exceed \$50,000.00 and is subject to the availability of funds. This authority cannot be invoked if:

- X Results in the establishment of a new policy or program, or involves a project with a continuing commitment;
- X Requires the transfer from a fund for a purpose other than that for which the fund was established.

Adjustments to the approved budget that are made pursuant to this provision will be displayed as budget variances in the Budget Reports made regularly to the Finance Committee and Board of Directors.

The Dean's authority related to grant management is set out in Section 16. Grant.

b. Line Item Budget Transfers – Budget journal entries are used to create and modify line items budgets in the financial system.

- The CFO has delegated this authority to the Budget Analyst. In the absence of the Budget Analyst, the Director of Fiscal Services and the Assistant Director of Fiscal Services can make budget journal entries.

- Budget Managers and Budget Coordinators are authorized to submit line item budget transfers, within established procedures, to modify their initial budget. Such transfers are first reviewed and validated by the Budget Analyst.

7.6 Budget Review

7.6.1 Board of Directors – Finance Committee

Quarterly, operating budget variance reports for State funds, certain auxiliary enterprises and capital projects are submitted by management to the Board's Finance Committee for review. Bi-annually (at the beginning and at the end of the fiscal year) operating budget variance reports for other non-State funds are submitted to the Board's Finance Committee for review.

In addition to providing a budget to actual variance report, prior year actual information for the same reporting period is also presented. A narrative is also provided for significant budget to actual variances.

7.6.2 Chief Financial Officer

The Chief Financial Officer is responsible for periodically reviewing the budget status report and financial statements to detect and correct any problem areas and to ensure that the College remains fiscally sound. The CFO is specifically responsible for monitoring the College's revenue budget, salary and wages expense budgets and capital improvement budgets

7.6.3 Budget Managers

Budget Managers are responsible for reviewing their department's operating budget status at least once every two months to ensure that funds allocated are sufficient for their department's on-going operations. This should also include a review of the actual financial activity.

Line items with negative budget balances should be addressed immediately.

Spending commitments for new programs, initiatives or costs cannot be made if they were first not approved in the initial or mid-year budget hearing, unless prior approval is received by the Dean and CFO. Budget Managers are responsible for notifying their supervisor and the CFO immediately if a budget shortfall is expected.

7.6.4 Purchasing and Procurement

A sufficient budget balances must be available in the department's respective line item before purchase orders will be opened. Purchasing is responsible for verifying that sufficient budget is available before a purchase order is created. Exceptions may be authorized by the CFO.

7.6.5 Accounts Payable and Disbursements

A sufficient budget balance must be available in the department's respective line item before payments will be made. Accounts Payable is responsible for verifying that sufficient budget is available before payments are made on all disbursement requests. Exceptions may be authorized by the CFO.

C:\DTran\Data\TEXT\SOP\Financial P&P Manual\TRANSMIT\07-02 March 2007\Section 7 Budget March 2007.doc