Ouachita Baptist University
Budget Policy and Procedures

The budget process is designed to allocate available resources in the most efficient manner to achieve the goals of the university. The university administration has a fiduciary responsibility to submit annually a balanced budget to the Board of Trustees for approval at its March meeting. *The proposed budget should present a realistic and accurate projection of operating revenue and expenditures for the upcoming fiscal year.* This policy outlines the budget process necessary to meet that responsibility. The policy applies to the preparation and management of operating budgets for all university departments.

Ouachita generally practices *incremental budgeting* in which yearto-year changes in department operating budgets result from increases or decreases in the funding available. The focus of the budget process is on predicting the changes from the current year and allocating resources to meet the new and continuing priorities. Incremental changes to budgets are generally made based on the following criteria:

- Enrollment changes
- Changes in student fees that drive expense changes (e.g. Financial aid)
- Changes in mandatory costs
- Compensation and benefits adjustments
- Operating costs for new or changed facilities
- New or expanded programs
- Special initiatives

Requests for budget increases must be accompanied by justification based on one of the above criteria. Budget development is an ongoing process that should follow the university's strategic planning over multiple years. University goals, along with the activities and steps identified to reach those goals, influence the distribution of resources. Budget drivers, such as student enrollment, should be projected for multiple years to determine academic, capital (facilities) and infrastructure (i.e. technology) needs on a longterm basis.

Periodic Reevaluation

Although the university generally practices incremental budgeting, periodic reviews should be completed to determine whether budget allocations continue to be aligned with changing needs. These reviews should be completed every 35 years to determine whether changing conditions merit adjustment, positive or negative, to departmental budgets. Examples of conditions that should be considered are enrollment changes, inflationary adjustments, changing student preferences related to academic programs, or changes in student participation levels in particular programs or activities.

Budget Committee

The University Budget Committee shall consist of the President, the Administrative Council, Deans, the University Committee Chair and the Director of Business Services. The committee is responsible for developing the annual University budget.

Budget planning begins in October and a calendar is set to allow presentation of a tuition and fee recommendation to the Board of Trustees at its December meeting and a final budget at its March meeting. The committee is responsible for reviewing budget requests submitted by each department/program/center to determine whether they fit University funding priorities and whether available resources are sufficient to fund the request.

September Budget Review

The annual operating budget is established based on estimated student enrollment levels. A budget review will be conducted in September to compare actual enrollment levels to projections. Actual enrollments that substantially differ from projections may result in upward or downward adjustments to departmental budgets.

Budget Adjustments

The annual budget is not a static plan; adjustments are expected during the fiscal year as priorities or needs change. Requests for budget adjustments should be submitted to the Chief Financial Officer for approval. Requests that increase the overall University budget also require approval of the President.

Budget Accountability

All department/program/center managers are responsible for the budget funds allocated to their areas and are expected to monitor their budgets throughout the fiscal year. If overspending occurs, the manager is expected to cover the excess expenditures from other available funds. If the excess is not covered, the deficit may be carried forward and deducted from the following year's budget allocation.

Salary Savings Reallocation

Current year salary savings are defined as current year uncommitted salary budget due to a position being temporarily vacant or filled at a lower salary, such as with an adjunct professor. All current year salary savings will be split 50/50 with half retained in the general institution budget and half returned to the area in which the savings were generated, at the Administrative Council level. The savings will be distributed quarterly as it is realized.

The central administration share of the current year salary savings revert to the budget for midyear budget adjustments, onetime expenses or reserves.

The remaining pools represent current year, onetime funds and are meant to address current year unbudgeted needs. The funds *should not* be used to incur ongoing expenses. Further allocation of the savings to departments or programs may be made at the discretion of the appropriate Administrative Council member.

Yearend Carryover

At the end of each fiscal year, the Business Services office will close out the general fund budget. Departments with positive budget variances (unspent budget remaining) in

Operating Expenses will be permitted to carryover 50% of the remaining amount. This carryover will be accomplished by transferring the appropriate amount from the general fund budget to an unrestricted, designated account for the department. The carryover amounts are intended to fund capital needs (equipment, renovations, etc.), onetime programmatic needs, training and development costs or other similar initiatives. The funds *should not* be used to fund ongoing expenses.

Restricted Account Budgets

In addition to general fund budgets, all restricted and designated funds should be budgeted each fiscal year. Restricted funds consist of accounts that must be spent for a specific purpose, such as scholarships or grants, with external restrictions. Designated funds also must be spent for a specified purpose but have only been restricted by internal designation.

A budget amount should be established at the beginning of each fiscal year. The amount budgeted should not exceed the expected revenue for the year from gifts, contracts, endowment earnings or other sources plus the available fund balance carried over from the previous year.