BUDGET 201 - BEST BUDGETING PRACTICES
Why We Developed This Workshop

- New employee training for finance and budget.
- We want to take the “mysterious” nature out of the budget. Budgeting is not mysterious or scary, we promise!
- Provide tools and understanding to build a knowledge of budget and finance structure within Chico State.
- Help build a basic process. If everyone builds off of a similar foundation, then we can always come in with our tools and help with the maintenance.
LET'S TALK ABOUT

• Budget Structure
• Budget and Finance Terminology
• Budget and Expense Planning
• Budget and Expense Tracking
STATE BUDGET ALLOCATION PROCESS

State of California
Governor’s January Budget → May Revise → Final June Budget

Higher Education
8.7% of State Budget

California State University
21.6% of Higher Education Budget

CSU, Chico
4% of CSU Campus Budgets
CAMPUS BUDGET ALLOCATION PROCESS

Department Allocations
Division Allocations
Officer Allocations
Centrally Managed
CSU, Chico Allocation

President, Provost, VPBF, VPSA, & VPUA
College, Unit
Department Level
Financial Aid, Utilities, Risk Pool, Enterprise, Reserves, Health, CCF, SLF, etc.
STATE SUPPORT FROM CHANCELLOR
TUITION & OTHER FEES COLLECTED

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### TERMINOLOGY

**BASIC BUDGET SCENARIOS**

<table>
<thead>
<tr>
<th>Base</th>
<th>Onetime</th>
<th>Operating</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Permanent base allocation</td>
<td>• Onetime allocations for special projects or expenses beyond the scope of base budget</td>
<td>• Budget transfers, typically within a division or department</td>
</tr>
<tr>
<td>• Continuing budget allocation to cover expenses that recur annually</td>
<td>• Expenses that are not recurring</td>
<td>• Used to spread budget within department or occasionally across departments</td>
</tr>
</tbody>
</table>
### Terminology

#### Transaction Types

<table>
<thead>
<tr>
<th>Budget</th>
<th>Encumbrance</th>
<th>Actual</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Spending Authority</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Allowance/Income</td>
<td>- Funds earmarked through the PO process for specific purchases.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Reflects in the balance as expense</td>
<td>- Actual expense</td>
<td>- Budget less encumbrances and actuals.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Check has been cut and vendor has been paid.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Posted revenue</td>
<td></td>
</tr>
</tbody>
</table>
BUDGET OR ACTUALS TRANSFER?

What are you trying to move?

Did an expense or revenue post to the wrong fund/account/deptid? You need an ACTUALS transfer!

Are you delegating spending authority within your department or division? You need a BUDGET transfer!

Are you going to pick up shared costs for a project or event with another department or are you reimbursing another department? You need to contact Accounting Operations to find out the most efficient way to complete the transaction.
Remember, there are three transaction categories in the system:

- Budget
- Encumbrance
- Actuals

That combine to create a balance.

You can’t correct it here. So if this is where your problem is...

...and vice versa.
CREATING BUDGET AND EXPENSE PROJECTIONS
PROJECTING AND BUDGETING IS NOT SCARY!

- Think of it just like your personal finances
  - Income in
    - Revenues & Budget
  - Expenses out
    - Bills paid
  - Monthly reconciliation to check that all deposits and expenses are accounted for as expected

THE ULTIMATE GOAL:

SOLID BUDGET PLAN!
KEYS TO SUCCESSFUL BUDGET AND EXPENSE PROJECTING

KNOW YOUR TOOLS

• INSIGHT AND LCD REPORTS
  • TRANSACTIONAL DATA FOR EXPENSES AND SALARY DETAIL REPORTING
• Common Financial System (CFS)
  • HIGH LEVEL ACCOUNT BALANCES
• PEO PLESO FT HR
  • INDIVIDUAL ACCOUNTING OF FILLED POSITIONS IN A DEPARTMENT
• EXCEL
  • THE TOOL THAT BRINGS IT ALL TOGETHER
KEYS TO SUCCESSFUL BUDGET AND EXPENSE PROJECTING

KNOW YOUR FUNDS

GENERAL OPERATING FUNDS

• State Support/Tuition Fees
  • G1006 – General Fund
  • Most salaries & benefits
  • General administrative expenses
  • Some instructionally related expenses
  • Consolidated Course Fee, Student Learning Fee, MBA Fee, Student Health Fees.

