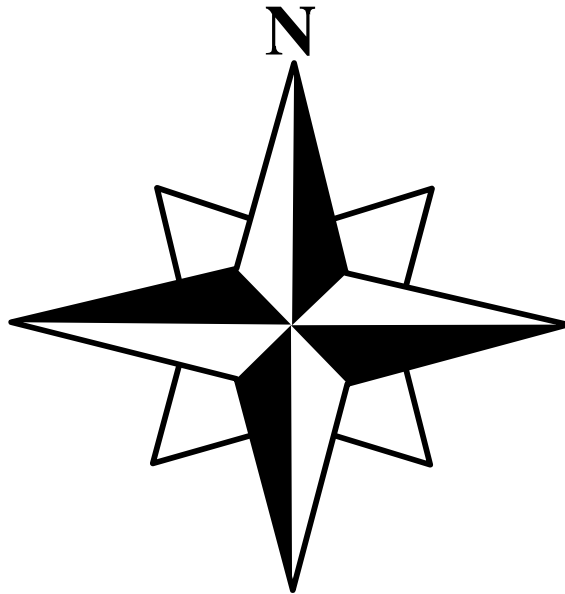
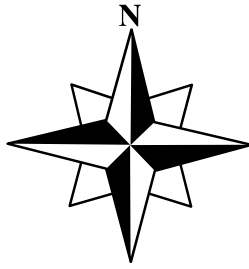


*Navigating
the
Budget Process*

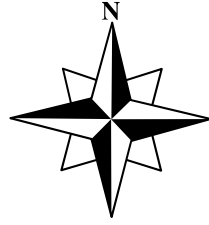




NAVIGATING THE BUDGET PROCESS

TABLE OF CONTENTS

INTRODUCTION	1
PART I: SERVICES	
Overview	2
1. Financial Analysis	2
2. Operating Budget	4
PART II: THE BUDGET CYCLE	
Overview	6
1. Preliminary Request Information	6
2. The Preparation of the Asking Budget	7
3. The Asking Budget Review	8
4. The Working Budget	8
5. Current-Year Operations and Analysis	8
6. Year-end Reporting and Closing.	9
BUDGET CYCLE SUMMARY	9
APPENDIX I - Glossary of Acronyms and Terms	11



INTRODUCTION

The [Office of Budget and Financial Analysis](#) (OBFA) provides guidance, coordination, and liaison for the components of the Baltimore campus regarding budget matters in dealing with the [University System of Maryland Headquarters](#) (USMH), the [Department of Budget and Management](#) (DBM), the [Maryland Higher Education Commission](#) (MHEC), the [Board of Regents](#) (BOR), and the [Maryland State Legislature](#).

For reporting purposes, the organizational structure in which the OBFA operates is:

- [President](#)
- [Vice President for Administration and Finance](#)
- [Assistant Vice President for Budget and Finance](#)
- Office of Budget and Financial Analysis

The primary goal of the [OBFA](#) is to obtain the necessary funds for the campus units by providing information in a timely manner which supports and justifies budget requests. Providing information and data which support and justify the budget is a responsibility shared by the campus units and the OBFA. This office can best maximize the budget process by maintaining effective working relationships with all campus units.

The responsibilities of the [OBFA](#) include: performing financial analysis; formulating budget documents; preparing supporting data and narratives; interpreting the budget for reviewing agencies; coordinating campus tuition and fees; monitoring State-supported and auxiliary enterprises unit fund balances; reviewing and approving budget amendments; coordinating account numbers of all State-supported, auxiliary enterprises, and revolving fund accounts; monitoring revolving fund deficits; computing the indirect cost allocation of the Designated Research Initiative Fund (DRIF); determining the impact of legislative fiscal notes; external reporting; and providing assistance to campus units in the development and preparation of the budget.

This document is presented in two parts: [Part I](#) is a summary of the services provided by the OBFA, and [Part II](#) is a detailed review of the budget cycle. An appendix at the end provides a glossary of acronyms and terms used in this document.

This document describes how the budget transforms from a planning document to a current-year working budget, enabling campus units to get a sense of “wholeness” for the budget process and promoting more efficient processing and reporting of budget information and data. It is intended to assist campus units in planning ahead to ensure that required budget information is complete and available on a timely basis.

