

BUDGET DEVELOPMENT PROCESS – An Overview

Office of Budget Management
James Madison University

What is a budget?

There are a number of ways to define a budget.
Some of them are:

- A summary of estimated revenues and expenditures
- An institutional plan of action expressed in terms of money
- A management tool



Budget types

- Operating – An operating budget is typically an annual budget that includes estimates of revenues to be collected and expenditures to be made.
- Capital – A capital budget may extend over multiple years. It includes expenditures for the acquisition or creation of a long term asset (building, athletic field, etc.) and the sources that will support those expenditures.
- This overview addresses JMU's operating budget.





Terminology



JMU's revenues are categorized into two sources called General Funds and Non General Funds.

- General Funds – Funds allocated to JMU from the Commonwealth of Virginia are called General Funds. The amount of these funds is determined by the Governor and Virginia General Assembly. The sources of these funds include individual and corporate income tax collections, sales tax collections, state fee revenue collections, etc.
- Non General Funds - Funds from all other sources are called Non General Funds. The sources of these funds include tuition and fees, room, board, comprehensive fee, and sales and services of auxiliaries.



Terminology



The Office of Budget management is responsible for the budgets for Education and General Expenditures and Auxiliary Expenditures. (These budgets are explained in later slides.)

Each department at JMU is assigned a six digit department ID number.

Department IDs that start with 1 (for example 100025) are Education and General (E&G) Departments

Department IDs that start with 3 (for example 300125) are Auxiliary Departments



Terminology



Expenditure lines within a departmental budget fall into three categories.

- PS - “Personal Services” – salary and benefits (benefits include health insurance, social security, etc.).
- NPS – “Non Personal Services” – all other expenditures in the departmental budget.
- Recoveries – a reimbursement to a department (there are both PS recoveries and NPS recoveries)

Types of University Operating Budgets

- Education & General (E&G) Budget
 - This is an annual budget which is funded by the state with General Fund and by tuition and fees (Non-General Funds)
 - This budget accounts for expenditures that support the primary JMU mission - the education of students
 - Expenditures include all costs necessary in support of the direct costs of the educational program including faculty salaries and benefits, classroom and lab supplies, libraries, academic support services, the cost to maintain academic buildings, etc.



Types of University Operating Budgets

- **Auxiliary Enterprise Budgets**

- This is an annual budget funded only from non-general funds.
Auxiliary programs do not receive any state support.
- Auxiliary programs support the primary mission of the university. They provide a well rounded learning environment. Examples of auxiliary programs are: residence life, dining, student health services, and athletics.



