University of Nebraska – Lincoln
Budget Manual

INTRODUCTION

The University of Nebraska system is comprised of seven institutions: University of Nebraska Central Administration (UNCA), University of Nebraska–Lincoln (UNL), University of Nebraska–Kearney (UNK), University of Nebraska–Omaha (UNO), University of Nebraska Medical Center (UNMC), Institute of Agriculture and Natural Resources (IANR), and Nebraska College of Technical Agriculture (NCTA). For discussion purposes, UNL which is comprised of City Campus and the Institute of Agriculture and Natural Resources (IANR) Campus is the only institution being represented in this presentation.

UNL is governed by the UN Board of Regents under state law. Its authority for day-to-day management of the university system is delegated to the UN President and the campus Chancellor. The scope of this manual is to describe the budget model for the state aided unrestricted portion of the UNL budget. State aided unrestricted budget is funded from tuition revenue and state appropriations. The budget is comprised of permanent and temporary amounts. Permanent indicates an on-going commitment while temporary refers to a commitment of funds for only the current fiscal year (see appendix for additional explanation).

BUDGET MODELS[1]

Before discussing the specifics about UNL's budget it is important to understand that budgeting in higher education can be developed by using different methods or models. There are four approaches used in budgeting in higher education. The approaches are not mutually exclusive and it is common to find elements of each appearing in the others. Despite some overlap, each approach places its focus and emphasis on certain types of information used to determine how to allocate resources. The main thing to remember is a budget needs to work for the institution and is driven by planning.

Formula Budgeting is a procedure for estimating resource requirements based on the relationships between program demand and program cost and allocating the resources accordingly. It is expressed in mathematical formulas. It can be as simple as a student-faculty ratio or as complicated as an array of costs per student credit hour by discipline for multiple levels of instruction (lower division, upper division, master's, and doctoral).

Incremental Budgeting is a method employed to increase or decrease the base by a specified percentage rather than on an analysis of the activities being supported. It measures the change in allocable resources from one period to the next and then distributes the same percentage uniformly to each program or activity. This method relies on basic aspects of programs and activities being relatively the same from year to year.

Responsibility Center Budgeting (RCB) emphasizes program performance rather than central budgetary control. Under RCB, organizational units become revenue centers, cost centers, or a combination of the two. All revenues (college tuition, revenue from commercially viable products, and recovered overhead from sponsored programs) which can be connected directly to the efforts of the unit remains under the units control. In addition, the unit assumes responsibility for funding all of its direct and indirect costs (salaries, benefits, space-related costs for labs/classrooms, and funding cost centers which serve the unit such as the library, human resources and the budget office).

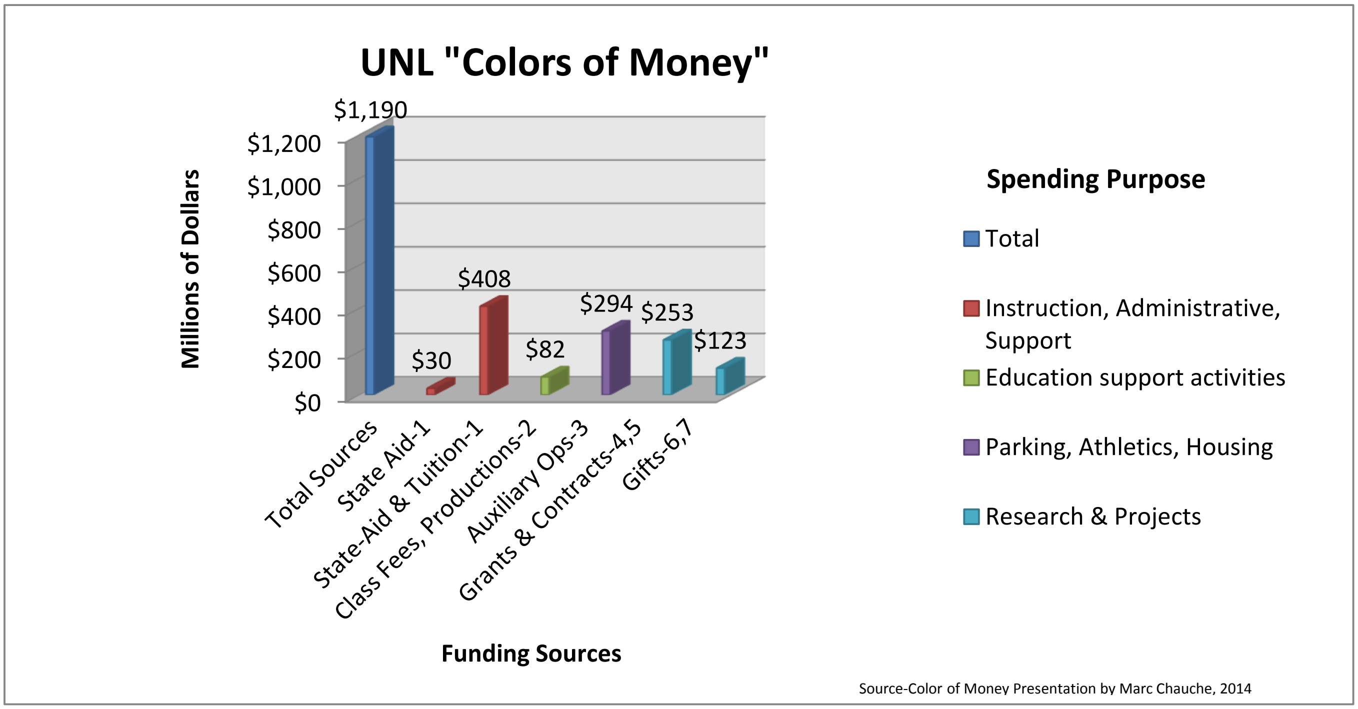
Zero-Based Budgeting (ZBB) assumes no budgets from prior years, thus each year's budget begins at a base of zero. Each unit evaluates its goals and objectives and justifies its activities based on its benefits and the consequences for not performing it. At one level of the organization a priority ranking is given after considering the activity description, alternative levels of the activity, performance measures, costs, and benefits. Successive higher administrative levels then rank the activity and make the allocation decisions for each unit.

UNL's Budget Model

UNL follows an incremental budgeting model where the prior year base budget is adjusted for enrollment, tuition rate, salaries, benefits, utility costs, special initiatives and new program changes. After each campus submits its enrollment forecast to Central Administration, the state appropriation is allocated relative to each campuses enrollment. In addition, incremental increases in state appropriations are made to fund any new legislative earmarks, for example LB 634-Wildfire Control Act (Neb Forestry Service).

FUNDING SOURCES

The following chart illustrates all of the funding sources (colors of money) for UNL. All sources are presented to give awareness to the impact each has to the overall budget. Each source provides support to the University for the specific purpose noted in the legend. Special attention is given in this presentation to the state aided funding and spending. Each Funding type is identified by a unique second digit in the financial accounting system cost object number. The funding source associated with these digits is listed along the X-axis of the graph.



