

OPERATING BUDGET POLICIES AND PROCEDURES 2008-2009

INTRODUCTION

This document sets forth the policies and procedures governing the development and management of the University's Operating Budget. The Budget, as approved by the Board of Trustees, authorizes spending in the University's Unrestricted Educational and General Fund Budget.

The Operating Budget does not include restricted funds or capital project funds which therefore are not subject to these procedures. These funds are typically governed by separate University policies, requirements of law or external funding sources.

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STRUCTURE AND PRESENTATION

Budget Lines – Budget lines define the responsibility and function to which budgeted funds have been allocated. Each senior officer's total budget may be comprised of multiple budget lines. Budget lines fall into one of the following four categories:

1. School and College Budget Lines contain funding for the primary teaching, research and service mission of each school or college.

2. Administrative Unit Budget Lines contain funding for the administrative departments of the University.
3. Institutional Expense Budget Lines contain funding for University-wide expenses that are managed centrally.
4. Auxiliary Budget Lines generally operate as self-supporting units that generate revenue from services provided to the University community.

Expenses within the budget lines fall into one of the following three categories:

1. Instructional Compensation - includes salary expenses for full-time and part-time faculty teaching credit-bearing courses and generally excludes fringe benefits.
2. Administrative Compensation – includes salary expenses for non-instructional personnel and generally excludes fringe benefits.
3. General Expense includes all other non-compensation expenses.

ENROLLMENT-BASED BUDGETING

Funding for instructional compensation and a portion of general expenses are derived using an enrollment-based budget model. The underlying principle of this model is that funding for instructional compensation and supplies should be driven by changes in enrollment.

Instructional Compensation -- Budgets for instructional compensation for most schools and colleges¹ are determined by comparing the full-time equivalent (FTE) enrollment with the student faculty benchmark for each school or college. Budgeted FTE faculty lines in each school or college are adjusted, as necessary, to the number of lines calculated through the enrollment-based funding formula each year. Additional lines are funded at the applicable faculty standard rate.

All faculty hiring is governed by University policies and procedures.

Instructional Supplies -- Instructional supply budgets in the schools and colleges consist of two components – (1) the historical base which is the minimum amount of budget funding for the unit, and (2) a variable amount that is determined by enrollment as described below.

Schools and colleges; including professional schools are divided into three groups based on the nature of their program disciplines. An average cost of instructional supplies per FTE student

¹ Professional schools are not subject to that portion of the enrollment-based model related to instructional compensation. They are subject to the component related to instructional supplies.

has been calculated for each group. Funding for each school and college is adjusted at its group's average rate based on annual changes in FTE enrollment. All other elements of the general expense budgets in schools and colleges are adjusted each year on an incremental basis as approved by the President.

AUXILIARY BUDGET LINES

As a general rule, each auxiliary is budgeted to generate revenues sufficient to cover all expenses, approved renewal and replacement and an overhead charge equal to 13% of revenues.

Units with Subsidies from the Operating Budget: Two auxiliaries – Temple Press and Intercollegiate Athletics do not generate sufficient revenues to cover expenses and therefore receive a subsidy from the Operating Budget. Any surplus at the end of the fiscal year is carried over using a 65% carryover rule which is described later in this document. Because these units receive a subsidy they do not pay the 13% overhead charge.

Operating Fund Loan: Charges for debt service cause the University Housing budget line to incur a deficit in its Operating Budget. This deficit is funded through a loan which is scheduled to be repaid in accordance with the following schedule.

Fiscal Year	Repayment Amount
2006 – 07	1,424,690
2007 - 08	1,317,315
2008 - 09	1,717,357

University Housing does not pay the 13% overhead charge. Surplus balances at the end of the fiscal year are retained at 100% by this auxiliary. Temporary off-campus housing arrangements are budgeted within the University Housing budget line and are subsidized by the University.

Units that Provide Support to the Operating Fund – Two units provide operating support to the Budget on an annual basis.

University Bookstores provides \$920,000 to the Operating Budget. Surpluses in excess of this amount – up to a maximum of \$150,000 – are transferred to a reserve fund. Any additional surpluses are then added to a presidential discretionary fund for academic initiatives.

Other Auxiliaries² provides support to the Operating Budget which is projected to be \$843,000 in 2008-2009. After this commitment is met, an amount equal to the lesser of (a) annual surpluses beyond \$843,000 or (b) 10% of revenues is transferred to a reserve fund. All budget surpluses in excess of the initial contribution and reserve transfer are recaptured by the University.