We hope this document will substantially increase your understanding of the budget process and allow you the opportunity to make an overall examination of your reporting requirements.

PART I - SERVICES

OVERVIEW

The Office of Budget and Financial Analysis (OBFA) assists the campus in navigating the budget processes of Financial Analysis and preparation of the Operating Budget.

Part I reviews in detail the services offered by the OBFA and describes how they relate to the various campus policies and procedures. For ease of reference, a listing of acronyms and terms used throughout this document can be found in [Appendix I](#) on page 14.

1. FINANCIAL ANALYSIS

Financial Analysis services relate mainly to the current fiscal year operations and involve tracking and analyzing actual expenditures and revenue for various State-supported and auxiliary enterprises FAS accounts. State-supported accounts are those accounts which are supported entirely or in part from appropriations of general funds provided by the State, and tuition. Auxiliary enterprises accounts are self-supporting accounts for activities which provide goods and services to students, faculty and staff. Financial Analysis services are listed below.

Prepare complete and detailed analyses of all campus accounts at mid-year and at year end.

These analyses are useful in assessing the overall financial condition of the campus and for highlighting potential problem areas that need to be addressed. The December report gives the campus and campus units a mid-year financial snapshot and indicates where changes in the current operations may need to be made. This is useful for year-end closing and as a planning tool. The year-end report shows if financial objectives have been achieved and provides other information such as fund balance and spending patterns.

Track budget amendment changes for State-supported and auxiliary enterprises accounts.

A shadow system which tracks changes in the original working budget from July 1st to June 30th is updated on a monthly basis. It shows how the revised budget is developed from the original budget and is useful for various financial analyses throughout the year and for year-end closing. For further information regarding [budget amendments](#), please refer to the Office of Budget and Finance policy and procedure number 1303.

Reconcile and maintain records on the status of campus fund balances for State-supported and auxiliary enterprises accounts.

FAS summarizes all of the campus State accounts' fund balances into only seven general ledger accounts. For example, the 261 revenue and expense subsidiary accounts in the Instruction program are consolidated into one general ledger account. Therefore, it is essential that a shadow system be maintained to track the changes from year to year and to track the use of account fund balances via budget amendments during the fiscal year. Fund balances for auxiliary enterprises accounts are also tracked and maintained. For further information, please refer to the Office of Budget and Finance policy and procedure number 1304 regarding the use of [State-supported and auxiliary enterprises unit fund](#) balance.

Submit financial and budget status reports to USMH.

The [BOR](#) Finance Committee requires submission of periodic financial data reports consisting of all campus expenditures for current funds restricted and unrestricted by program, and all campus revenues by major revenue categories. A narrative explaining any variances from the budget is also required as part of the report. This is submitted to USMH for compilation with information received from other campuses.

Analyze and Review revolving fund accounts.

On a monthly basis revolving account balances are analyzed for deficits. Campus budget coordinators are notified of their accounts that have deficit balances and are encouraged to bring these accounts to a positive cash balance before the end of the next quarter. Each fiscal year, one third of all original revolving account requests are sent to campus budget coordinators for re-justification. The purpose of this review is to determine that the accounts are still required and that they are still being used for their original intent. Please refer to the Office of Budget and Finance policy and procedure number 1301 for further information regarding [revolving funds](#).

Compute indirect cost allocation of DRIF funds and Overhead Projection and Analysis.

This computation, which takes place each September, determines the distribution of the DRIF budget, taking into consideration shared accounts and other special circumstances.

Assign all Current Funds Unrestricted (CFU) attributes and account numbers.

All CFU new account requests, including State, DRIF, auxiliary, and revolving, flow through the OBFA. Requests for new accounts are made by submitting completed request forms to the OBFA for processing. After a new account is approved, FAS system attributes (department codes, etc.) are assigned and the request is forwarded to Quality Assurance in Financial Services for entry into FAS. Please refer to the Office of Budget and Finance policy and procedure number 1302 for further information regarding [new accounts](#). Changes to existing FAS attributes and requests for new system attributes also are channeled through Financial Analysis.

Draft policies and procedures.

Occasionally it becomes necessary to establish new policies and procedures as new technology changes the way we do business. One example of this is the use of credit cards for the collection of payment for self-supported activities. The Office of Budget and Finance policy and procedure number 1010 describes how to arrange for [credit card accounts](#) and delineates the financial responsibility for covering credit card fees associated with the transactions.

