

Policy Title: Budget Principles

Policy Type: Finance/Administration

New/revised: Revised

Old Policy #: 4:01:00:01

Approval level: Board of Trustees
 President
 Vice President
 Other (specify here)

Purpose: As a public entity, East Tennessee State University is responsible for the prudent management of resources entrusted to its care by Tennesseans. Ensuring that budgets developed by institutions and considered by the Board of Trustees are prepared in accordance with sound budget principles is fundamental to good stewardship of financial resources. The budget principles included in this policy are intended to respond to the expectations of various stakeholders relating to the generation and expenditure of funds. All university officials responsible for budgeting processes are directed to adhere not only to the specific requirements of this policy, but to also act within the spirit of this policy and in a manner that evidences forthrightness and engenders public trust.

Policy:

I. Guiding Principles

- A. Working within the institution's shared governance process, the President has the responsibility and full authority to propose a budget to the Board of Trustees. The President will ensure that the process for budget development is open, provides for accountability, includes appropriate constituencies in budget planning, and incorporates clear guidelines and adequate training for those involved.
- B. In the development and submission of budgets, the President shall adhere to the following principles.
 1. Budgetary needs should be prioritized relative to the University's core mission and consistent with its strategic plan, with resources aligned accordingly. In situations where resources are constrained or limited, resources should be redistributed as needed to ensure that limited resources meet the highest priority needs of the institution.
 2. Budgets must respect generational neutrality. In general, this is to say that the cost of educating the current generation of students should be borne by the current generation and not be deferred to future generations.
 3. The Budget must be balanced:
 - i. In total, such that all planned expenditures do not exceed expected revenues and use of reserves or other non-recurring funds; and
 - ii. On a recurring basis, such that planned ongoing expenditures do not exceed expected recurring revenues. Use of non-recurring funds to meet recurring expenditures is discouraged; however, it is acknowledged that circumstances may arise when it is in the best interest of the institution to do so. In the event non-recurring revenues

are budgeted to meet recurring expenses, this must be specifically disclosed to the Board as part of the budget consideration process, including justification and the institution's plan for achieving recurring balance.

4. A degree of fiscal conservatism must be incorporated in the budget to reduce the risk of year-end deficits by:
 - i. Ensuring all costs are fully recognized. Use of anticipated savings as a funding source (e.g., lapsed salaries) for recurring expenses is discouraged. If anticipated savings are used to fund recurring expenses, this must be specifically disclosed to the Board of Trustees as part of the budget consideration process;
 - ii. Using financially conservative, yet reasonable, revenue estimates in light of existing conditions. Estimates of revenues derived from students must be based on analysis of historic enrollment patterns, modified for any recent observable patterns. The basis for student derived revenue estimates must be communicated to the Board Trustees as part of the budget consideration process; and
 - iii. Maintaining appropriate contingency funds for revenue shortfalls and emergencies for both Education & General and Auxiliary operations, consistent with relevant policies and guidelines.
5. Related to the principle on generational neutrality and to ensure the long term viability of the institution, sufficient provision must be made in both Education & General and Auxiliary budgets to annually fund:
 - i. Maintenance and facilities renewals to the physical plant and grounds; and
 - ii. Acquisition, repair and replacement of teaching equipment, computers, and other equipment.
6. Opportunities for cost savings arising from shared services and resources between departments and organizations within an institution and among other institutions should be aggressively pursued.

II. Operational Provisions

- A. Accountability for the effective management of the budget rests with the President, who ensures that proper controls and budget management policies are established.
- B. Guidelines may be developed that further direct and clarify application of the above principles in the budget development and administration process. The President is authorized to issue directives on these matters consistent with the provisions of this policy.