



# UNTHSC

Annual Budget Development Process  
Fiscal Year 2019

Guidelines & Instructions - Spring 2018

# Annual Budget Plan Overview & Guidelines

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## ***INTRODUCTION:***

The budgeting process at the University of North Texas Health Science Center (UNTHSC) assigns fiscal responsibility to the institution's academic, administrative, and facilities planning process. Through the budget process, UNTHSC is able to implement a practical fiscal plan for the operation of the institution which:

- supports the institution's strategic plan;
- recognizes institutional priorities;
- allocates resources among competing needs; and
- authorizes spending authority for the major organizational units within the institution.

## ***THE GOALS OF THE BUDGET PROCESS:***

The following budget process goals promote optimal utilization of limited financial resources.

- Identify the link between budgeting decisions and the institution's strategic plan.
- Prioritize new initiatives.
- Introduce performance analytics to measure outcomes resulting from strategic investments in order to substantiate the additional funding.
- Promote "growth by substitution" – the reallocation of prior year's funding – whenever possible.

## ***PRINCIPLES FOR EFFECTIVE BUDGETING:***

The institution applies budgeting principles that provide structure for the annual budget process, inform individuals about key priorities and objectives, and promote a holistic view of the institution.

- The budgeting process will remain sensitive to the defining aspects of UNTHSC's culture and committed to UNTHSC's core mission and values.
- Faculty and staff have a fiduciary responsibility to ensure all budgeting decisions will be made in adherence to the institution's strategic plan to manage resources as effectively as possible.
- The maximization of revenues, the management of expenses, and the inter-relation of the two are central to the budgeting process.
- The budget process framework promotes and supports financial stability and sustainability, encourages innovation and entrepreneurship, and includes multi-year and all-funds budgeting at all levels.
- Faculty participating in teaching activities across schools and colleges support the UNTHSC vision of One University. Each school/college will be funded appropriately to support the teaching activities of all HSC students.
- "Growth by substitution" will be used continually to ensure that reallocated resources are devoted to the strategic initiatives with the highest priorities.
- All budgetary decisions and reasoning will be communicated, by all areas, clearly and systematically in a transparent reporting process.
- The budgeting process for operating and capital budgets, as well as new initiatives, will be combined into a single budgeting process.
- Unexpended balances (carry-forward funds) from funds as specified in the Allowable Carry-Forward Balances section are considered as part of the budget process.

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- Year-end carry-forward balance determinations are intended to
  - provide fiscal flexibility, preventing centrally-funded Institutional needs from a shortfall
  - foster greater empowerment, as well as encourage thoughtful expenditure of nonrecurring funds
  - reward fiscal stewardship by allocating year-end balances

## ***UNTHSC BUDGET MODEL:***

Working within the institution's governing structure, the President and his leadership team have adopted the following principles and practices in developing and implementing a plan for operationalizing a Hybrid budget model:

- The Hybrid budget model will combine elements from the following budget models:
  - a) Incremental Budget Model: This budget model for the current fiscal year will be used as the starting point for the upcoming fiscal year, which will allow for a predictable level of funding for each area.

Current funding levels will be assessed annually and adjustments to funding allocations may be deemed appropriate, based on current situational and financial factors. Any recouped funds from this review will be set aside to create a central pool for strategic initiatives.

- b) Initiative-Based Budget Model: This budget model will pair resources with strategic priorities to encourage innovation and entrepreneurship. For example, strategic priorities may include creating a new program, adding a new building, subsidizing a unit that is struggling financially, or investing in mission-based initiatives that will not generate enough funds to be financially viable for an extended period.

If feasible, a central pool of funds will be created for use by the President's Cabinet to support initiatives with the highest priorities. All departments requesting funds from this pool must:

- i. Provide an explanation of how the proposed initiative aligns with the Strategic Plan.
- ii. Develop a 5-year business plan, which shall include: (1) a description of how the Return on Investment (ROI) will be measured; (2) a description of how the initiative will become self-sustaining; and (3) a description of the method by which revenue will be generated and the estimated amount of revenue to be generated.
- iii. If approved, submit a yearly status report regarding the initiative by March 30th.