Comply with requests for information from auditors, [USMH](#), campus schools and units, the president's office, etc.

2. OPERATING BUDGET

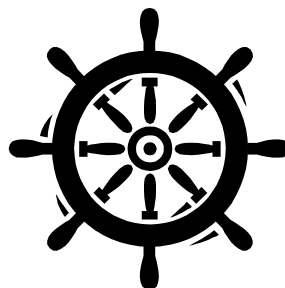
Operating Budget services relate to the coordination, development, and justification of the campus operating budget request and the working budget process. These activities are described fully in [Part II](#) of this document. Although the operating budget process includes preparing both State-supported and non-State-supported budgets, it should be noted that there are distinct differences in the detail required by them. The State-supported budget is based on the details of departmental FAS accounts, while the non-State-supported budget is based on larger account group categories such as federal contracts and grants, endowments, private gifts and grants, State government grants, and revolving funds. The aggregate budget for the non-State funds is developed for appropriation authority only. Operating Budget services are listed below.

Coordinate the development of the budget request in accordance with State budget policy and [DBM](#) and [MHEC](#) guidelines.

This activity requires interacting with the campus schools and units to provide information necessary to complete various request forms; Data Processing, Fuel & Utilities, Motor Vehicles, Faculty Complement Summary, Student Complement Summary, Institutional Profile, Part-time Salaries (people that are paid from labor and assistants), Turnover Expectancy, Fringe Benefits, Library Data, Merit Calculations, Revenue Information, as well as other forms. The Institutional Profile includes information on tuition, students and faculty, and other comparable institutional data. Special schedules also must be prepared for the BOR. Tuition and Fees schedules are updated and approved by the BOR and revenue calculations prepared which reflect any changes to these fees as well as changes in enrollment. All other revenue sources are analyzed and projections are made as to what should be budgeted. The budget file is updated for all changes and the actuals are reconciled to FAS with deviations justified. The actual, working, and request budgets are analyzed and significant deviations explained.

Coordinate the development of the working budget in accordance with State and University budget guidelines.

This activity includes: revising the revenue projections by making detailed tuition and fee calculations based on enrollment revisions and analysis of various other State-supported and auxiliary fees; updating the budget file for all salary and operating changes; providing allocation sheets to the campus detailing the changes in their budgets from the previous working budget; providing necessary documentation and justification for USMH to complete the system-wide governor's working budget amendment; and coordinating the salary guidelines with Human Services.



Respond to budget inquiries from the campus, [USMH](#), [DBM](#), [MHEC](#), legislative analysts and auditors, and other universities.

The campus is required by law to respond to all requests from governmental agencies. This activity includes preparing detailed reports on such things as vacant positions, part-time salary spending, Chesapeake Bay grants, deviation variations, explanations, and justifications. The most frequently asked for schedule, both internally and externally, is one which summarizes the total revenues and expenditures of the campus. Various requests for financial information, projections, trends, and analysis of actuals come from campus units, the president, and the vice presidents. A four-year plan for USMH and a five-year plan for the campus are required. In addition, the OBFA ensures that consistent budget, tuition, and enrollment information is reported to the outside from all campus units.

Prepare briefing materials for the president on the status of the campus budget.

Throughout the year various schedules, both detailed and summarized, are prepared in order to keep the president well informed and better able to make decisions. These schedules relate to revenues and expenses, indirect costs, tuition and fees, student enrollment, DBM and legislative adjustments, and comments. The president uses these materials to prepare for legislative hearings.

Coordinate the preparation of fiscal notes on proposed legislation.

After receiving the fiscal notes on proposed legislation from [USMH](#), the [OBFA](#) coordinates the assessment of its fiscal impact on [UMB](#) while the [External Affairs Office](#) determines its political impact. This occurs while the legislature is in session and at times requires input from various campus units.

Coordinate the development and approval process of the campus tuition and fees in accordance with the [BOR](#) tuition and fee policy.

This activity entails updating the four-year tuition plan, coordinating with the campus any changes, deletions, and/or additions to the tuition and fees schedule as well as providing all necessary documentation.

Ongoing efforts.

In order for FAS accounts to have the correct format for external reporting, the attributes must be correct. To ensure this accuracy, FAS and budget form 12's undergo a quarterly reconciliation and review. Also, new reports are generated and tested from FAS occasionally in order to meet external reporting demands.