STATE-AIDED FUNDING SOURCES

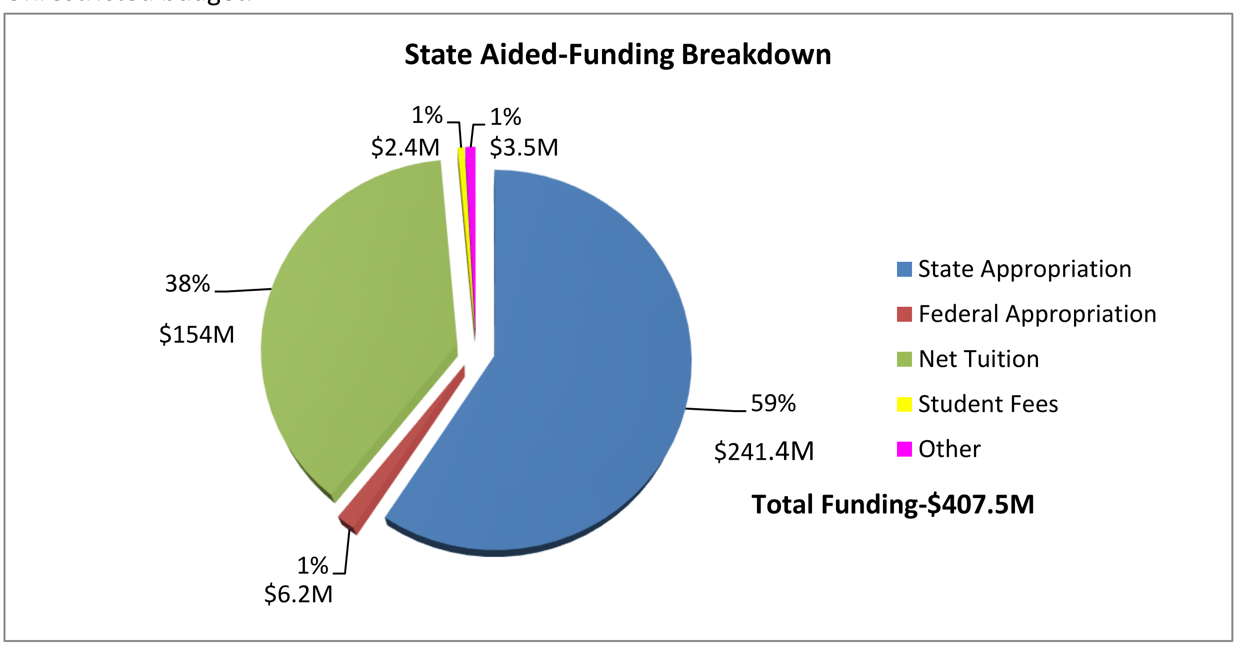
State Appropriation is funded by State tax revenues and allocated to each campus by Central Administration based largely on enrollment. However, there are some budget line items that are campus directed and not necessarily driven by enrollment. Some examples are utilities, operations and maintenance (O&M) of infrastructure, Programs of Excellence (POE) initiatives and maintenance fees for software systems (NESIS, SAP).

Federal Appropriation through the Hatch-Smith-Lever act is appropriated to the Institute of Agriculture and Natural Resources for the purposes of agricultural research and dissemination of innovations in the area of agricultural through the Cooperative Extension service network in the state.

Net Tuition & Student Fee revenue is based on projected enrollment in credit hours times the Board of Regent's approved tuition rates, less internally funded scholarships (remissions), awards and aid to students. The prior year actual revenue is adjusted for anticipated enrollment and rate changes as well as program additions or eliminations to arrive at forecasted cash revenue. This is submitted for approval to the Board of Regents each spring and used to determine the state appropriation each campus will receive for its budget.

Other earmarked funding for specific programs identified within the state aided budget as having distinct rules of use. The funding is determined by legislation (e.g., tobacco funds secured from proceeds from tobacco lawsuits) or Board of Regent initiatives (e.g., Programs of Excellence (POE) and college differentiated tuition).

The following chart shows a breakdown of the sources of funding that make up the State Aided Unrestricted budget.



STATE-AIDED SPENDING

The budget spending categories are fairly consistent across all colors of money and developed as follows.

Salaries

The salary budget is developed by applying an increase to total permanently budgeted salaries using April 1st as a base. The increase percentage is determined by the President and the Board of Regents to maintain a competitive wage for Faculty and Staff and is approved by the State Legislature. A snapshot of the April 1st base is taken from the Budget Control System (BCS), the software tool used to maintain the budget, and used to build the salary increase into the new budget. While a department is limited to the recommended percentage increase, each employee's increase is based on his/her merit review. For example, a 3.0% increase is approved. Based on merit, one position may receive a 4.5% increase and another receives a 1.5% increase while the department still maintains an overall average increase of 3.0%. Positions without specific individuals assigned to them (pool lines) and *To Be Announced* positions (TBA lines) are considered a part of the salary base but these salary increase dollars go to the Chancellor's discretionary budget. These funds can be used to cover budget deficits, to fund specific initiatives, and to cover Chancellor-funded commitments to departments.

Benefits

The benefit budget is developed by Central Administration (UNCA) based on the actual experience of healthcare costs and the incremental employer paid taxes from the salary increase for each campus in the UN system. The benefit budget for each department is based on its portion of the entire campus salary budget. It is allocated based on the previous year benefit experience and is calculated as follows:

Prior Year Actual Benefit / Prior Year Actual Salary = Prior Year Benefit Rate
Prior Year Benefit Rate X New Salary Budget = New Benefit Budget

Any surplus or deficit in actual benefit cost versus the budget is absorbed by the Chancellor's budget. In other words, departments are not penalized for creating a deficit in benefits, nor are they rewarded for generating a surplus.

Operating and Maintenance

Operating costs are added to the budget as new buildings are added. The budget additions are based on projected repair, utility, landscaping, janitorial and security costs in the program statement for the new structure approved by the Board of Regents. Likewise, if a building is to be demolished, the costs to operate the building would be removed from the permanent budget. Facilities Maintenance & Operations (FMO) and Facilities Planning & Construction (FPC) are responsible for preparing and maintaining operating and maintenance budgets.