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- c) Responsibility Center Management (RCM) Budget Model: This budget model will increase departmental accountability by incentivizing departments to generate revenue and/or achieve savings through mechanisms such as:
- Matching departmental savings with institutional funds that can be utilized for future initiatives
  - Providing loans to departments that are pursuing entrepreneurial initiatives

The Hybrid budget model will promote additional transparency throughout the budgetary process via increased communication and expanded participation throughout the development of the budget in the following ways:

- a) Website: A Budget Development website has been established and includes information on the budget timeline, the budget development process guidelines, budget request submissions from departments and units, budget and Higher Education Fund request forms, and a summary of the budget requests recommended by the President's Cabinet.
- b) Campus-wide E-Mails and Notifications: E-mails and notifications will be distributed campus-wide with updates on the progress of the Texas Legislature, when in session, and the status of the budget development progress and results.
- c) Presentations and Meetings: Presentations developed as part of the Budget Development process will be posted to the Budget Development website and all divisional leaders, along with support staff, will be allowed to attend the Budget Review sessions.

## ***GUIDELINES FOR RESOURCE ALLOCATION:***

These guidelines provide a formalized strategy on how budget increases and/or cost reductions will be realized and establish clarity among the institution's organizational units on how resources are allocated.

- The President and his leadership team will establish and communicate strategic priorities based on the mission, vision, and values of UNTHSC.
- The first priority in the allocation of *Centrally Allocated Funds\** will be for mandatory cost increases (e.g., debt service, financial aid, and scholarships), and on-going expenditure requirements (i.e., personnel costs, operations, program initiatives, etc.).
- The second priority will be an allocation of *Centrally Allocated Funds\** set aside as "Reserves" to meet unanticipated funding necessities. Such an allocation will not become a part of any organizational unit's base allocation.
- The final priority in the allocation of *Centrally Allocated Funds\** will be for "new" strategic investments if they support the strategic plan, or if they reduce continuing costs or increase revenues sufficiently, while preserving or enhancing the current service levels.
- Proposals for budget reductions or revenue opportunities will require business case analyses to explore the impact of proposed actions.
- The use of reserve funds will require business case analysis and approval by the President's Cabinet, and may also be subject to additional approval by the Board of Regents.

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- Fees are to be used in support of the class or the service in the manner for which the fee was approved. A minimum fund balance should be maintained in order to provide for an operating reserve to meet unplanned requirements; however, the accumulation of significant account balances is not in accordance with Texas Statutes.
- The capital budget will be developed annually and aligned with the institution's strategic goals and priorities. Any new capital funding request must include an analysis of the direct costs and any "opportunity" costs of delaying needed investment, which will be quantified and considered along with the current capital needs. All capital funding requests related to facilities will be reviewed by the Built Environment Council, and their recommendations will be brought forward to the President's Cabinet for their review.

\* Centrally Allocated Funds include State Appropriations (including General Revenue, Statutory and Board-Authorized Tuition, Tobacco Funds), Designated Tuition, Investment Income, and Institutional F&A revenues.

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## **ROLES AND RESPONSIBILITIES:**

The budgeting process will continue to involve a significant number of individuals across the institution. An abridged list of roles and responsibilities is provided below.

Constituent	Responsibility
Office of Financial Resources, Assurance, & Policy Analysis	<ul style="list-style-type: none"> <li>• Develop budgetary assumptions for the upcoming fiscal year to be utilized by President’s Cabinet to determine budgetary parameters</li> <li>• Develop Budget Decision Packets</li> <li>• Coordinate the budget process, including ongoing development, training and communication of process changes, and budgeting tools, as well as timelines</li> <li>• Provide support for the Budget Review sessions</li> <li>• Consolidate school/division budgets into a comprehensive institution-wide budget</li> </ul>
Departmental Budget Liaison	<ul style="list-style-type: none"> <li>• Attend budget meetings and training sessions</li> <li>• As required, coordinate the development and input of proposed budget changes into the Budget Decision Packet</li> <li>• As required, help their respective Dean/VP/Department Manager with the development of strategic initiatives and business cases, and assist with input into the Annual Operating Budget</li> </ul>
Department Managers	<ul style="list-style-type: none"> <li>• Assist in the development and communication of strategic initiatives, business cases and proposed budget changes to their respective Dean/VP and Departmental Budget Liaisons</li> </ul>
Deans / Vice Presidents	<ul style="list-style-type: none"> <li>• Develop and communicate department-level expense and budget parameters</li> <li>• Responsible for completion and submission of Budget Decision Packets for their respective organizational unit(s)</li> <li>• Business cases may also be required for new initiatives (supplemental)</li> </ul>
Provost Office	<ul style="list-style-type: none"> <li>• Coordinate the development of the academic budgets</li> <li>• Develop and communicate School/Division/Department-level expense and budget parameters</li> </ul>
Budget Review Committee	<ul style="list-style-type: none"> <li>• Conduct Budget Review sessions with senior administrators</li> <li>• Consolidate budget adjustments, Budget Request Forms and Budgetary Enhancement Requests for consideration by President’s Cabinet</li> </ul>