In an effort to aid the campus units in navigating the budget process, the [OBFA](#) develops training sessions on preparing and maintaining the budget and makes improvements to the current budget system.

Preparation for a new working budget must begin in the fall to be sure that everything is ready for the start of that phase of the cycle.

PART II - THE BUDGET CYCLE

OVERVIEW

The budget cycle for the university is a continuing process which begins approximately 16 months prior to the beginning of a fiscal year. The cycle involves several stages of development and review, followed by approval and implementation. Cooperative input is provided by the [State legislature](#), the governor, the [Department of Budget and Management](#) (DBM), the [Maryland Higher Education Commission](#) (MHEC), the [Board of Regents](#) (BOR), the [University System of Maryland Headquarters](#) (USMH) and the [University of Maryland Baltimore](#) campus (UMB) at virtually all organizational levels. The budget request is developed using guidelines established by the governor.

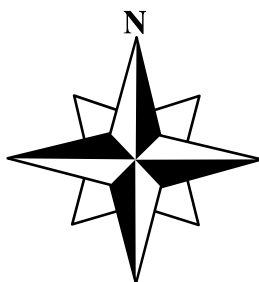
The OBFA routinely makes formal and systematic requests for information from schools and campus units during six phases of the budget process:

1. Preliminary budget request information
2. The preparation of the asking budget
3. The asking budget review
4. The working budget
5. Current-year operations and analysis
6. Year-end reporting and closing

1. PRELIMINARY BUDGET REQUEST INFORMATION

This phase requires the campus units to provide estimates for enrollment, new facilities, new positions, tuition estimates, and salary merit increases. This information is prepared during April and May in accordance with instructions received from [USMH](#) and sent to [DBM](#) for review; it is used to arrive at the General Fund allocation.

During this time frame, the [Office of the President](#) prepares the Separate List. This is a prioritized list of desired enhancements for the campus for which additional general funds are requested. The UMB Comprehensive Financial Plan and the Managing for Results (MFR) report are also submitted at this time. The purpose of these reports is to create a more formal link among accountability, planning and budget and to provide a greater stability in our funding. The Financial Plan provides an ideal vehicle to determine the level of increase in general funds the System can expect for the next fiscal year. The [MFR](#) report, prepared by the Office of [Institutional Research and Planning](#), provides data on indicators of institutional performance and sets five-year goals for the indicators.



2. THE PREPARATION OF THE ASKING BUDGET

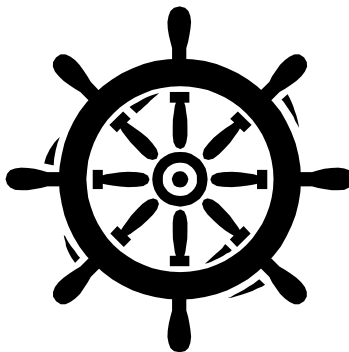
The governor sets the general fund allocation for the State budget following a review of the request and plan update, and future State revenue projections. The total campus budget allocation is determined after considering special fund revenue (including tuition), federal funds, auxiliary enterprises, dedicated and non-budgeted funds, along with the general fund allocation. In a normal year, the general fund allocation for the university is received from [DBM](#) in late June to mid-July.

The asking budget segment of the budget cycle at [UMB](#) contains three phases. The first phase entails completion of workload measurements. The second phase involves the allocation of funds and the preparation of summary information for the August [BOR](#) meeting. The third phase is the preparation of supplemental information concerning specific objects of expenditure as required by DBM.

The first phase of the asking budget commences in June with the distribution of forms relating to workload measurements. The information requested for workload measurement data varies for each campus unit. A copy of the prior-year workload data is distributed along with the uncompleted forms for the request year. The completed workload data forms are due back in the [OBFA](#) in mid-July.

The second phase begins in late June to mid-July with receipt of the general fund allocation and detailed instructions from DBM. Detailed revenue projections and expenditure allocations are formulated by the OBFA based on DBM guidelines and USMH's proposed tuition increases. See policy and procedure number 1501 for complete information on tuition and fee increases. Campus summary information of expenditures and revenue with a supporting narrative is prepared by the OBFA and submitted to USMH in early August. USMH coordinates and submits this data for review and approval to the chancellor and the BOR in mid-August.