LOTTERY

• L-Funds

• State funding for the purpose of supplementing general state support

IRA – INSTRUCTIONALLY RELATED ACTIVITY

• T6300

• Costs that are not part of the regular cost of instruction and that support the activity or laboratory experience

Fee information and expenditure guidelines can be found on the University Budget Office website at csuchico.edu/bud, or by contacting the Budget Office at x5931

How do I know what I can spend on what?!
KEYS TO SUCCESSFUL BUDGET AND EXPENSE PROJECTING

KNOW YOUR “INCOME”

- Do you have REVENUES?! 
- Do you have BUDGET?! 
- Maybe you have BOTH!!!

Whether you have revenues, budget, or a combination of both, you can project your income.
- Revenues can be projected based on prior years’ amounts or in some cases on enrollment numbers.
- Budgets don’t have to be allocated to be projected! They can be estimated based on prior years’ allocations along with taking into account any known base budget changes.
- Remember, it is just an estimate! Projections can always be changed!
KEYS TO SUCCESSFUL BUDGET AND EXPENSE PROJECTING

KNOW YOUR EXPENSES

EXPENSES CAN BE CATEGORIZED INTO TWO TYPES

FIXED EXPENSES

- Expenses that are known at the beginning of the fiscal year and can be projected out.
  - Most Salaries
  - Telecommunication charges
  - Annual contracts/subscriptions
  - Routine maintenance

VARIABLE EXPENSES

- Expenses that vary from year to year. Estimates of “unknown” expenses can be made based on prior years’ data.
  - General office supplies and services
  - Service fees such as printing and postage
  - Planned onetime projects
  - Unexpected projects and maintenance
I HAVE TONS OF INFORMATION AND DATA! NOW WHAT DO I DO WITH IT?

- Create and share a budget plan document!

WHY IS A BUDGET PLAN DOCUMENT IMPORTANT?

- It is a tangible financial plan for your department that can be shared with other department members so everyone can be aware of and share the department’s financial goals.

- Knowledge is POWER!

- You’ll be a financial planning super hero!
WHAT SHOULD A BUDGET PLAN DOCUMENT LOOK LIKE?

The format of your budget plan document is up to you! You can use whatever colors and designs you like, let your inner-artist run free! However, there are a few key items to keep in mind:

• It is best to keep the information in an income statement format; keeping budget and revenues at the top and expenses at the bottom with a net total.
• Separate your expense types. There are typically 3 account groups in a department budget: salaries, work study, and operating expenses. Treat each as their own “budget bucket”.
• It can be handy to display a high-level summary of the budget plan as well as a detail. Sometimes having a “big picture” view can help you easily answer budget questions.
Handy summary area to show the basic information and total department balances.

Details include:
- What department?
- What is the expected budget?
- What are the expected expenses?
- What is the expected balance?
Each account category has its own “bucket”.

Budgets for each bucket are netted against expenses to give net balances.