New Programs

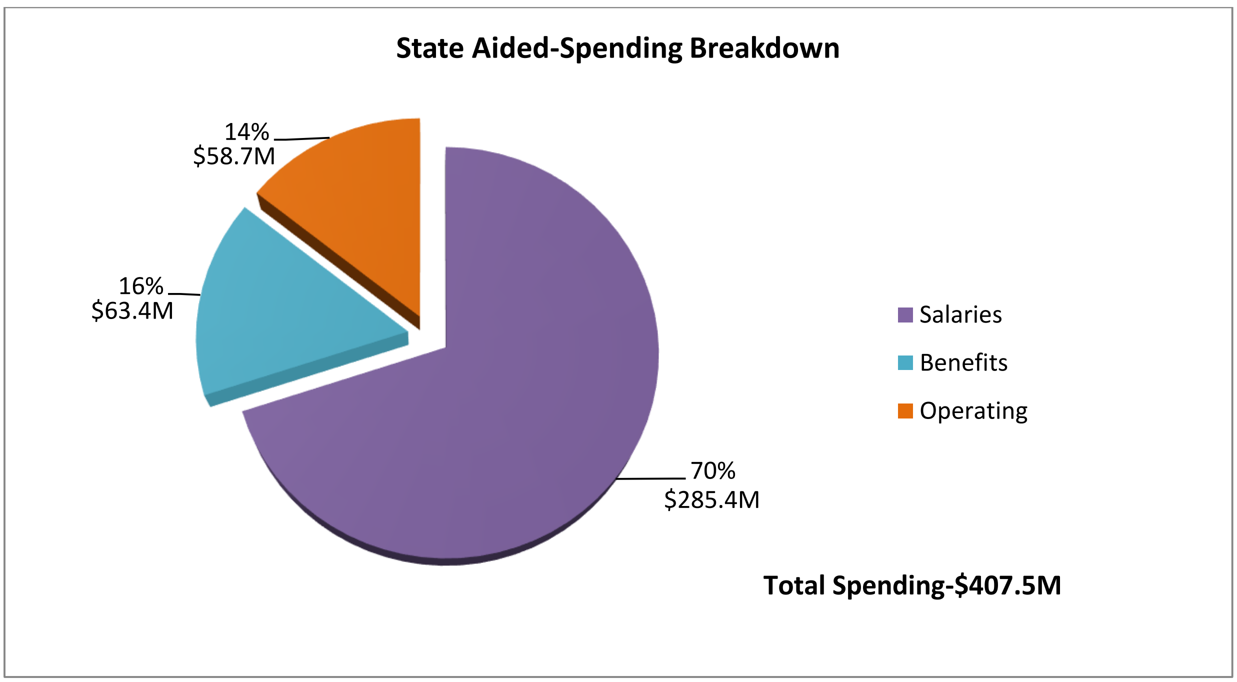
Incremental costs needed to support new programs are estimated based on a program statement's pro forma projection that has been approved by the Board of Regents. These costs are then built into the budget along with salary, benefits, Programs of Excellence, need-based aid and intercampus development as an additional use of appropriated revenues.

Other-Earmarked Expenses

These are costs associated with specific programs identified within the state aided budget (see page 3) as having distinct rules for spending. The rules for use may be legislated or university imposed. This requires the use of specific numbered cost centers (see appendix for additional explanation) to track the funding for these programs. The table below lists the earmarked programs and the associated cost center numbers used to track them. The corresponding funding is also tracked this way.

Programs	Cost Center
Nebraska Research Initiative (NRI)	2132XXXXXX
Tobacco	2157XXXXXX
Programs of Excellence (POE)	21XXXX51XX or 21XXXX52XX
Facilities and Administration (F&A)	21XXXX4XXX
Distance Education	21XXXX58XX

The following chart shows the breakdown of the types of expenditures made in the State Aided Unrestricted budget to support the instruction, administrative and support activities of the University.



BUDGET PREPARATION

As mentioned earlier, UNL follows an incremental budgeting philosophy. Development of the revenue and expense sides run a parallel path as changes in enrollment and infrastructure costs are determined during the fiscal year. The frozen April 1 budget establishes a base from which the changes to revenue and expenses in the Board of Regents approved budget allocation are made to build the new budget. It is necessary to make changes to the budget in a static, controlled environment to maintain the integrity of the incremental changes by unit and budget lines. This environment and process is known as Budget Prep.

Revenue Budget Development

Tuition Projections
Detailed development of the new budget begins on the revenue side of the budget as soon as there are firm estimates of tuition, which is the primary revenue driver, to fund the budget. Fall and spring tuition projections are developed by the Budget Office to determine the variance between actual tuition and fees from enrollment to the original budget. This is done at Census Date which is the last day after the beginning of a semester that students can drop and still receive a 100% refund of tuition. After the spring tuition projection is validated, it becomes the official baseline used to develop the cash generated portion of the revenue budget. It is used as the primary basis for determining allocation of the state appropriation to the campus revenue budget.

Cash Revenue Forecast
A Cash Revenue Forecast is used by Central Administration to reallocate state funding in the new budget. Sources of cash include but are not limited to 1) tuition and fee rate changes; 2) additions or deletions of program offerings in the tuition base; and 3) any change in other cash income (e.g., invested cash, bond interest proceeds, etc.). The forecast reports the change in cash collected in these categories from beginning budget to actual results as projected in April. This forecast is submitted to Central Administration, where the cash revenue forecast from all the campuses are assembled to determine the portion of state appropriation each campus will be allocated. One half of any year-over-year cash growth is held back from the campus budget to fund University-wide initiatives. If there is no growth in cash revenue, no funding is withheld.

UN Budget Allocation
Once the cash revenue forecast is accepted and the salary program has been approved, the Central Administration Budget Department adjusts state appropriation to each campus based on its relative portion of the cash revenues generated by all campuses. Before appropriations are allocated, any Central Administration specific budget items are funded “off the top” (i.e., before the campus specific budget items are considered). After Central Administration funding is applied, all the campuses apply their budget changes. The difference between the new allocated revenue budget and total expense budget becomes the campuses’ surplus or deficit to be reallocated in building the final balanced budget. Once completed, the UN budget allocation is presented to the Board of Regents for its approval.

Expense Budget Development

Like the revenue budget in the incremental budget model, the expense budget uses the prior year budget as the beginning base for the budget. A validation of a department's personnel roster is made at April 1 and a copy of the budget on that date is made from which to calculate available salary increase pools and to make changes for the coming years' budget.

Salary program
As the single largest expense element, the UN President and campus chancellors develop a salary program proposal to state government to maintain a competitive pay structure for their institutions. The percentage increase approved by the state is used by each campus to establish a salary increase program which is to be distributed based on merit per Board of Regents policy. The April 1 frozen permanent budget is used as the base in this process. When the new budget is built in the Budget Prep process the salary program pool associated with all filled positions on campus as of April 1 is distributed based on merit. The exception is for staff under union contracts at UNO and UNK. The positions in the pools associated with unfilled positions, student workers, graduate assistants and lecturers are held in the Chancellor's discretionary budget cost center for future use at his discretion.

Salary Budget
Once the salary increase program has been approved, usually mid-May, the budget prep data is refreshed to reflect all changes made in BCS subsequent to April 1. Using the refreshed data, each department inputs salary increases by budget position according to the rules of merit established in the salary program guidelines for all faculty and administrative staff. Included in the salary program is funding for faculty promotion and tenure as determined by contract and reviewed by Academic Affairs and the Chancellors. Once salaries are loaded, the Budget Office reviews all entries to ensure they follow the salary guidelines and are funded fully by allocated salary pool or from the existing budget of the campus departments. Once salary budgets for faculty and staff are validated they are uploaded to the Payroll Module of SAP to establish new pay rates in the Payroll System.

Benefits Budget
The benefits budget is established based on the current year historical amount per salary dollar. Once new salary budgets have been loaded into Budget Prep, the Budget Office distributes the new benefit budget based on actual benefits per salary dollar by unit and department.

All Other Budgets
After salary and benefit budgets have been addressed, other budgets are adjusted as needed. These budgets include operating and maintenance, capital expense, utilities, etc.