The third phase of the asking budget involves completion of forms and exhibits that provide supplemental information concerning specific objects of expenditures. This supplemental information requires detailed explanations of expenditures for part-time salaries and wages, motor vehicles, computer forms, fuel and utilities, fringe benefits, and line item deviation analysis. Each campus unit is responsible for completing only the forms and exhibits which are applicable to their programs. This phase of the budget cycle begins in mid-June and completed forms and exhibits are due in mid-July. The OBFA coordinates the complete campus request and submits it in proper format to USMH in late August where it is consolidated with budget data from the other campuses and submitted in final budget request form to DBM and MHEC by the beginning of September.



3. THE ASKING BUDGET REVIEW

DBM and MHEC conduct detailed analyses of the asking budget between September and December. During this time period both agencies scrutinize the budget request, conduct hearings and hold meetings with university officials before making formal recommendations to the governor in December. The governor makes a final review and adjusts the budget request based on the recommendations made by DBM and MHEC, and the latest State revenue estimates. The governor submits his final budget request, also referred to as the executive allowance, to the legislature in January and it becomes the budget bill. The legislative analysts review the budget request during January and both the House and Senate conduct hearings on the budget request in February and March. It is important to note that for the total State budget, the legislature can only reduce the budget. The legislature passes the budget bill in April and the State budget becomes law. Unlike the federal government where the President can veto the budget bill, the governor has no veto power. The approved budget is distributed to the campus units by the OBFA in late April or early May.

4. THE WORKING BUDGET

The working budget provides the opportunity for campus units to reflect any changes within the appropriation which have occurred since the request was originally submitted. Legislative changes and adjustments to the executive budget request will be made by the OBFA before the working budget is finalized.

The OBFA distributes the working budget to the campus in early April. Working with OBFA, the campus units prepare their detailed budget for the operations for the coming fiscal year using a computerized Budget Preparation Analysis Support System (PASS). The budget changes include updating employee information and redistributing operating expenses to more appropriate objects of expenditure. The OBFA makes any final adjustments and the completed working budget worksheets are distributed to the campus in late June.

5. CURRENT-YEAR OPERATIONS AND ANALYSIS

Once the fiscal year begins on July 1st, any change to the budget such as use of prior-year fund balance or change in position full time equivalency (FTE) must be made through submission of a budget amendment. A shadow system is maintained to track these changes throughout the year. At mid-year these changes, together with the analysis and projection of actuals, provide an important financial snapshot of the campus. USMH also requires reports throughout the year outlining the budget, actuals, and projections for the entire campus. First and third quarter reviews are also done on a less detailed basis. Facilities renewal and revolving fund accounts are analyzed quarterly.

6. YEAR-END REPORTING AND CLOSING

The OBFA works with [Financial Services](#) during year-end closing. A year-end finance report is prepared for campus schools, units, and administration after the close. Cumulative campus unit fund balances are determined and reconciled to FAS. A final campus finance report is also prepared for the BOR finance committee.

BUDGET CYCLE SUMMARY

The time frames listed are approximate and subject to change depending on the date of receipt of the general fund allocation from the State.

1. The preliminary budget request information

- | | |
|--|-------|
| a. USMH budget office requests information on enrollment, new facilities, and new positions | March |
| b. UMB's preliminary budget request information
Financial Plan & Managing for Results reports are sent to DBM | April |

2. The preparation of the asking budget

- | | |
|---|-----------|
| a. Campus units prepare workload measures and supplemental forms and exhibits | June/July |
| b. Governor's general fund allocation received from DBM | July/Aug |
| c. Working Budget allocation to campus units | July/Aug |
| d. OBFA develops summary information for submission to and approval by BOR | July/Aug |
| e. Recommended asking budget approved for submission to USMH | August |
| f. Final budget package prepared by OBFA for submission to USMH | Late Aug |
| g. USMH delivers asking budget to MHEC and DBM | September |

3. The asking budget review

- | | |
|---|----------|
| a. MHEC review of budget | Sept/Oct |
| b. DBM review of budget | Oct/Dec |
| c. Governor submits budget to legislature | January |
| d. Legislative analysts review budget | January |
| e. Legislative hearings on budget | February |
| f. Legislative appropriation passed (budget bill) | April |

