All Funds Budgeting Concepts

For Texas A&M-San Antonio, the term “all funds budgeting” means that during the annual budget process, all funds and revenue accounts will be utilized to cover departments’ recurring operational budget needs. These budgets are often referred to as the “base budget” or “recurring budget.”

What are the types of revenue accounts included in all funds budgeting?

There are basically five types of revenue accounts:

- State appropriations
    - Formula funding
    - Non-formula funding
    - Employee benefits
- Tuition and fees
    - Statutory tuition – legally, part of our state appropriation
    - Designated tuition – set by the University and approved by the System Board of Regents
    - University Services Fee (USF) – set by the University and approved by the System Board of Regents
    - Recreational sports fee
    - International education fee
    - Athletics fee (future – pending approval by the System Board of Regents)
- Restricted
    - Grants and sponsored programs
    - Gifts
    - Legal restrictions (e.g., tuition set-asides)
- Other – direct revenues
    - Fees for specific services provided for students (orientation fee, application fee, etc.)
    - Fees for student actions (deferred payment plan fee, late payment fee, late registration fee, etc.)
    - Registration fees for conferences and miscellaneous University events
    - Departmental sales and services
- Auxiliaries
    - Bookstore
    - Dining
    - Housing
    - Parking

State appropriations and tuition and fees are considered to be indirect revenues, even though tuition and fees are generally assessed based on each student’s courses. To the extent possible, state appropriations are used for salaries, as benefits associated with those salaries are funded with the state employee benefit appropriation.

What has changed?

The University uses a process known as incremental budgeting. Each year, budgeted recurring revenues are compared to the previous year, and any new recurring revenues are made available for allocation.

These allocations become part of a department's base budget for future years. Should budgeted recurring revenues decrease from the previous year, base budgets would either have to be reduced or be supplemented with one-time funding.

In prior years, the only revenues considered during the budget process were state appropriations, tuition, and USF. This led to circumstances where budget requests were not funded, nor strategic investments made, because although revenues were available, they were "hidden". This in turn caused the revenues to fall into reserves, where they were available in subsequent years for funding one-time expenditures.

Beginning in the FY20 budget cycle, we now look at all revenues to determine the amount available for new budget requests and strategic investments. This will help ensure that revenues are allocated to the most value-added uses across the campus.

It is important to note that all funds budgeting does not necessarily mean a division or department will have additional money to spend. Some divisions/departments will have the same amount available, but the expenses will be covered from different revenue sources.

What is now included in base budget?

Base budget now includes all expenses required to operate each division/department at an acceptable level. We are moving away from the practice of allowing departments to utilize indirect revenues for new budget when direct revenues are underutilized.

How will I know what my budget is?

From the division perspective, the expense budget will be treated as if all revenues come from a single source. The Budget Office is responsible for determining which revenue source(s) will be allocated to each budget. Looked at from another perspective, the Budget Office will "assign" budget to the various revenue sources.

How are expenses assigned to revenues?

This is one of the most important responsibilities of the Budget Office in the all funds budgeting approach. Essentially, the Budget Office assigns expenses to revenues via the following process:

- Determine expected ***total*** revenues from the five types of revenue
- Calculate expected ***total*** incremental revenues
- Allocate expected incremental revenues to divisions
    - This process is performed in conjunction with URC and the president
    - Divisions will provide the Budget Office with a high-level summary by budget pool of where their allocation is expected to be used (salaries, benefits, O&M, etc.)
- Assign expenses to revenues in the following order
    1. Restricted revenues
    2. Direct revenues restricted or designated for specific purposes or specific departments
        i. O&M, travel, other non-personnel expenses
        ii. Salaries and benefits
    3. State appropriations available for salaries and benefits
    4. State appropriations for other specific purposes

5. Direct revenues
6. USF
    a. Departments providing services to students that were supported in part by individual fees pre-USF
    b. Non-academic departments providing student-facing services
    c. Other departments
7. Tuition and fees
8. Other revenues not considered direct revenue (e.g., investment income)

Auxiliaries are expected to generate sufficient revenue to cover associated expenses, thus no non-auxiliary revenue is allocated to them.

What are the division's responsibilities?

The division is responsible for managing to the total budget provided. There are some caveats:

- Expenses cannot be moved to/from restricted accounts without review and approval of the Grants Office, Advancement, and/or Accounting Services.
- The division must notify the Budget Office as soon as practicable when it determines that an account's budget may not be sufficient to finish the fiscal year.

What if an account is running out of budget?

Departments must take the following steps, in order. Consult with the Budget Office as needed.

1. Determine if other division accounts utilizing the same revenue source have budget that can be reallocated. If so, prepare a departmental budget request (DBR) to move funds from one account to the other.
2. Determine if other division accounts utilizing different revenue sources have budget that can be reallocated. If so, prepare a DBR to move funds from one account to the other.
    - The Budget Office must be consulted prior to the department submitting the DBR.
    - This will have a ripple effect, perhaps affecting other divisions, as the Budget Office rebalances the budget after the transfer.
3. Prioritize the remaining budget in the account
    - Eliminate lower-priority expenditures
    - Defer lower-priority expenditures to the subsequent fiscal year
    - Reduce the level of activity to reflect the lower amount of available budget. For example, reduce travel for the remainder of the fiscal year.
4. Request additional funds
    - The request must include a justification of the request, including what the additional funds will be used for.
    - The request must specify the amount needed to get through the remainder of the fiscal year.
    - The request must specify in appropriate detail why none of the three preceding steps is sufficient.
    - The request must be approved by the applicable division head.

- If approved at the division level, the request must be submitted to the Budget Office for review.
- The Budget Office will review the request and submit a recommendation to the Vice President for Business Affairs/CFO.
  - The Budget Office will recommend approval or denial.
  - If the Budget Office recommends approval, it will also recommend an amount to be provided, as well as the source of the additional funds. If the recommended amount is less than the amount requested, the Budget Office will inform the department before forwarding the request to the VPBA/CFO.
- The VPBA/CFO, or a delegate, will review the request and approve or deny it.
- If approved, the Budget Office will make the appropriate budget transfers.
- The Budget Office will inform the division whether the request has been approved (including the amount approved) or denied.