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CFO / VP for Finance and Planning	<ul style="list-style-type: none"><li>• Present budgetary assumptions and proposed budget adjustments to President's Cabinet</li><li>• Present institutional budget to the Board of Regents</li></ul>
President's Cabinet	<ul style="list-style-type: none"><li>• Set budget parameters for upcoming fiscal year</li><li>• Review, discuss and recommend initiatives, produced from the budgetary review process, for the President's consideration</li></ul>
President	<ul style="list-style-type: none"><li>• Review, revise and approve the institution's budget</li></ul>
Board of Regents	<ul style="list-style-type: none"><li>• Review and approve final institution-wide budget</li></ul>

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## ***THE INSTITUTIONAL BUDGET PROCESS:***

These guidelines are designed to assist UNTHSC's divisional leaders to create consistent, complete and efficient budgeting and planning documents. It should be used as a reference and not as a prescriptive set of rules. Each of UNTHSC's operating units and each initiative is unique and, therefore, may require inclusion, exclusion or focus on certain aspects of the recommended Annual Operating Budget.

The institutional budget process is accomplished in two separate and distinct phases.

The first phase, ***Budget Planning***, is used to develop and approve the budget. It starts in the spring and continues into the summer (see *Budget Planning Timeline*).

In the second phase, ***Budget Documentation***, the approved budget is documented and loaded in the budget system. This phase begins in the summer and is completed in July.

### ***Phase I: Budget Planning***

Base Budgets and proposed budget adjustments are developed by each organizational unit in the spring for the upcoming fiscal year. It is the responsibility of each division leader to incorporate the direction provided through the institution's strategic plan in the budget planning process.

Divisional leaders should be mindful of the assessment questions that will need to be answered for each new funding request presented. These assessment questions may include:

- What was the assessment measure, instrument, or strategy that helped identify this need?
- If funded, what are the expected results to be gained from new funding?
- Are there any anticipated major repairs or significant purchases, whether one-time or routine, that could be considered capital?
- What will be the impact of not receiving these budget adjustments?
- What are some of the performance metrics to show progress toward strategic initiatives?

### ***Budget Development Overview:***

The institution's budget is developed based on State appropriations, enrollment, and revenue projections. Using these projections as the funding level, budget expenses are determined by reviewing prior year expenses, current year forecasted expenses, and funding requests at the departmental level. Each proposed budget adjustment is reviewed and approved by the budget manager, dean (if appropriate), and senior administrator. Requests for budget increases are presented by the division leader (dean or senior administrator) during the Budget Review sessions. It is the responsibility of the division leader to justify each proposed item at that time.

The Vice President for Finance and Planning, in consultation with the Chief Financial Officer, will review all requests for budget adjustments with senior administration to discuss and prioritize the needs for the institution. Once funding adjustments have been approved by the President, the Budget Office will send out budget development templates and budget targets to be completed by senior administration.

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## *Allowable Carry-Forward Balances:*

These guidelines apply to all Educational & General, Designated, and Auxiliary funds.

- Carry-forward funds may not be used to create permanent positions or hire permanent employees without approval of the Budget Office.
- Divisional units are expected to prevent budget deficits. Any deficits shall be covered by the transfer of other available funds prior to the end of the fiscal year; any residual deficits will be carried forward and immediately financed by the next year's budget.

The following guidelines only apply to the treatment of year-end balances for Educational & General funds, including Higher Education Funds (HEF), Centrally-Allocated Designated funds, and Tobacco funds, which are appropriated through the institutional budget model.

- In the event that the institution finishes a fiscal year with a deficit due to tuition revenue shortfalls and/or insufficient funds for unavoidable expenses, carry-forward balances will be reserved centrally before division allocations are approved.
- Encumbrances for outstanding purchase orders will be included when determining the final carry forward balance.
- Unexpended Educational & General funds expire at the end of each fiscal year and do not carry over to the next fiscal year.
- If balances in Centrally-Allocated Designated or Tobacco funds exceed 15% of prior year expenditures, divisional leaders will be asked to provide an explanation, along with a spending plan, for the balances during the annual budget review sessions.
  - The Vice President for Finance and Planning and the Chief Financial Officer will review all requests for carry-forward balances with the President's Cabinet when making the final determination on the amount of funds that will carry forward.

For all other Designated and Auxiliary funds – which includes student services fees, course fees, campus-based and other student fees, indirect cost recovery revenues, self-supporting revenue centers, auxiliary funds, private unrestricted gifts, and unrestricted endowment earnings – the following guidelines will apply to the treatment of year-end balances.

