

University Budget Office

BUDGET OVERVIEW

Cal State San Marcos uses a decentralized budgeting philosophy in managing campus resources. Each of the divisions supports their respective operating departments in achieving the university's strategic priorities. Division goals and objectives are derived from the strategic priorities and are based on the University's Strategic Plan. A campus base budget is maintained on an ongoing basis as an internal control for the budgeting process. The President determines the use of any incremental changes.

In an effort to maintain existing programs and service levels, as well as fund any new or increased programs and services, a strategic budgeting approach is used by aligning resources with strategic planning. Prior to the distribution of incremental resources, the President's Executive Council determines the funding of any priority items. When the final allocation notice is received from the Chancellor's Office, divisions prepare financial plans for the service-based resources allocated to them. These plans are submitted to the Budget Office for review and posted to the university's financial system.

The budget process is supported by the PeopleSoft Finance software program. This program provides the mechanism for maintaining internal controls to ensure compliance with budgetary policies and CSU system-wide requirements. Financial information is centralized on the PeopleSoft Finance system. Once the initial budget has been posted, the budget transfer process is used to record budget transactions throughout the fiscal year as divisions actively manage their resources.

All university governmental and proprietary fund financial activities are recorded on a modified accrual accounting basis. Financial statements are prepared annually by an outside auditing firm to comply with the State of California's government regulations and Education Code. The campus also prepares combined financial statements in accordance with Generally Accepted Accounting Principles (GAAP) published by the Governmental Accounting Standards Board, which are included in the Annual Report. Legal mandates require cash trust projects to record financial transactions on a cash basis and demonstrate a positive cash flow balance throughout the fiscal year.

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ANNUAL BUDGET PROCESS

The primary objective of the budgeting process is to accurately project available resources and develop strategic business plans for all divisions and programs. The university's annual budgeting process consists of three distinct phases.

Phase I is a comprehensive Mid-Year Budget Review of the current fiscal year's budget and financial activities. The outcome of the mid-year review is critical to the planning and development of the next fiscal year's budget. The objective of the mid-year review is to perform a division analysis of expenditures compared to budget and identify concerns (minimum of \$50,000), either favorable or unfavorable, that may have a significant affect on the current budget. Budgetary adjustments to revenue and expenditure accounts are made as necessary to maintain the financial stability of the annual budget and avoid compromising the financial integrity of the campus.

Phase II is the development of the annual budget for the upcoming fiscal year. Operating Fund allocation estimates are provided by the Chancellor's Office to assist campuses in determining available resources for program funding. The University Budget Office provides allocation targets for use as the basis for developing business plans for the upcoming fiscal year. The Governor's May Revise or final adoption of the State Budget may result in final adjustments to the campus preliminary budget.

Phase III focuses on the Strategic Budget Call in determining specific funding priorities. When funding is available, the University Budget Committee designates a pool of funds to support strategic operational needs. These needs are comprised of objectives that have been defined to support campus strategic priorities, either within a specific division or across the university. They are based on what the campus has collectively determined to be areas where gaps exist between where we are today and where we aspire to be.

Operating Fund Allocations are designated as either base budget or one-time funding classifications. The commitment of base budget resources is essential for funding ongoing expenditures. The University Budget Office maintains base budget and one-time budget allocation records which serve as the starting point for the annual budgeting process for the Operating Fund.

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ANNUAL BUDGET PROCESS (CONT'D.)

The Operating Fund is the predominant fund for financing State operations. It is used to account for ordinary campus operations which are financed from state taxes and other general revenues such as service fees and student fees. Each year the Chancellor's Office allocates both discretionary and mandatory program resources to fund campus operations.

Supplemental Budget Allocations are adjustments to the campus budget received from the Chancellor's Office during the fiscal year. These allocations support funding for additional services or programs and are processed electronically to provide notification to the campus community.

Campus Wide Activity Allocations benefit most (if not all) of the campus. At the time the budget is initially allocated, funds provided for compensation increases, employee benefits, Common Management System (PeopleSoft Implementation), Student Financial Aid and the University Fiscal Reserve are placed in Campus Wide Activities.

Campus Wide Activities maintains two centralized employee compensation pools that provide funding for bargaining unit driven compensation increases and employee benefits. No actual expenditures are recorded in the pooled program accounts – rather budget transfers are made appropriately throughout the fiscal year to fund actual bargaining unit driven compensation increases and benefit costs. The compensation pools are accounted for in Campus Wide Activities until they are allocated. The President has financial oversight responsibilities for all Campus Wide Activities programs and assigns program administrative duties to appropriate divisions.

University Reserve is a contingency reserve, and is set aside for unforeseen needs during the fiscal year. The President oversees this reserve and determines which programs and items to fund. Normally, funding is allocated on a fiscal year basis.