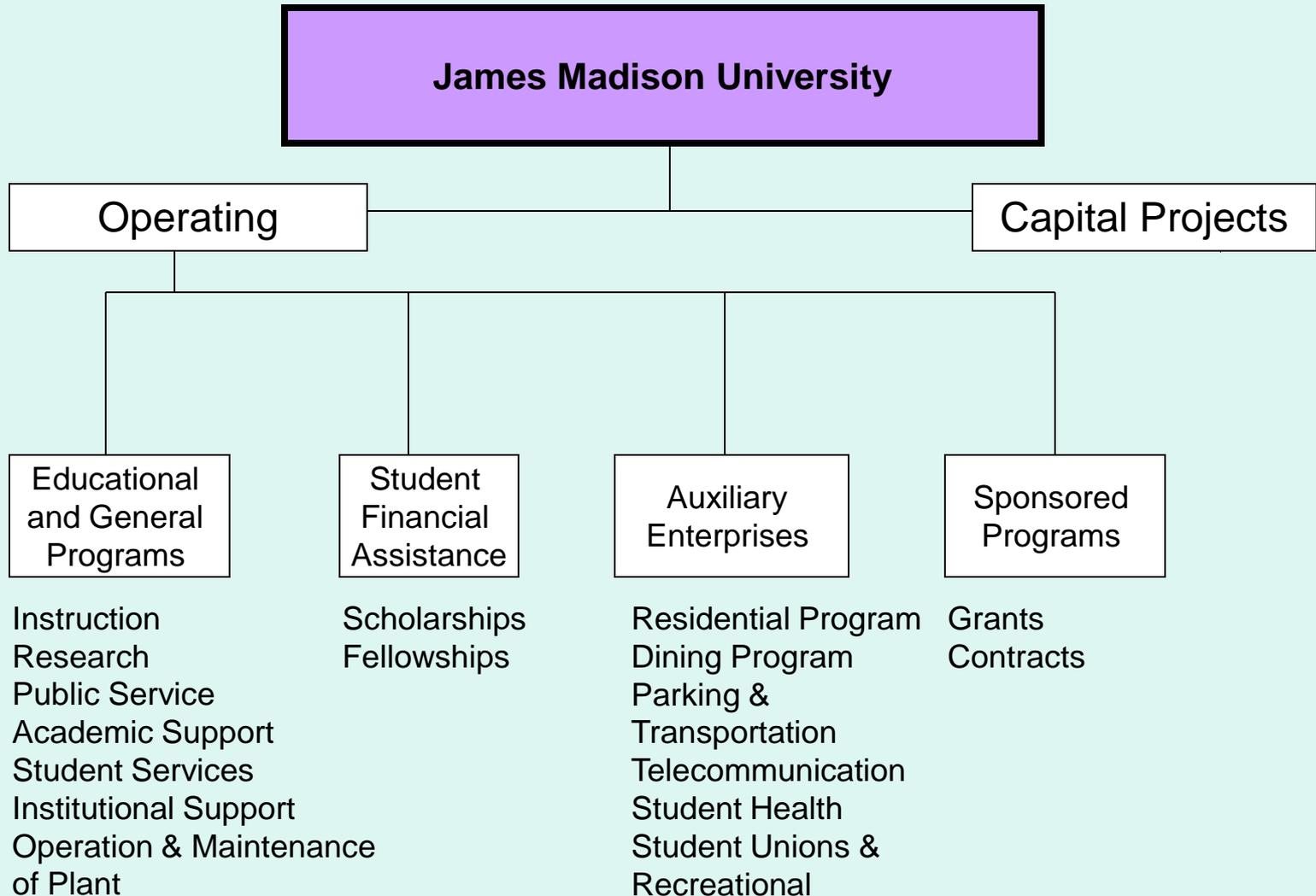
Types of University Operating Budgets

There are other budgets at JMU which the Office of Budget Management does not administer. These budgets include sponsored programs, financial aid, and capital.

The overall structure of JMU's budgets is outlined on the next slide. The major components of each budget type are listed.