**BASIC BUDGET PLAN SAMPLE FORMAT**

<table>
<thead>
<tr>
<th>Budget</th>
<th>Base Budget</th>
<th>$211,115.46</th>
<th>$51,419.43</th>
<th>$103,936.04</th>
<th>$176,470.93</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SALARIES</strong></td>
<td></td>
<td>$0.00</td>
<td>$221,835.86</td>
<td>$653,508.17</td>
<td>$430,854.89</td>
</tr>
<tr>
<td><strong>Expense</strong></td>
<td></td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Academic Salaries</td>
<td></td>
<td>$0.00</td>
<td>$78,440.88</td>
<td>$241,748.00</td>
<td>$541,250.00</td>
</tr>
<tr>
<td>Staff Salaries</td>
<td></td>
<td>$0.00</td>
<td>$141,252.00</td>
<td>$185,856.00</td>
<td>$85,488.00</td>
</tr>
<tr>
<td>Management &amp; Supervisory</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Student Assistants</td>
<td></td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td></td>
<td>$0.00</td>
<td>$219,698.88</td>
<td>$647,504.00</td>
<td>$426,744.00</td>
</tr>
<tr>
<td><strong>Net Salaries</strong></td>
<td></td>
<td>$0.00</td>
<td>$2,136.98</td>
<td>$6,299.17</td>
<td>$4,150.89</td>
</tr>
<tr>
<td><strong>WORK STUDY</strong></td>
<td></td>
<td>$0.00</td>
<td>$0.00</td>
<td>$8,719.57</td>
<td>$6,790.71</td>
</tr>
<tr>
<td><strong>Base Budget</strong></td>
<td></td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td>$0.00</td>
<td>$8,719.57</td>
<td>$6,790.71</td>
<td>$15,510.28</td>
</tr>
<tr>
<td><strong>Total Work Study Expense Balance</strong></td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Budget</th>
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<th>$0.00</th>
<th>$51,419.43</th>
<th>$103,936.04</th>
<th>$176,470.93</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td>$0.00</td>
<td>$1,410.92</td>
<td>$4,780.18</td>
<td>$419.52</td>
</tr>
<tr>
<td><strong>Expense</strong></td>
<td></td>
<td>$0.00</td>
<td>$844.09</td>
<td>$25,500.00</td>
<td>$3,893.22</td>
</tr>
<tr>
<td>606 - Contract Services</td>
<td>$0.00</td>
<td>$11,583.52</td>
<td>$4,618.43</td>
<td>$98,006.88</td>
<td>$114,208.83</td>
</tr>
<tr>
<td>619 - IT Expense</td>
<td></td>
<td>$0.00</td>
<td>$992.10</td>
<td>$2,479.62</td>
<td>$3,071.72</td>
</tr>
<tr>
<td>619 - Equipment</td>
<td></td>
<td>$0.00</td>
<td>$914.36</td>
<td>$21,667.29</td>
<td>$16,832.81</td>
</tr>
<tr>
<td>660 - General Supplies &amp; Services</td>
<td>$0.00</td>
<td>$3,566.07</td>
<td>$4,605.16</td>
<td>$5,171.73</td>
<td>$12,142.91</td>
</tr>
<tr>
<td>670 - Interfund Transfers</td>
<td>$0.00</td>
<td>$25,554.91</td>
<td>$61,745.15</td>
<td>$124,803.77</td>
<td>$211,901.83</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td></td>
<td>$0.00</td>
<td>$42,339.46</td>
<td>$(10,323.72)</td>
<td>$(20,867.73)</td>
</tr>
<tr>
<td><strong>Net Operating Expense Balance</strong></td>
<td>$0.00</td>
<td>$(42,339.46)</td>
<td>$(10,323.72)</td>
<td>$(20,867.73)</td>
<td>$(55,480.80)</td>
</tr>
</tbody>
</table>
A final balance at the bottom of the sheet gives an expected year-end net balance by department, plus a grand total for all departments combined.