4. The working budget

- | | |
|---|-----------|
| a. OBFA distributes legislative budget allowance, instructions and worksheets to campus units for completion and return to OBFA | April/May |
| b. Final copy of working budget worksheets distributed to campus units | June |
| c. Start of fiscal year | July 1 |

5. Current-year operations and analysis

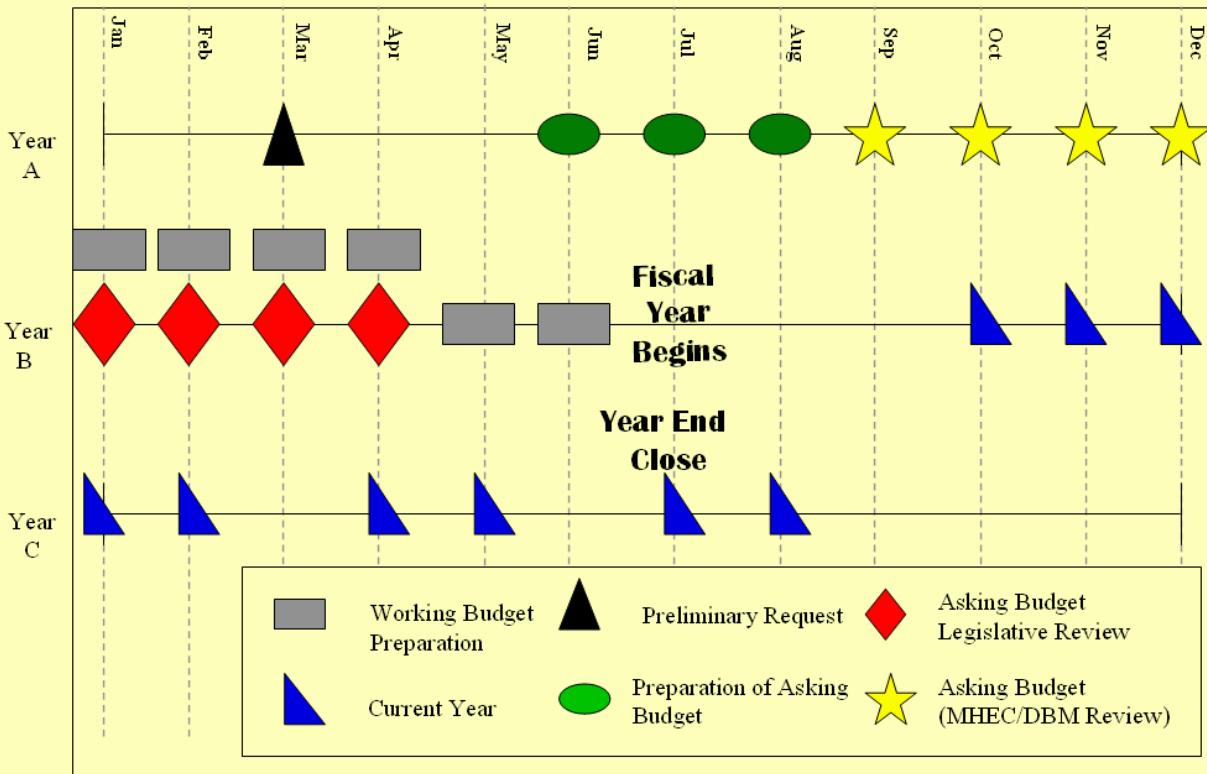
- | | |
|--|------------|
| a. Indirect cost allocation | September |
| b. Review of one-third of all revolving accounts | Oct/Nov |
| c. Mid-year financial analysis and review | Jan/Feb |
| d. Quarterly analysis and projections | Quarterly |
| e. BOR finance committee reports | Bi-monthly |
| f. Fringe benefits budget | Quarterly |
| g. Analysis of revolving account deficits | Monthly |
| h. Assign account numbers and system attributes | Monthly |

6. Year-end closing and reporting

- | | |
|---------------------------------------|-------------|
| a. Fiscal year-end closing | July/August |
| b. Year-end financial review | August |
| c. Final BOR finance committee report | August |
| d. Determination of fund balances | August |

TIMELINE

Budget and Financial Analysis Budget Cycle for Fiscal Year "C"



APPENDIX I

GLOSSARY OF ACRONYMS AND TERMS

* **ACTUAL BUDGET**

At the end of a fiscal year, this shows the actual revenues and expenditures for that year.