Programmatic Structure

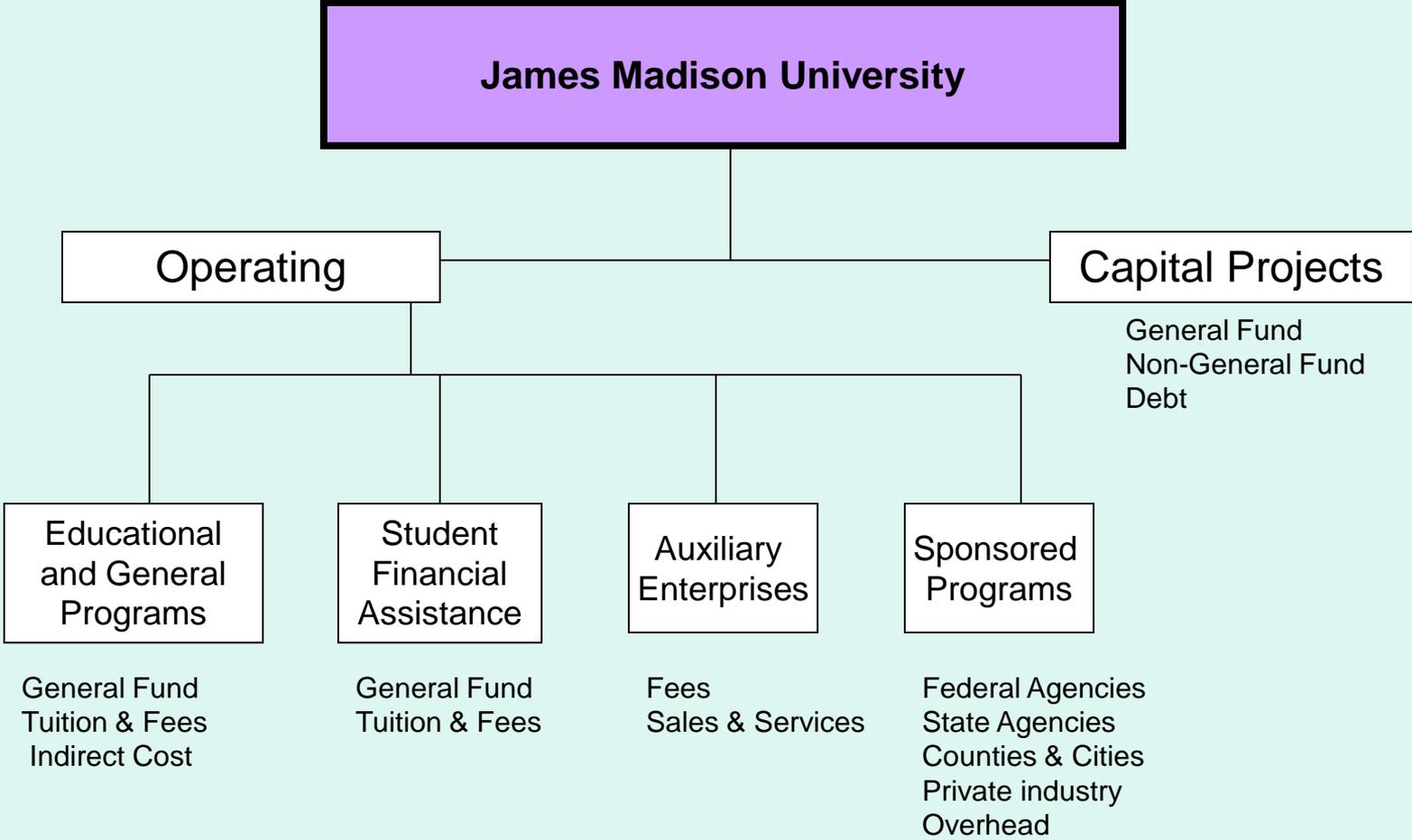


Fund Sources

The next slide shows the sources of funds for JMU's budget. Note that in addition to receiving General Funds for E&G programs and student financial aid, capital projects for E&G programs also receive General Fund Support. The East Campus Library and the Forbes Performing Arts Center are examples of E&G capital projects that received state funding.



Fund Sources



Office of Budget Management's role

- To facilitate the planning, attainment and management of financial resources for the JMU community.





Office of Budget Management's Functions & Services

- Develop and implement the university budget for E&G and Auxiliary programs
- Coordinate the state budget process
- Facilitate long term financial planning for E&G and Auxiliary programs
- Coordinate current operating transfers (budget revisions)
- Manage equipment trust fund (ETF)
- Provide information to state agencies, General Assembly and members of the JMU community

Operating Budget

JMU must have a balanced budget. The projected revenue sources must be equal to planned expenditures.



Budget Process

JMU Budget Process

- JMU's budget process has four stages
 - Central planning
 - Organization Unit Preparation
 - Central Review
 - Execution and Evaluation

For additional information see JMU's Financial Policy 3025 found on JMU's web site in the Financial Procedures manual.



