



8.0 Budget Process

Introduction

Under constitutional authority, the Board of Regents (BOR) approves the annual budget request for the University System of Georgia (USG). Funding is provided to the University System by means of a funding formula, which establishes a basis for budgetary need linked to enrollment growth, increases in facilities square footage and other operating factors. Funds appropriated based on the formula are received as a “lump sum”, which the Board of Regents allocates to USG institutions. In addition, there are several component units of the University System of Georgia that receive direct appropriations from the Georgia General Assembly.

This section describes the procedures used to develop the annual budget request, establish tuition and fee rates for USG institutions, and procedures for making budget adjustments during the course of the fiscal year.

Topics in this section include:

- ❑ The University System of Georgia Budget
- ❑ Annual Budget Request
- ❑ Tuition and Fees
- ❑ Institutional Budget Request
- ❑ Original Budget
- ❑ Budget Amendment



8.1 The University System of Georgia Budget

There are several categories of budgets that collectively comprise the total annual state funding for the University System of Georgia. These are designated by letter:

1. The “A” Budget
2. The “B” Budget
3. The “C” Budget
4. The “D” Budget

8.1.1 The “A” Budget

The “A” budget consists of funds received by the University System of Georgia through the funding formula. These funds are provided in a lump sum, which the Board of Regents is then authorized to distribute to USG institutions in accordance with system priorities and needs. It is the largest component of funding for the University System of Georgia.

8.1.2 The “B” Budget

The “B” budget is made up of funds that are appropriated to specific entities within the University System of Georgia on a line-item basis. Within the context of the USG budget, these entities are referred to as “other organized activities”. Included in this group are:

- The Board of Regents University System Office (USO)
- Skidaway Institute of Oceanography

8.1.3 The “C” Budget

The “C” budget comprises funds that are appropriated to entities that are included within the USG budget for administrative purposes only. These funds are “passed through” the University System of Georgia but are directly appropriated to individual agencies. Included in this group is the Georgia Public Telecommunications Corporation.

8.1.4 The “D” Budget

The “D” Budget consists of funds generated through lottery revenues that are appropriated to the University System of Georgia for specific technology or construction related activities and cannot be used for personnel expenses. Included in this group are:

- The Educational Technology and Construction Trust (EACT) Fund, which is funding for equipment and construction that requires matching by private sources in an amount equal to half the annual appropriation.
- Technology initiatives managed by the Office of Instructional and Information Technology within the Board of Regents.



8.2 Annual Budget Request

Each year, the Office of Fiscal Affairs at the BOR develops the annual budget request for the University System. The budget request is in accordance with instructions from the governor's Office of Planning and Budget (OPB). The annual budget request generally has four components:

1. Formula Earnings
2. Enhancement Request
3. Zero Base Budget
4. Capital Budget Request

8.2.1 Formula Earnings

The primary USG funding mechanism is the funding formula. The funding formula generates funds for various factors such as enrollment, maintenance for new facilities, continuing education, and fringe benefits.

Enrollment Earnings

All USG institutions use the Curriculum Inventory Reporting System (CIRS) to report enrollment data for each semester. The Office of Strategic Research and Analysis at the Board of Regents provides a report of credit hours for each institution and the University System to the Office of Fiscal Affairs. The report categorizes credit hour information in various groupings as required by the funding formula. The funding formula calculates the change in funding required for faculty, staff, and support expenditures caused by the change in credit hours. This is referred to as enrollment earnings/losses or workload adjustment.

Operation and Maintenance of New Facilities

The funding formula provides a specific dollar amount/per square foot for maintenance of all new space. To determine the total new square footage each year, the starting point is the report **FRPT 60A** that is provided to the Office of Fiscal Affairs in May. The report includes all changes that institutions have made in the facilities inventory reporting system in the fall and spring of each year. The report lists the buildings and square footage at each institution for resident instruction and auxiliary/other use.