Budget Balancing and Budget Deficits

Balancing

Once all budgets have been loaded, a final balancing report is run by the Budget Office to confirm that the new budget in Budget Prep agrees to the UN budget allocation. The final entries loaded in Budget Prep are those necessary to balance the revenue budget to the expense budget.

Budget Deficits

By state law, all state-funded entities must open and close their year with a balanced budget (funding and spending net to zero). When the state appropriation, tuition and fee funds are less than expected and/or costs are higher than projected, a budget deficit is created. If a deficit occurs in the budget building process, the Chancellor and Vice Chancellors evaluate campus strategic priorities and the expected future conditions to determine corrective action. Generally corrective action for a budget deficit falls into the following categories.

1) A Permanent budget adjustment is made to the Chancellor's Discretionary Budget, but reassigned to the campus based on each department's portion of the state aided expense budget. The reassignment is called a "planned minus" and reduces the amount of available budget for the department, but does NOT change any existing permanent budget lines for the department. This reallocation imposes a budget reduction to the campus without dictating the elimination of a specific budget line.

2) A Permanent budget adjustment is made to the Chancellor's Discretionary Budget leaving the rest of the campus budget structure unchanged. This implies that while the deficit should be permanently offset, the existing budget expense structure of the campus is appropriate.

3) Permanent adjustments to specific line items in the budget are made to reflect a strategic restructuring of the budget. These deficit adjustments ARE made to specific line items in the budget. This can result in the elimination or reorganization of entire units, though this is done infrequently. Since this changes the fundamental way the campus is managed, a formal process administered by the Chancellor is followed where proposed budget reductions are vetted through the Academic Planning Committee (APC). The APC is a university-wide group responsible for formulating and recommending academic and planning goals and initiatives to the Chancellor for UNL in the areas of education, research, and service.

Below is the calendar which illustrates the time line and action the Budget Department uses to finalize the new budget.

Time Frame	**Action**
February – March	Budget validation: departments are asked to validate and approve their roster of employees to be used in salary pool calculation.
April 1	Permanent budget freeze: snapshot of permanent budget is taken to determine filled, permanent positions to be used in salary pool calculation.
Mid May	Salary pools are loaded to Budget Prep.
Mid May – Mid June	Raises awarded are loaded in Budget Prep.
Mid June – Mid July	Balancing entries made in Budget Prep by the Budget Office.
Late July	Budget Prep locked and used to prepare the General Operating Budget. Budget Control System is populated with budget data for new fiscal year.
Early August	Budget Control System opens for new fiscal year transactions.
September – January	Maintenance, reporting, training, and process improvement.

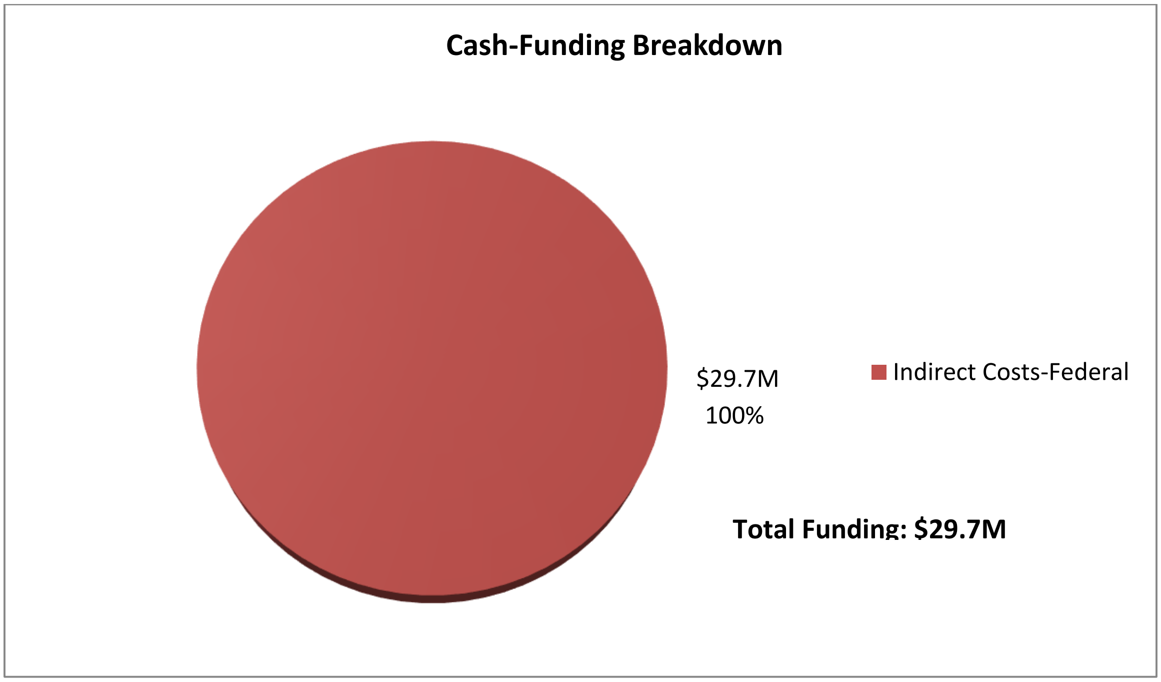
Once the new budget is uploaded from Budget Prep to BCS (usually in August) for the fiscal year beginning July 1, entries can be made to reallocate budgeted amounts between the permanent and the temporary budgets (one time funding for current fiscal year) via a budget transfer. Since most of the expenses are salary costs, the Payroll/Human Resource Personnel Action Form (PAF) is used to initiate most of the transfers. Each position number carries a set of five key field attributes that create a unique line in the budget (cost center/work breakdown structure [cc/wbs] number, commitment number [general ledger account number], position number, personnel number, and wage type). The budget office will process transactions until the end of the fiscal year (June 30). At any given time, the status of the permanent budget and the temporary budget are known.