JMU Budget Process – Central Planning

- The Office of Budget Management (OBM) monitors activity at the state level by analyzing the budget as it moves through the legislative process. The OBM staff provides information to various agencies in the State Government to request funding for university needs and to explain the impact of budget decisions on the university to internal and external users.
- For example, the OBM calculates the cost of changes in salaries and fringe benefits costs as recommended by the Governor and General Assembly and communicates those impacts to senior management.



JMU Budget Process – Central Planning

- The OBM calculates the cost of central expenditures that impact all departments in the university. Examples of these costs are utility increases, postage rate increases, minimum wage increases, salary and benefit changes, etc.
- The OBM also calculates the costs for operating new facilities. These costs include not only the programs going on inside the facility, but costs to clean, maintain, provide utilities and care for the grounds around the building.



JMU Budget Process- Organization Unit Preparation

- The OBM collects data from JMU departments to understand and quantify their operating needs. During this stage of the budget development departments are provided an opportunity to review base budgets for accuracy and to request additional funding.
- Departments are asked to provide information about cost increases to current programs. These are called “cost to continue” requests. An example of a cost to continue increase is an increase in a contract that a department has with an outside company.
- Departments are asked to provide information about new programs they wish to implement. These are called “initiative” requests. For example, in 2008-09 the University began offering an Engineering Program. Another example of an initiative would be if an existing department wishes to offer new services to students.



JMU Budget Process - Central Review

- During this stage of budget development the OBM calculates potential revenue collections from tuition and fees, room, board, etc. based on projected enrollments at various rates of increase.
- Tuition recommendations are presented to Executive Management for review and to the Board of Visitors for approval during this phase of the budget development.



JMU Budget Process - Central Review

- Also during this phase of budget development an expenditure plan is developed which incorporates departmental requests, new costs based on state budget changes, central costs increases, new facility costs, etc. University priorities and available funding are the primary factors guiding which expenditure requests are included in the budget.
- During the central review phase the expenditure plan is presented to Executive Management for review. The recommended expenditure plan is then presented to the Board of Visitors for approval.



JMU Budget Development – Execution and Evaluation

- In this stage of the budget development a beginning budget is provided to all organizational units of the university. JMU's fiscal year begins on July 1.
- For the rest of the fiscal year units spend against this budget and request budget revisions as necessary.
- A calendar of events on the next slide shows the sequence of the budget development process.



Date	Event
July	Development of Six – Year Institutional Plan (Odd Numbered Year)
August	Activity Base Budget Submitted to Department of Planning and Budget (DPB)
September	DPB Issues Funding Request Instructions
October	Institutional Funding Requests Submitted to DPB Six – Year Institutional Plan Submitted to State Council of Higher Education in Virginia OBM Issues Requests for Central Costs and Initiatives Board of Visitors Meeting
November	Governor, DPB, and Cabinet Review Funding Requests
December	Governor’s Budget Submitted to General Assembly
January	General Assembly (GA) Session Convenes University Amendments Submitted to GA Board of Visitors Meeting
February	E&G and Auxiliary Initiative Submitted to OBM Divisional Budget Discussions and Presentations
March	GA Conference Committee Reports General Assembly Session Ends OBM Provides Tuition and Fee Information to Executive Mgmt
April	Governor Signs Appropriation Act Board of Visitors meeting (tuition and fee rates approved for the next year) Final Decisions Regarding New Funding Distribution Final Review by Executive Management
May	Completion of Internal Operating and Personnel Budgets
June	Board of Visitors meeting (university budget approved) DPB & Agencies Implement Appropriation Act

JMU Budget Process

More information about JMU's budget is located on the OBM website at <http://www.jmu.edu/budgetmgmt/>

A calendar of due dates and all forms needed for cost to continue and initiative requests are posted on the OBM website.

Contact information for OBM staff is available on the website. Please contact our office if you have questions regarding the budget process or any other process we manage.