The Office of Fiscal Affairs sends each institution a copy of its FRPT 60A, along with instructions and a form to add or delete square footage for resident instruction. If a building is expected to be in operation in the fiscal year for which the funding is being requested, and has not been included in the system, i.e. not reflected in the FRPT 60A, it should be reported separately on the **Adjustments to Square Footage form**, by June 30th of each year. Later, in the fall, the institution should update the system for the changes made in the adjustments form.



The total resident instruction square footage from FRPT 60 A, along with changes on the Adjustments to Square Footage form, represents the total square footage requested. The difference between this total and the total reported to OPB in the prior year's formula is the incremental change in square footage.

The Office of Fiscal Affairs also calculates the new major repair and rehabilitation (MRR) funds to request each year. Report **FRPT 60AS** provides a summary of total square footage for the entire USG. The replacement value for formula purposes is calculated at \$95 per square foot. The MRR funds are calculated at 1% of the total calculated replacement value. The new MRR funds are the difference between the 1% calculation for the new fiscal year, compared with the amount for the prior year. The MRR request in the formula is part of bond funds.

Note: Please refer to Section 18.0 for more information on major repair and rehabilitation funds.

Fringe Benefits

There are two components to the fringe benefits request: retiree benefits and rate changes. In June of each year, the Office of Fiscal Affairs requests all institutions to submit their **fringe benefits request** for retirees. The request details the number of retirees in the current year, the number of projected retirees, and current and projected expenditures for health insurance and life insurance premiums for the employer's contribution. The difference between the current and the projected expenditures is the basis for the fringes request for retirees in the formula.

In addition, any projected rate changes for health insurance, life insurance, and retirement premiums and payments are factored into the formula as well. In October, the Board of Regents approves the employer and employee rates for the new calendar year. If there are any rate changes, the Office of Fiscal Affairs requests each institution to submit the amount required for the rate change. Each institution submits the number of covered employees in December and January for each plan/option, and actual expenditures for the two months for each plan. The difference is the incremental funds required to fund a rate change.

Continuing Education

The funding formula includes a component for continuing education, which comprises funding for a select number of public service institutes, minimal staffing support, and a dollar amount generated per continuing education unit (CEU) generated. Each year, institutions must report their CEU production to the Office of Fiscal Affairs according to the schedule established by the Vice Chancellor for Fiscal Affairs.



8.2.2 Enhancement Request

The instructions from the OPB will usually indicate to what extent each agency can request additional funds beyond workload funds through the formula and continuing special funding initiatives, research consortium and lottery funds. The Chancellor's Presidential Advisory Group is instrumental in obtaining feedback from other USG presidents and prioritizing strategic needs for the system as a whole.

8.2.3 Zero Base Budget Request

All USG units that are designated as "other organized activities" or "B" units have to complete a **Zero Base Budget** request each year. The forms are provided by OPB along with the instructions for requesting funds. Each request includes two years of actual expenditures, budgeted expenditures for the current year, and a projected budget for the funding year. The state provides line item appropriations to each "B" unit.

8.2.4 Capital Budget Request

The Board of Regents has a majors and minors capital process. In June, the Regents select projects to be added to the majors list totaling approximately \$500 million. The minors projects are selected by the Chancellor and the Office of Facilities from among requests submitted by each institution. The majors and minors projects constitute the Board's capital budget request.

8.2.5 Board Approval of Budget Request

The Vice Chancellor for Fiscal Affairs, along with senior staff in the University System Office (USO), presents the operating and capital budget request to the Board. The Board reviews and approves the annual budget request to the state in September.



8.3 Tuition and Fees

Each year, the Board of Regents establishes tuition and mandatory fee rates for all USG institutions. Although rates are linked to formula funds through a cost sharing percentage – 75% of formula cost is borne by the state, 25% is borne by students – actual rates may be adjusted annually according to a host of factors. Institutions are authorized to request differential tuition rates for nationally-competitive graduate and professional programs and are authorized to set rates for distance learning courses and programs, subject to the restriction that rates cannot be less than those established by the Board of Regents for resident undergraduates at each institution.