- If balances in other funds exceed 25% of prior year expenditures, divisional leaders will be asked to provide an explanation along with a spending plan for balances as part of the annual Budget Review sessions. The explanation should include the relationship for the use of funds to strategic priorities within the division.

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## ***Budget Formulation:***

The institution's budget will be based on revenue and expense assumptions prepared by the Vice President for Finance and Planning in consultation with the Chief Financial Officer. The revenue estimate will be based upon a realistic assessment or forecast of available Centrally Allocated Funds in order to provide a high degree of confidence for responsible allocation of resources and minimize potential for disruptive mid-year budget cuts due to a revenue shortfall. The expense estimate will be based on the prior budget as adjusted for realignments thus far and made to provide full-year funding for known recurring expenses and will include an assessment of costs of new initiatives, which can be reasonably anticipated.

These budget assumptions will be presented to the President's Cabinet for review and approval, will be included on the Budget Development website, and will frame the discussions during the Budget Review sessions.

## **Budget Planning and Reporting Application:**

In FY2019, UNTHSC's Budget Planning process will utilize an integrated financial planning software application, if implemented in the time to begin the budget process. This application will include the following functional areas:

- Budget Planning Process, which will include all documentation related to the preparation and management of budgets and labor planning.
- Long-Range Strategic Planning by school or unit, which will include all budget and capital requests.
- Financial Reporting, which will be the primary application for delivering financial information related to budget analysis and management.

If the Finance Office is unable to implement the software application as planned, the Finance Office will support the Budget Planning Process as in the past.

## ***Budget Planning Guidelines:***

The Budget Planning Guidelines are provided to assist leaders in developing the proposed budgetary changes necessary to facilitate the division's goals and objectives in support of the institution's mission. The Budget Decision Packets, explained in the following section, are provided to organizational leaders for the departments for which they are responsible.

## ***Budget Planning Documentation:***

The Budget Development process is initiated by the dissemination of the Budget Decision Packets. Each Dean and Vice President will receive a Budget Decision Packet, containing the Budget Planning Guidelines, Budget Planning Worksheets, a Budget Request Form, a Higher Education Fund (HEF) Allocation Request form, and a Course Fee Reconciliation Worksheet, if applicable.

A Dean, Vice President, or department leader develops proposed budget adjustments to accommodate personnel changes, salary adjustments, operating expenses, scholarship needs, and capital items. If new funding is required for these changes, the requests must be included on the Budget Request Form (BRF) or HEF Allocation Request, which are described below.

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## **Budget Planning Worksheets:**

The Budget Planning Worksheets are a consolidation of both current and historical data and include the following: FY 2018 Adjusted Budget Amounts, Budget Planning Position Roster, Salary related expenditures, and Non-Salary related expenditures. This information is designed to aid organizational units in identifying resource needs by providing historical information and a projection of the upcoming year's Base Budget.

Division leaders will use the information provided to develop the Adjusted Base Budget to more accurately reflect the anticipated use of Base Budget funds. **Each Adjusted Base Budget amount must be properly substantiated in order for that amount to be included as the Base Budget for the upcoming fiscal year.**

Once updated, division leaders should submit their worksheets through the software application or return the worksheets and any other supporting documentation to the Budget Office prior to their scheduled Budget Review sessions. Base Budgets will be reviewed for adequate substantiations and proper allocation of funds.

## **Budget Request Form (BRF):**

The Budget Request Form (BRF) is a required document that is used by division leaders to detail all new funding requests presented during the Budget Review sessions. One BRF should be submitted per requested initiative. As discussed above, division leaders should be mindful of the assessment questions that will need to be answered for each funding request presented during the Budget Review session.

## **Higher Education Fund (HEF) Allocation Request:**

The Higher Education Fund (HEF) Allocation Request is a required document that is used by division leaders to detail all new funding requests for capital items during the Budget Review sessions. As a reminder, HEF may only be used for capital-related items, such as major facility repairs or renovations, capital equipment, or library books/materials.

A separate HEF Allocation Request should be utilized for each capital request.

## **Course Fee Reconciliation Worksheet:**

The Course Fee Reconciliation Worksheet is a required document that is used by academic leaders to request approval to carry forward balances into the next fiscal year. The worksheet will provide the current available balance for each fee, along with its associated carry-forward balances from the prior two fiscal years, and the fee's estimated threshold amount. In the worksheet, each academic leader will include a detailed justification for carrying forward the balance, as well as an action plan to be implemented if the course fee balance exceeds the established threshold amount.