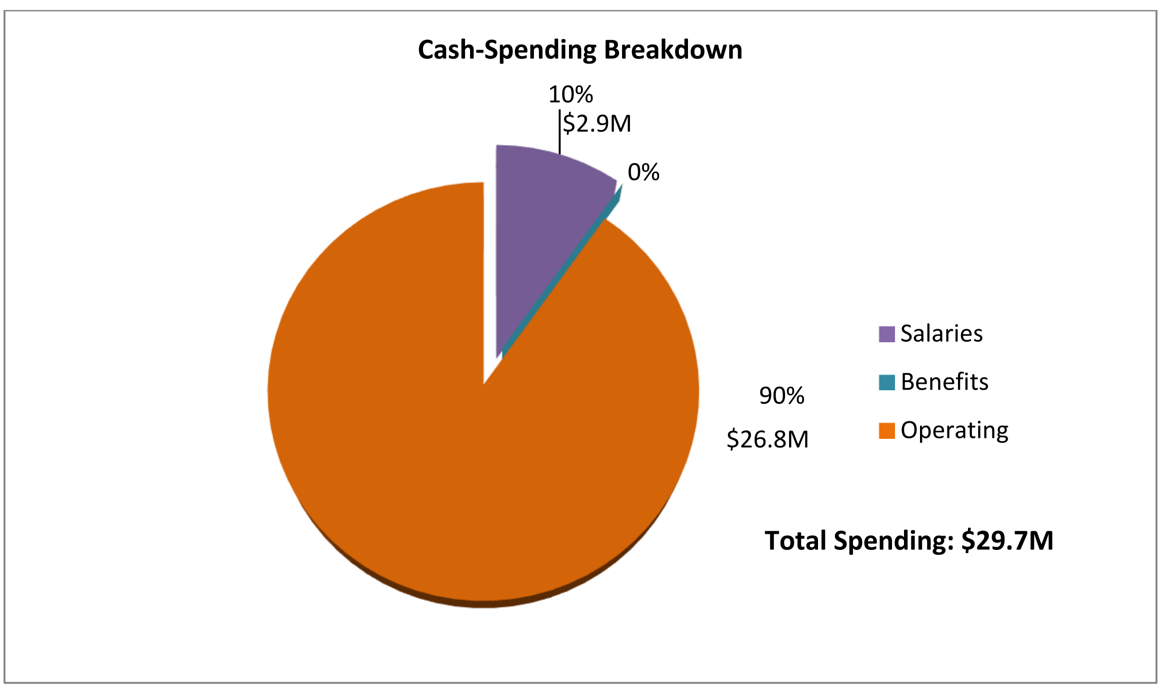
APPENDIX

Non-State Aided Budgets
A brief overview of the sources and nature of the other Non-State Aided portions of the budget are described and illustrated below.

Cash
Facilities & Administrative cost recovery (F&A) is projected by the Vice Chancellor of Research based on the anticipated research activity and the administrative cost to support these efforts. A cost proposal is prepared every 3 to 4 years to revise the rates used to estimate the support cost for research being done. The Controller's Office is responsible for the proposal and negotiating the rates.

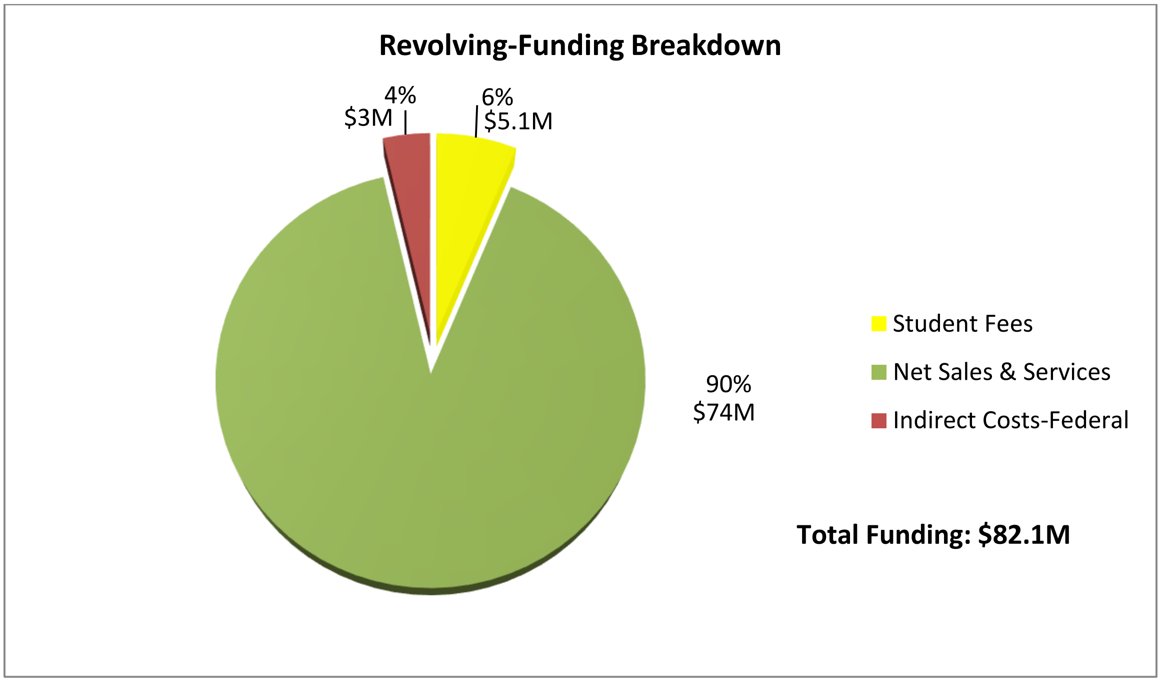
Tobacco Settlement funds are awarded from state smoking lawsuits and are earmarked for research. There are specific limitations for use of these funds and the allotment of funds is determined by the State each year based on funds available.

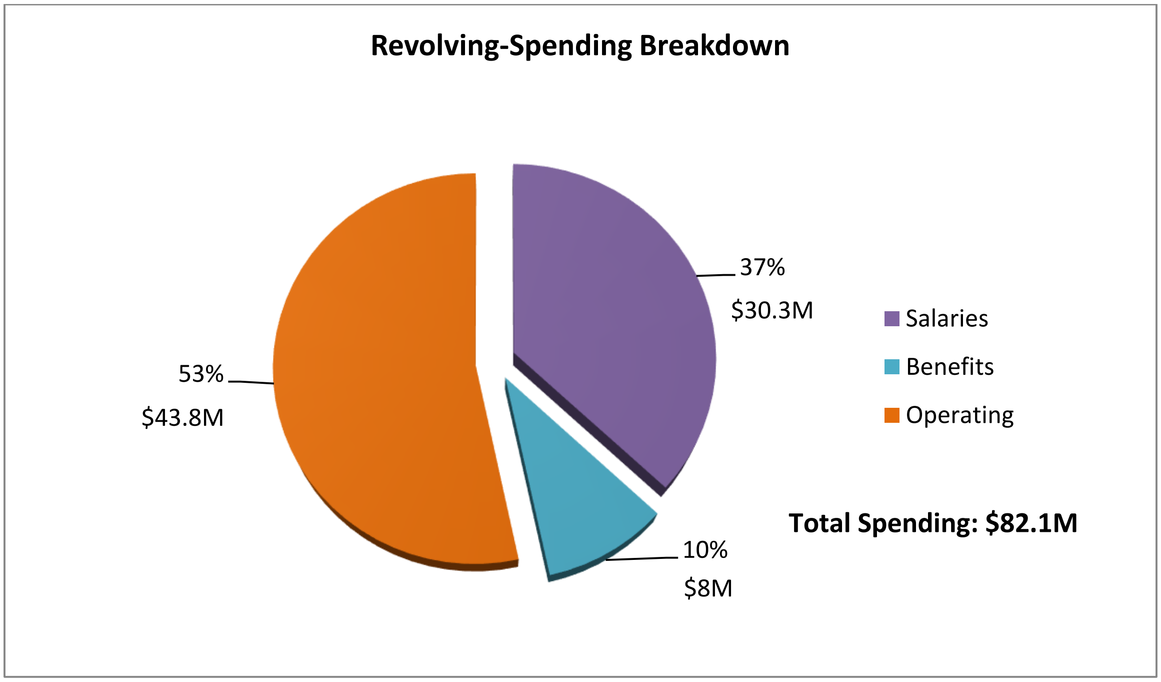

Cash-Funding Breakdown
$29.7M
100%
Indirect Costs-Federal
Total Funding: $29.7M


Cash-Spending Breakdown
10%
$2.9M
0%
90%
$26.8M
Salaries
Benefits
Operating
Total Spending: $29.7M