Mandatory fees are fees charged to all enrolled students. They include, but are not limited to, fees for intercollegiate athletics, student activities, student health services, parking, transportation, and/or facilities development.

8.3.1 Tuition – Revenue Projections from Institutions

In September each year, each USG institution completes and submits the **Revenue Projections** form to the Office of Fiscal Affairs. It includes the following components:

1. Actual revenue from various sources for the prior year
2. Budgeted revenue for the current year
3. Amended revenue for the current year
4. Projected revenue for the following year
5. Amount of revenue generated from a 1% increase in tuition
6. Impact on the HOPE program from a 1% increase in tuition

The revenue projections are used to:

- Compute the funds generated from various levels of tuition increase
- Determine the impact on HOPE at various levels of tuition increase
- Adjust the internal revenue on the institution's allocation sheet for the original budget for the following year

The Board determines the tuition rate increase for all USG institutions.

8.3.2 Mandatory Fees

All mandatory fee requests are due from the institutions to the Office of Fiscal Affairs in December. Institutions must submit a **fee request package**. Each fee request package includes the following:

1. Summary of fee requests including revenue and HOPE impact
2. Detail of revenue projection for each mandatory fee
3. Financial data form with actual and projected revenues and expenditures
4. Mandatory student fee participation form



In accordance with Board Policy 705.5, institutions must have a Fee committee, of which 50% or more of the members should be students appointed by the Student Government Association (SGA). This committee is charged with reviewing and voting on the student fee request. The form shows the names of the student fee advisory committee members and their vote on the action. The Board of Regents does not require approval of the request by the committee.

Analysts in the Office of Fiscal Affairs review the fee requests submitted by each institution. After review, the Office of Fiscal Affairs makes recommendations to the Chancellor and the Board of Regents.

8.3.3 Housing and Food Service Fees

All housing and food service fee requests are due from the institutions to the Office of Fiscal Affairs in December. Institutions must submit these along with their fee request package. Each request must include the following:

1. Summary of requests including revenue impact
2. Detail of revenue projection for each type of fee
3. Financial data form with actual and projected revenues and expenditures

In addition, reserve amounts for auxiliary enterprises should be detailed with projected future expenditures. Analysts in the Office of Fiscal Affairs review the fee requests submitted by each institution. After review, the Office of Fiscal Affairs makes recommendations to the Chancellor and the Board of Regents.

8.3.4 Miscellaneous Fees

Along with the fee requests in December, institutions are required to submit an updated list of all miscellaneous fees. The president of each institution has the authority to approve miscellaneous fees.

Note: Reporting to the Board is for informational purposes only.

8.3.5 Approval of all Tuition and Fees

The Board of Regents approves tuition rates and all mandatory fees in April. The Chancellor approves housing and food service fees at the same time.



8.4 Institutional Budget Request

The institutional budget request provides information to the Board of Regents regarding key priorities and issues at the campus level. This aids the Office of Fiscal Affairs in developing its recommendations to the Chancellor for allocating formula funds.

8.4.1 Institutional Budget Plans

In January each year, all institutions submit a **budget plan and request** with three distinct sections:

1. Budget plan for base budget, addressing opportunities and challenges faced by institution, enrollment changes and trends, budget priorities and issues
2. Plan to use any projected formula funds earned by the institution
3. Prioritized new funding request from the strategic allocation pool

8.4.2 Institutional Budget Conferences

Between January and March of each year, the Vice Chancellor for Fiscal Affairs, along with senior staff, meet with institutional representatives to discuss:

1. Budget plan
2. Enrollment trends
3. New funding requests
4. Fee requests
5. Other issues and priorities



8.5 Original Budget

Each institution submits their original budget for approval by the Board of Regents. The original budget and subsequent amendments serve as the basis upon which institutional financial performance is assessed each year through regular reports to the Board.

During the legislative session and subsequent review of the budget by the governor, institution budget officers should ensure that current fiscal year budget records are accurate and complete. Current, amended budget records in the financial system facilitate the development of the proposed budget for the new fiscal year*.