<table>
<thead>
<tr>
<th></th>
<th>Total Revenues</th>
<th>Total Base Budget</th>
<th>Total Expenses</th>
<th>Base Budget &amp; Revenue to Expense Balance</th>
<th>Projected One-time Allocations</th>
<th>Net Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL REVENUES</td>
<td>$57,699.38</td>
<td>($961.48)</td>
<td>$0.00</td>
<td>($3,063.93)</td>
<td>$0.00</td>
<td>$57,699.38</td>
</tr>
<tr>
<td>TOTAL BASE BUDGET</td>
<td>$0.00</td>
<td>$242,951.32</td>
<td>$714,042.17</td>
<td>$541,621.64</td>
<td>$358,338.48</td>
<td>$86,397.75</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>$0.00</td>
<td>$245,053.79</td>
<td>$718,066.72</td>
<td>$555,057.01</td>
<td>$1,521,458.99</td>
<td>$1,488,615.13</td>
</tr>
<tr>
<td>BASE BUDGET &amp; REVENUE TO EXPENSE BALANCE</td>
<td>$57,699.38</td>
<td>($3,063.93)</td>
<td>($4,024.55)</td>
<td>($7,057.01)</td>
<td>$43,553.89</td>
<td></td>
</tr>
<tr>
<td>Projected One-time Allocations</td>
<td>$0.00</td>
<td>$5,500.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$5,500.00</td>
<td>$5,500.00</td>
</tr>
<tr>
<td>NET BALANCE</td>
<td>$57,699.38</td>
<td>$2,436.07</td>
<td>($4,024.55)</td>
<td>($7,057.01)</td>
<td>$49,053.89</td>
<td>$49,053.89</td>
</tr>
</tbody>
</table>
THAT LOOKS GREAT, BUT WHERE DID ALL OF THAT INFORMATION COME FROM, AND WHAT DOES IT ALL MEAN?

Remember your tools?

- Insight and LCD reporting?
- PeopleSoft?
- CFS?

That is where all of the information comes from!

Data can be downloaded and pivot tables created to help you summarize and analyze your budget.
THE DATA PROCESS

Data becomes a pivot table.

A pivot table becomes an analysis.

An analysis becomes a projection.

Analysis and projections complete budget planning.
GREAT! NOW I HAVE AN AWESOME BUDGET PLAN THAT I HAVE SHARED WITH MY DEPARTMENT! I'M DONE NOW, RIGHT?!

The answer, in short, is.....

NO

...you have only just begun...
The Budget Plan is the backbone to tracking budget and expenses throughout the year.

Why is tracking important?

- Keeping tabs on expenses, so you are aware if you are in danger of going over budget.
- Keeping a real-time balance of accounts so you can make adjustments on the fly.
- Reconciliation of expected transactions to posted transactions in Insight.
- Maintaining and validating proper reporting and categorization of transactions.
- Being constantly aware and knowledgeable of the department’s financial status.

That all sounds great! So how do I track my transactions?
THE BUDGET PROJECTION PIVOT TOOL

Approximately 2 years ago, Financial Accounting and Reporting created a pivot table based tool that utilizes Insight transaction data. The tool allows users to:

- Enter projected transactions
- Create dynamic custom pivot reports to reflect detailed projected balances
- Reconcile to the Insight Account Balance Report

...and now...
Since the initial launch of the tool, we have spent a lot of time helping and training campus users. We have listened, taken notes, and made improvements. The results: Additional navigational features and analytical tools.

- An interactive dashboard with navigational buttons.
- Interactive point-and-click filters to select specific criteria for reports.
- Dynamic data transaction search bar.
- Filterable charts for easy visual analysis.

...And the BEST part?

BUT...

We’ll save that for another day...
Sign up for the...

BUDGET 201 LAB – BUDGET TOOL BUILDING AND TRAINING

What you’ll get:

- Your own custom budget tool pre-loaded with all of your department’s information.
- Hands-on workshop training to show you how to use and manage the tool.
- Step-through the monthly reconciliation process.
- Follow-up 1-on-1 support and training throughout the year.
CONTACT INFORMATION

University Budget Office
Kendall Hall 201 – x5931

Website: www.csuchico.edu/bud

Presenters:
Darleen Sowers – Budget Analyst – x6243
Jessica Anderson – Accounting Technician II – x5104