Revolving

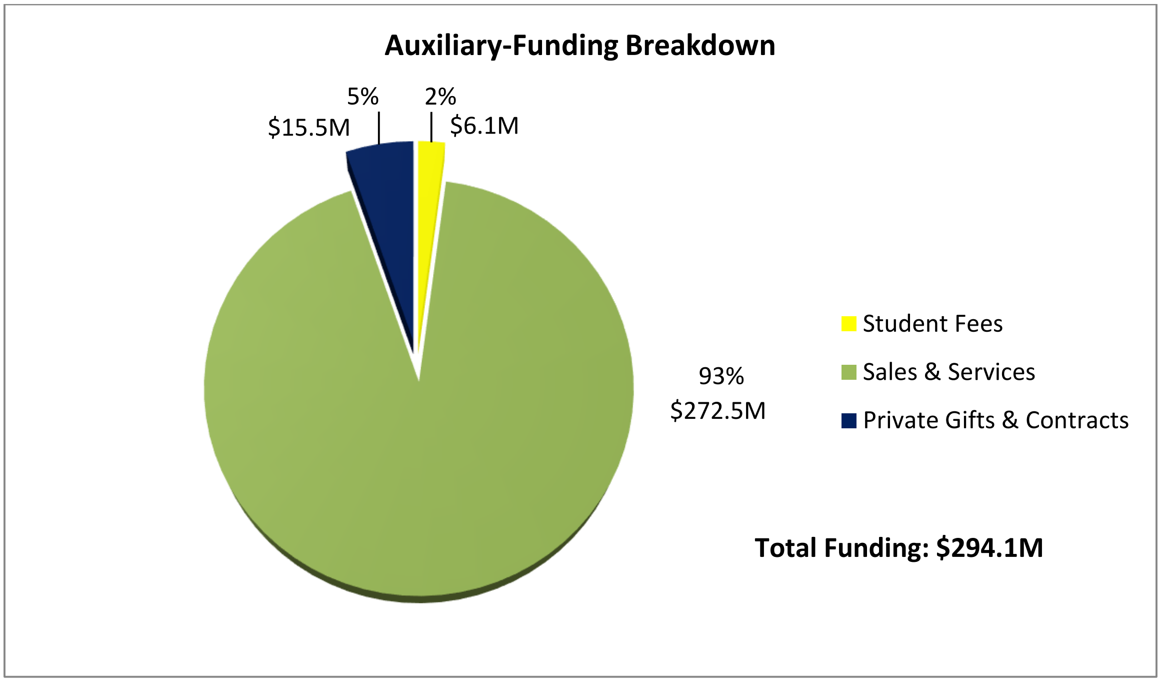
Funds generated from class and laboratory fees, proceeds from research related sales, clinics/workshops, and music/theatre productions. These are budgeted by each campus based on anticipated enrollment in courses charging fees.