* **Note:** For institutions using the Georgia *FIRST* model of the PeopleSoft Human Resources Management (HRMS) system, records from this system must be correct and accurate before the records are captured in the Budget Preparation module.

8.5.1 Salary and Wage Increases

Each year, the Office of Fiscal Affairs will issue a salary administration statement that provides guidelines for awarding salary increases for that fiscal year. Salary increases are merit-based, reflecting each employee's performance evaluated on an annual basis. Merit increases will generally be distributed on a percentage basis around the average percentage increase as provided for by state appropriations. Merit salary increases that exceed the range established by the salary administration statement must be documented on an individual basis.

Additionally, and subject to Board policy, institutions may make salary increases for promotions and reclassifications or to address issues of salary inequities, subject to the availability of funds. Please refer to Board policy section 803.1402 for additional information regarding salary and wage increases for faculty.

8.5.2 Budget Allocations

Upon distribution of the final allocations by the Office of Fiscal Affairs, institution budget officers will work with the allocated budget authority at the campus level to distribute the funds among the various units on campus.

Allocation of formula funds to institutions include three components:

1. A minimum 80% of funds generated by the formula (not including tuition revenues).
2. A percentage, usually 5%, based on performance factors related to graduation, retention and sponsored program funding.
3. "Strategic allocations" from the remaining pool of funds that are allocated based on several factors, such as:
 - System-level priorities and goals
 - Institutional needs



- Equity adjustments

8.5.3 Budget Preparation at the Institutional Level

Once the institution's budget authority makes funding decisions for the upcoming fiscal year, the financial officers at the institution will complete the development of the proposed budget for the coming fiscal year. This process includes the budgeting of personal services, fringe benefits, and non-personal services for the institution. The process should conclude with the reconciliation of the budget to the final allocation by the Regents and the preparation of summary schedules identified by the Regents. This reconciliation process should utilize queries and reports in the financial system.

8.5.4 Submission of Proposed Budget

In order to administratively review proposed budgets prior to approval by the Board of Regents, institutions will need to submit their proposed budgets in accordance with a schedule determined by the Office of Fiscal Affairs. Part of the submission process will require the institutions to complete several schedules on-line according to a deadline established by the Office of Fiscal Affairs. These schedules can be accessed via the Board of Regents web site: <http://www.usg.edu/admin/fiscal/budgets/>.

Note: You will need to select your institution and enter the appropriate Campus Access Code to access this page.

Institutions will be required to submit the following proposed budgets:

1. Education & General
2. Auxiliary Services
3. Student Activities
4. Capital
5. Plant Suspense

Upon completion of the on-line submission, each institution will submit one (1) hard copy of the original budget with the following schedules:

- Schedule A – Student Enrollment Headcount
- Schedule B – Student Enrollment Credit Hours
- Schedule C – Summary of Revenue
- Schedule C-1 – Detail of Revenue
- Schedule C-2 – Detail of Tuition & Fee Revenue
- Schedule D – Summary of Budget Functions by Fund Source
- Schedule E – Statement of Personal Services
- Schedule E-1 – Detail of Institutional Fringe Benefits
- Schedule E-1A – Detail of Institutional Fringe Benefits by Function
- Schedule F – Statement of Non-personal Services
- Schedule G – Summary of Budget Unit



- Schedule G-1 – Detail of Budget Unit
- Schedule H – Nine Month Faculty Salary Summary
- Schedule J – Schedule of Employee Salary Ranges
- Schedule K – Salaries Greater Than \$100,000
- Schedule L – Base Salary Increase Distribution
- Schedule M – Unassigned Balance & Lapse Distribution

8.5.5 Board Approval of Institution’s Original Budget

In June, the Board approves the educational and general budget, auxiliary budget, capital budget, and student activities budget for all institutions.



8.6 Budget Amendment

The budget amendment process is critical to ensuring that expenditures made during the course of the fiscal year are supported by budgets. Failure to amend budgets to meet changing circumstances can result in an overexpenditure of funds and lead to audit findings.