* **ARB - Academic Revenue Bonds**

A source of funds generated through the sale of bonds by the [University System of Maryland Headquarters](#). They are secured by dedicated revenues and are not considered an obligation of the State of Maryland.

* **ASKING BUDGET**

The [UMB](#) budget request which is sent to the governor in September after its approval by the [Board of Regents](#).

* **AUXILIARY ENTERPRISES**

A self-supporting entity which provides goods and services to students, faculty, and staff. Included in these services are residence halls, food services, college stores, parking, a conference center, and a gymnasium.

* **BOR - Board of Regents**

The governing board of the University System of Maryland Headquarters.

* **CAMPUS ACCOUNTS**

A group of [UMB](#) accounts which are managed centrally and cover major campus-wide costs such as fringe benefits for the State-supported budget, fuel and utilities, facilities renewal, and insurance costs.

* **CFR - Current Funds Restricted**

All funds for sponsored activities, i.e., federal, state, local, private, and corporate grants and contracts.

* **CFU - Current Funds Unrestricted**

All funds from State appropriations, departmental revolving accounts, and auxiliary enterprises or self-supported programs.

* **DBM - Department of Budget and Management**

The financial office which reviews all State agency budget submissions and makes recommendations to the governor.

* **DLS - Department of Legislative Services**

The legislative office which reviews State budgets and makes funding recommendations to the General Assembly. The Maryland General Assembly does not have the authority to increase budgets or make transfers between budgets, only to reduce the operating budget.

- * **DRIF - Designated Research Initiative Fund**
A fund consisting of indirect cost recovery revenue which is dedicated to the development and enhancement of research activities.
- * **FAS - Financial Accounting System**
The computerized system used to record all accounting activity for the UMB campus
- * **GENERAL FUNDS**
Revenue which is the Campus' share of the State Operating Budget. See State Appropriation.
- * **FUND BALANCE**
Unspent funds in the budget of any UMB school or unit which may be carried forward at year-end. While very large fund balances are discouraged, most units have some funds from prior years available for expenditure in a future year.
- * **INDIRECT COST RECOVERY ALLOCATION FORMULA**
The method by which indirect cost recoveries are allocated in the budget. It is a formal agreement with the State which specifies how much of this revenue source must go to: a) the general operations of the campus, b) DRIF, and c) facilities renewal.
- * **MANDATORY EXPENSES**
Those expenditure categories in the budget allocation for which the State specifies funding levels. They include fringe benefits, salary adjustments, and utility increases.
- * **MHEC - Maryland Higher Education Commission**
The overall coordinating board for all of higher education in the State. It also reviews higher education budgets and makes recommendations to the governor.
- * **NON-STATE-SUPPORTED BUDGET**
That portion of the UMB budget which is entirely self-supporting. It includes contract and grants funds, auxiliary enterprises revenue, endowment funds, and revolving funds.
- * **OBFA - Office of Budget and Financial Analysis**
- * **OPERATING BUDGET**
Provides annual funding for current-year expenses such as salaries, utilities, and equipment.
- * **PASS - Budget Preparation Analysis Support System**
The computerized system used to prepare the budget.
- * **REVOLVING FUNDS**
A term applied to a wide variety of self-supported accounts which do not fit the typical definition of grant and contract activities or auxiliary operations. School of Medicine practice plan revenue is the single largest source of revolving funds.

* **SEPARATE LIST**

A prioritized list itemizing desired enhancements not included in the request allocation, submitted to the governor by the [Board of Regents](#).

* **STATE APPROPRIATIONS**

General funds that the campus receives directly from the State.

* **STATE-SUPPORTED BUDGET**

That portion of the [UMB](#) budget which is supported wholly or in part from appropriations of general funds provided by the State. Revenues also include tuition and fees, interest income, indirect cost, etc.

* **TUITION AND FEES**

Revenues collected from students for instruction and instruction-related activities.

* **UMB - [University of Maryland, Baltimore](#)**

* **USMH - [University System of Maryland Headquarters](#)**

* **WORKING BUDGET**

The final budget for the fiscal year. It reflects actions of the Governor and the [General Assembly](#) plus any final campus adjustments and reallocations. It is finalized in June, immediately prior to the beginning of the fiscal year on July 1st.