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## ***Budget Review:***

The purpose of the Budget Review sessions is to provide a forum for explaining any budgetary changes requested in the proposed budget. It is recommended that the Budget Request Form and supporting documentation be emailed to the Budget Office at least **five business days prior to the scheduled meeting** for Budget Analyst review. The review process gives the Budget Office the opportunity to examine requests and suggest changes or prepare division leaders for possible questions that may arise during their review session.

## ***Format of Budget Review:***

The Vice President for Finance and Planning will conduct Budget Review sessions held for each budgetary division. Also present at each review session will be the Chief Financial Officer, the Associate Budget Director, and the Budget Analyst responsible for the represented division. Division leaders are welcome to bring any support staff necessary to assist in explaining budgetary needs. Each division is allotted up to 60 minutes to present their budget request.

## ***Budget Presentations:***

The division leader presents explanations for the budget requests during the formal Budget Review sessions. All requests for new funds are to be based upon strategic goals for the institution and divisional areas of responsibility.

Using the BRF as a basis, the division leader is to provide a comprehensive budget proposal for the entire division. Each budget presentation should identify increases in personnel, capital, and operational funding that is absolutely necessary to continue the operations of the division. Budget changes and new funding requests must include the following:

1. Demonstrated support for one or more of the institution's key objectives as defined in the institution's strategic plan
2. How the institution will receive a return on the requested investment
3. Report on measurable results from the use of prior budget changes or previously funded initiatives.

## ***Results of Budget Reviews:***

Following the conclusion of budget reviews for all divisions, the Office of Financial Resources, Assurance & Policy Analysis will compile the budgetary review requests for the Chief Financial Officer. The Vice President for Finance and Planning and the Chief Financial Officer will then review all requests for new funding with the President's Cabinet to prioritize the needs for the institution.

Once approved, new funding requests will be added to the designated organizational unit's budget and communicated to division leaders. Finally, each division leader will communicate the approved budget to the organizational unit(s) for which they are responsible. The Budget Office will be

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available to assist each division leader with this function.

## ***Phase II: Budget Documentation***

### ***Budget Execution:***

Following the conclusion of the President’s Cabinet discussion and the President’s approval, budget development templates and budget targets will be distributed to the Deans and Vice Presidents. It is the responsibility of the department manager to ensure that expenses are made in accordance with the approved budget. Each department manager is responsible for executing appropriate documents (i.e., purchase requisition, personnel action forms, etc.) to use funds provided in the approved budget. Routine budget reviews by each department manager are encouraged. Upon completions, the Budget Office utilizes the documentation submitted by each Dean and Vice President to update the associated Base Budgets in the budget system.

### ***Approval of the Annual Operating Budget:***

With all of the budget decisions documented, the Budget Office compiles the Annual Operating Budget Plan for presentation and approval by the Board of Regents. This document outlines the strategic direction, as well as highlights the Governor’s budget that has impacted our campus and the institution’s investments that have been incorporated into its operating budget and plan.

### ***Base Budget Roll:***

As the final step in the documentation phase, the Budget Office “rolls” the Base Budget into the PeopleSoft system in late August / early September for the new fiscal year, and that becomes the operating budget for the new fiscal year. This does not apply to sponsored projects or “non-budgetary” chart strings.

### ***Quarterly Budget Report:***

Following the Base Budget roll into PeopleSoft, departmental leaders will be able review their quarterly budget balances through the Budget Planning and Reporting software application. The information listed below will be provided:

- Prior fiscal year roll-forward amount
- Current fiscal year budget amounts
- Current fiscal year totals for expenditures, revenue, transfers and encumbrances
- Quarter ending balance amount

This software application will serve as the principal source when reviewing budget balances, as well as all financial transactions, throughout the fiscal year.

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## ***Budget Planning Timeline:***

The following timeline presents the key activities and deadlines with respect to the budget process.

- **February**
  - Project FY2019 Revenue and Expense Assumptions
  
- **February - March:**
  - Preliminary Cabinet discussion on FY2019 Strategic Priorities
    - Update on projected FY2019 Revenue
    - Develop initial funding strategies
  
- **March 26 – 30:**
  - Budget planning packets to be distributed to the VPs/Deans
    - VPs/Deans discuss budget needs/priorities with their departments
  
- **April 11:**
  - Completed budget planning worksheets due back to Budget Office
  
- **April 16 – 27:**
  - Budget Reviews with VPs/Deans (and any team members, if preferred)
  
- **April 30 – May 4:**
  - Cabinet finalizes FY2019 Budget
  
- **May 7 - 11:**
  - Budget development templates and budget targets to be distributed to the VPs/Deans
  
- **May 25:**
  - Completed budget templates due back to Budget Office
  
- **June 15:**
  - FY 2019 Budget due to UNT System
  
- **August**
  - Approval by Board of Regents