8.6.1 Identification of Funding Sources

Funding Sources are designated by a 5 digit numeric code*, which is used to denote the specific source of funding for both revenues and expenditures.

*** Note:** For institutions using the Georgia *FIRST* model of the PeopleSoft Financials software, the Funding Source is identified by the Classification code.

The standard codes for funding sources are defined in Section 2.1.3, and specified in detail in Section 2.4.

Note: For budget and budget amendment purposes, institutions should use only those codes identified in Section 2.4, or new codes published by the BOR Office of Fiscal Affairs. New funding source codes are sometimes required due to changes in state appropriations, and these new codes must be utilized in budget development before this manual can be revised.

The following listing illustrates sample high-level funding source codes. Obviously, the XXX portion of these examples must be replaced with valid numbers.

- **11XXX** General Operations
- **12XXX** Research Consortium
- **13XXX** Special Funding Initiative
- **14XXX** Lottery Funds
- **15XXX** Department of Administrative Services Indirect Funding
- **16XXX** Major Repair and Rehabilitation Funding
- **17XXX** Governor's Emergency Fund
- **18XXX** Loan Fund Operations
- **41XXX** Departmental Sales & Services
- **42XXX** Auxiliary Services
- **61XXX** Sponsored Operations – Federal
- **62XXX** Sponsored Operations – State
- **63XXX** Sponsored Operations – Local
- **64XXX** Sponsored Operations – Private

Refer to Section 2.4, Funding Source Codes, for a complete listing and definition of each individual funding source code.



8.6.2 Revenue Adjustments

Throughout the course of the fiscal year, various factors necessitate the adjustment of revenue estimates within the budget system. For example, if fall semester tuition exceeded the original budget estimate, the institution would amend its budget to reflect the increased revenues. Revenue estimates should be reviewed and amended on a quarterly basis to reflect projections of either increased or decreased revenue collections during the fiscal year.

8.6.3 Appropriation Amendments

Ultimate expenditure authority within the financial system resides at the appropriation level; i.e., expenditure appropriation authority cannot be exceeded. At a minimum, appropriations exist for personal services and operating expenses. If expenditure authority for any of these categories is to be increased or decreased, the appropriation will need to be adjusted by the budget officers. The sum of the appropriation authority must equal the sum of the revenue estimates for general funds.

8.6.4 Organization Amendments

Individual departments are defined in the financial system as organizations and may be created to more effectively manage revenue collections and expenditures. The sum of the organization budgets must equal the appropriation budgets.

8.6.5 Budget Amendment Submission

Institutions are required to submit **budget amendments** on a quarterly basis to the Board of Regents for review and approval. In preparing the quarterly budget amendment, institutions must reconcile by funding source * the estimated revenues, appropriations, and organization budgets with the Budget Confirmation Report that is distributed by the Office of Fiscal Affairs, as noted in Section 8.6.7 below. Queries and reports within the institutions' financial systems should be used to balance the revenues, appropriations, and organization budgets.

*** Note:** For institutions using the Georgia *FIRST* model of the PeopleSoft Financials software, the funding source is identified by the Classification code.

8.6.6 Budget Amendments Greater than \$1 Million

Any individual budget amendment that exceeds the threshold of \$1,000,000.00 must be noted during the submission of the budget amendment to the Office of Fiscal Affairs and considered separately for approval.

8.6.7 Budget Confirmation Report

Each month, the Office of Fiscal Affairs will send the Budget Confirmation Report to all institutions. This report details all state funds allocated to the institution for the fiscal year.



Institutions should make sure that all funds shown on the Budget Confirmation Report are budgeted in the following budget amendment.

8.6.8 Final Cleanup Amendment

In addition to the quarterly budget amendments, institutions will have one final opportunity to amend their numbers toward the close of the fiscal year, in the last week of June. The objective is to make sure that institutions have sufficient expenditure authority in various line items in the budget, and prevent any over-expenditure in a category. The final amendments are sent to the state Office of Planning and Budgets (OPB), who will then transmit the amendments to the state Department of Audits and Accounts.