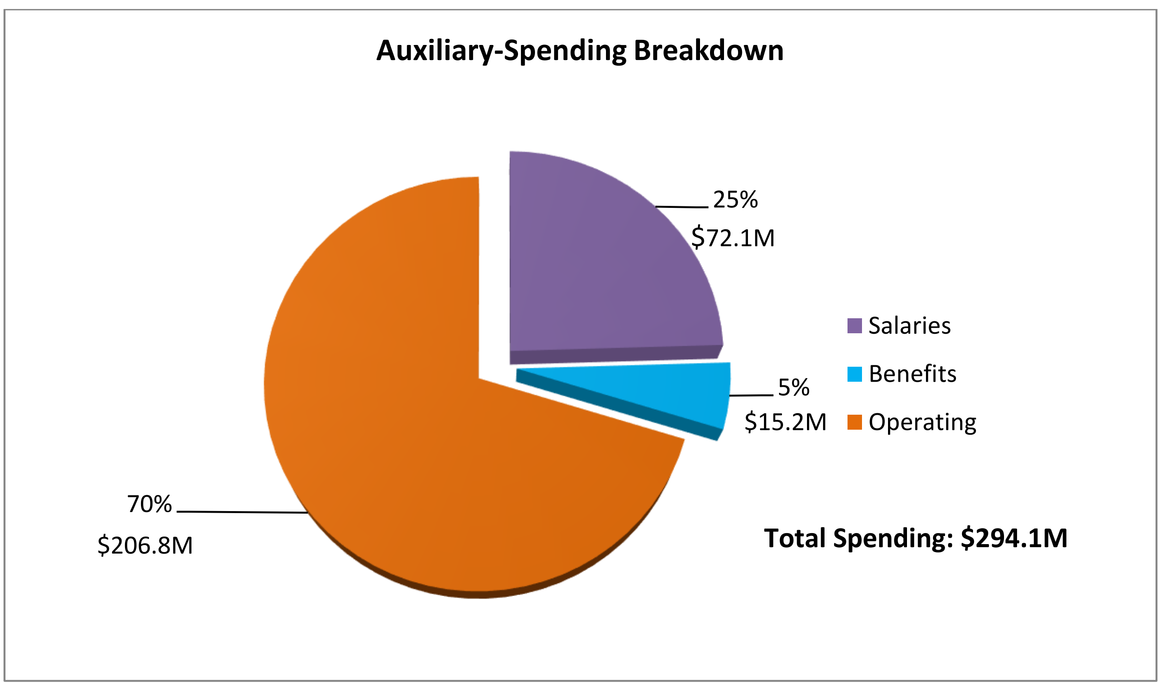




Auxiliary and Services

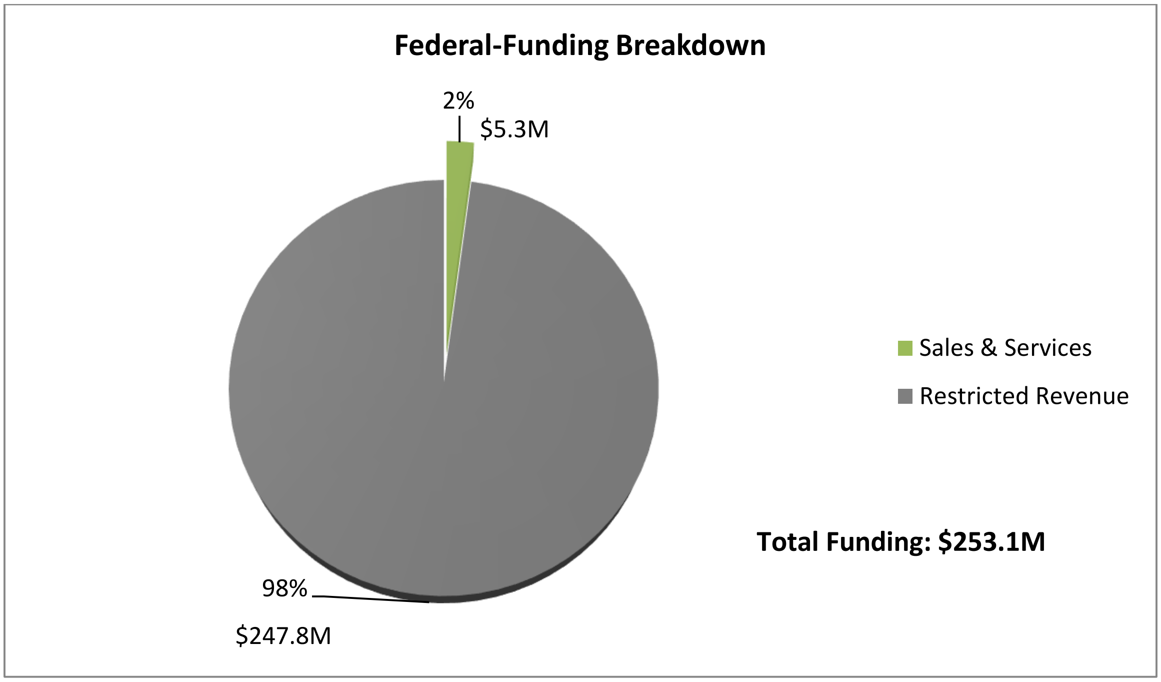
Funds generated from athletic ticket sales, parking fees, room/board fees, bookstore and the Student Union.

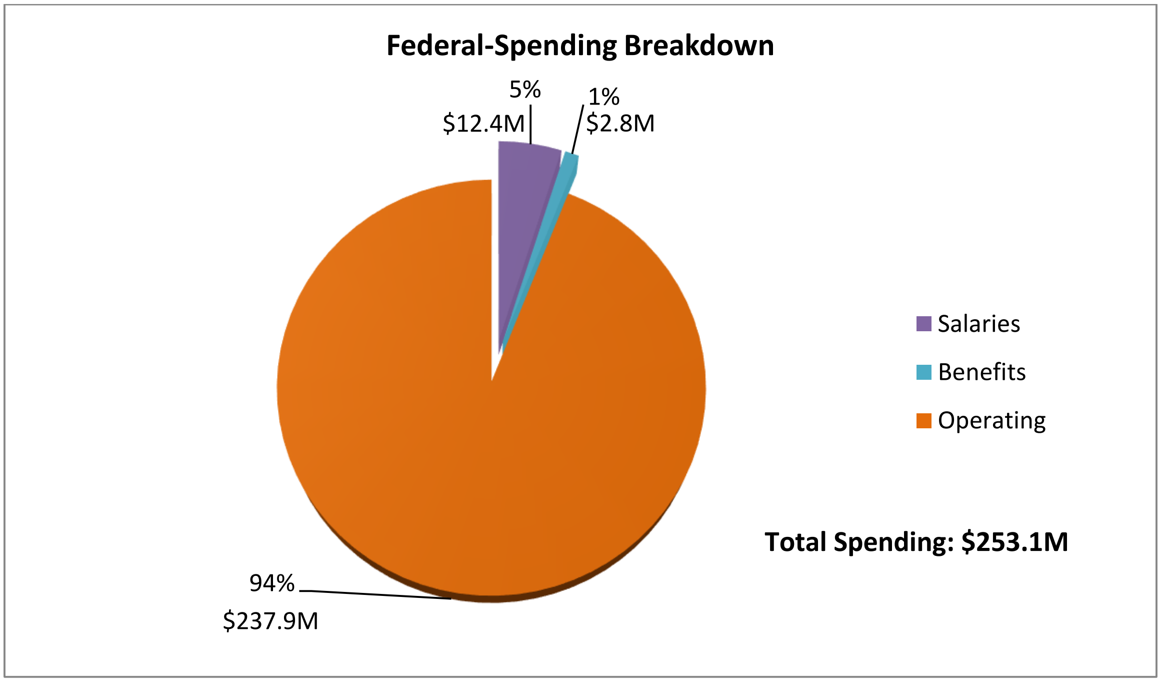




Federal

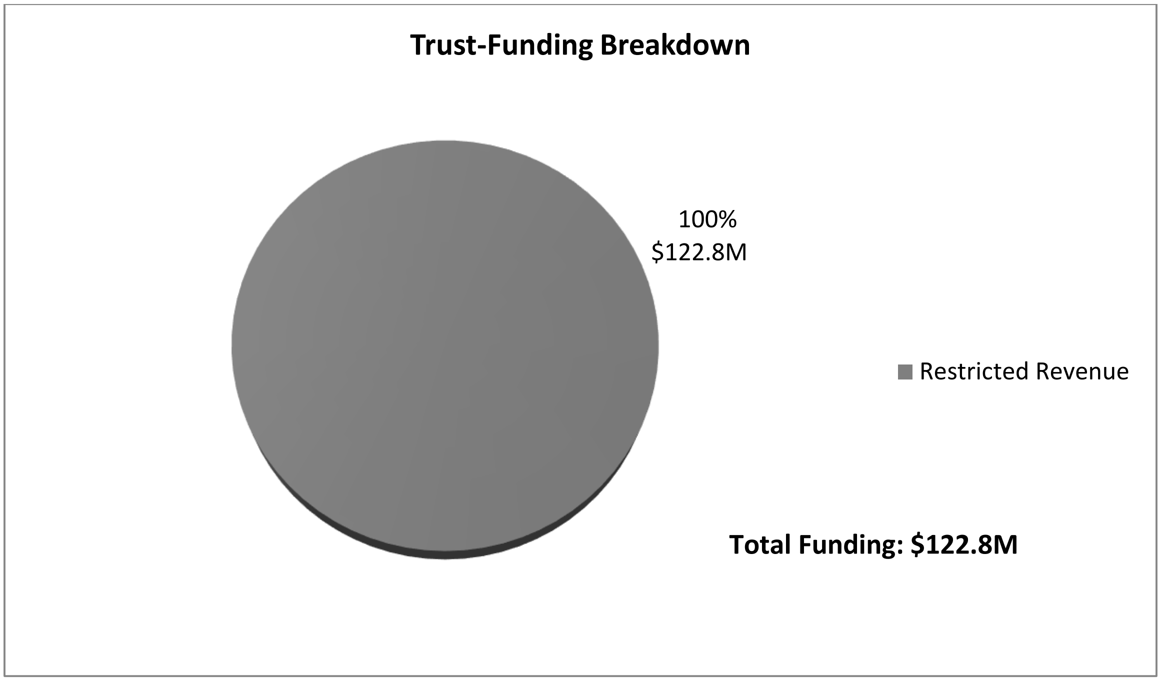
Federally funded grants and contracts, student aid, and agency fund commitments are projected each spring.

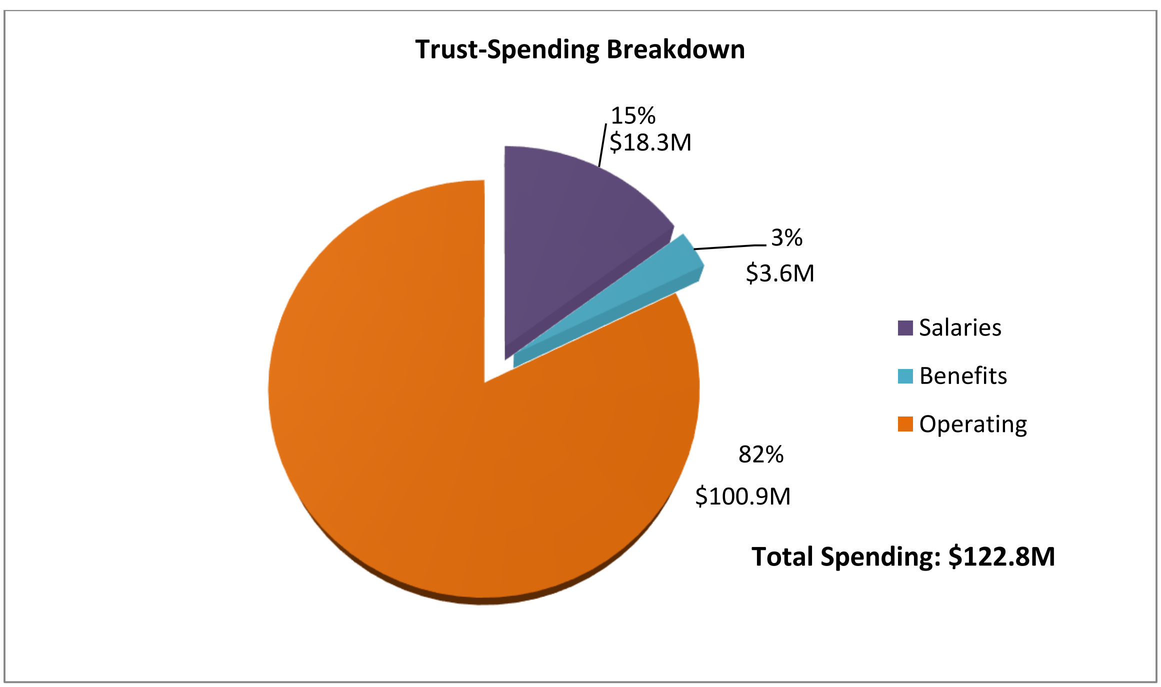




Trust

Non-Federal grants and contracts, student aid, endowment and agency fund commitments are projected in the spring.



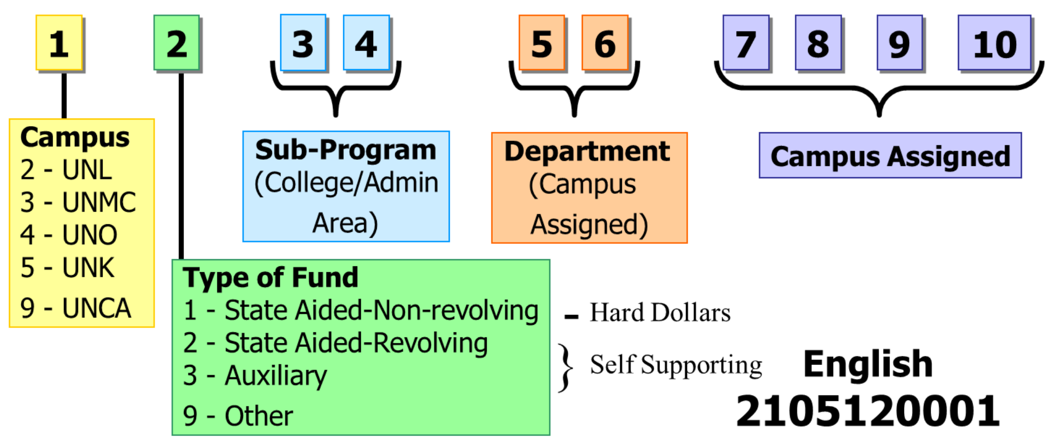


Glossary of Key Concepts and Terms

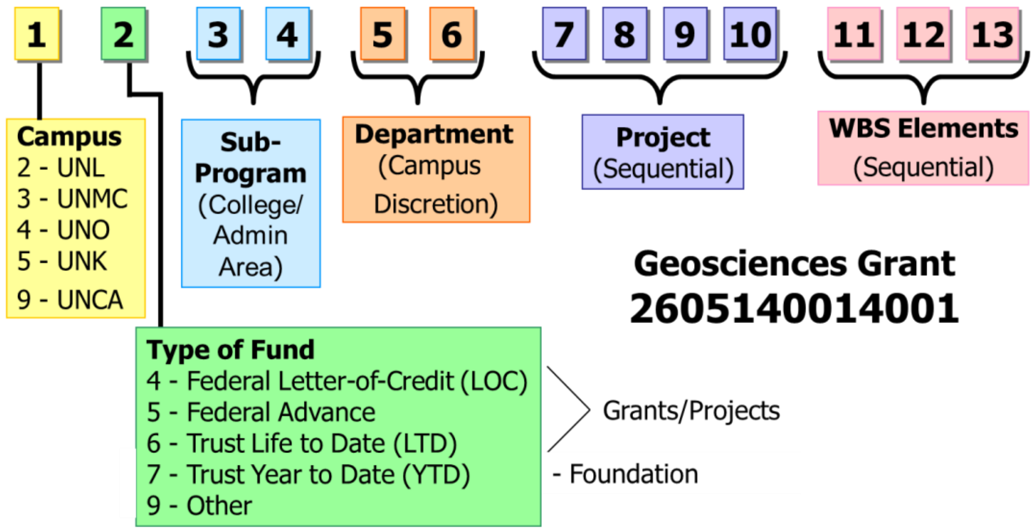
Commitment Item
A six-digit number used in the general ledger (g/l), which categorizes funding by type, such as state appropriations, student fees, or gate receipts. It is also used to categorize the spending by type for purchases such as supplies, benefits, travel, and postage. The funding number begins with a 4 while the spending number begins with a 5.

Cost Objects and Work Breakdown Structure (WBS) Elements
Cost objects and WBS elements, respectively, are ten and thirteen digit numbers used by the University to plan, gather, and track costs for University units and/or departments. The following diagram illustrates the meaning behind the structure.

UN Cost Center Numbering Scheme



UN WBS Numbering Scheme



Differential Tuition

A premium added to the standard credit hour fee for classes in the College of Architecture, College of Business Administration, College of Engineering, and Space Law. The premium is kept by the colleges to spend according to their initiatives.

Tuition Remission

Amount of tuition UNL waived to grant scholarships.

Permanent & Temporary Budget

Each budget line item is comprised of permanent and temporary budget amounts. Permanent budget implies funding has been approved by the Board of Regents to establish an on-going commitment to the budget. Temporary budget is the commitment of funds for only the current fiscal year. Temporary or the current year budget can, with appropriate approval, be transferred to another budget line, leaving the on-going funding commitment in place for future years but transferring the funding for the present year elsewhere.

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Footnotes

[1]Goldstein, Larry. "7." *A Guide to College & University Budgeting: Foundations for Institutional Effectiveness*. Washington: NACUBO, 2012. 93-105. Print.

Bibliography

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