² Other Auxiliaries includes Access Card, Vending and Foodservice.

CARRYOVER OF UNEXPENDED BALANCES

1. Each budget line is generally permitted to carryover 65% of its uncommitted funds at the end of the fiscal year up to a limit of 5% of the budget line. The remaining 35% of uncommitted funds is transferred to the undesignated Educational and General Net Assets of the University.
2. Carryover funds may accumulate from year to year; i.e., any year-end carryover is added to the unspent balance of any prior year carryover.
3. Full (100%) carryover is permitted for the following categories of expenditures:
 - Auxiliary budget lines, except as noted above
 - Technology Transfer (Patents)
 - Grants in Aid
 - Research Incentives
 - Plant Development Fund
 - Academic Equipment Fund
 - Faculty Startup Funds
 - Health Services
 - General Education (Gen Ed.)
4. Unspent balances in Institutional Accounts; except for those listed above, are transferred to the undesignated Educational and General Net Assets of the University.
5. In the event a budget line ends a fiscal year with a budget deficit that shortfall is repaid from either accumulated carryover balances and/or subsequent year budget allocations.
6. Funds that have been properly committed but remain unspent prior to the end of the fiscal year are carried over 100% to cover the commitment.

INCENTIVE PROGRAMS

Several budget lines have the ability to increase their resources through incentive programs which are described below:

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- The **Dental Clinic** expense budget is increased annually by two-thirds of the revenues generated in excess of its 2001-2002 base year. The University retains the remaining one-third.
- The **Podiatry Clinic** budget is increased annually by two-thirds of the revenues generated in excess of its 2002-2003 base year. The University retains the remaining one-third.
- The **College of Pharmacy** off-campus QA/RA program is increased annually by 65% of the revenue generated in excess of its 2006-2007 base year. The University retains the remaining 35%.

Incentive programs are required to cover all annual increases in their expenses.

Summer School Programs operate as a single budget line, but represent courses offered by the schools and colleges. Revenue generated in 2002-2003 for each school and college serves as a base on which summer incentive funding is calculated. To the extent that revenues generated for each school and college exceeds their respective base, incentive funding is provided to that school or college. That incentive is calculated at 65% of the incremental revenue generated by credit hour enrollment over the amount generated in the base year reduced by the change in direct costs of instruction from the base year.

Students are assessed a **Computer and Technology Fee** in the amount of \$125 per semester. The fee is allocated accordingly:

- (a) 20% to the schools and colleges to fund college based technical staff,
- (b) 36% to the schools and colleges to undertake technology innovation in teaching, facilities renewal and to strike a balance between labs, classrooms and staff,
- (c) 36% to a central pool managed by the Vice President for Computer and Information Services to equip instructional technology and software in a single location and to provide for professional staff to assist students with all of the software applications that they need for their educational purposes,
- (d) 8% to a central pool managed by the Vice President for Computer and Information Services to be used by offices and departments that have faculty or student-related technology needs that are not enrollment-based, i.e., Paley, Law and Health Science Campus libraries, Student Affairs, the Teaching and Learning Center, Harrisburg, Disability Services, etc.

Of this 8% allocation, a continuing commitment of \$200,000 to the Libraries' operations is provided as a source of ongoing funding for media and technical support.

DIFFERENTIAL TUITION

Temple University currently has differential tuition rates for programs in the following schools and colleges:

- Boyer College of Music and Dance
- College of Health Professions
- Tyler School of Art
- Tyler School of Art – Architecture
- Fox School of Business
- School of Tourism and Hospitality
- College of Pharmacy

This year an additional tuition differential is proposed for the College of Engineering which will raise tuition rates for undergraduate full-time students by \$400 per year for the next five years and for undergraduate part-time and graduate students by \$13 and \$20 per credit hour respectively for five years.

Differential Tuition will be considered under the following guidelines:

1. An analysis indicating that the cost of instruction exceeds that of other programs at the University,
2. A favorable market that reflects somewhat inelastic demand, comparable pricing levels at peer or regional institutions and recognition of the quality of the program,
3. A plan for the use of the additional revenues that will favorably impact students and the quality of their academic experience,
4. Identification of performance measures that can be used to validate the achievement of potential outcomes for consideration of future adjustments.

The application of any approved tuition differential is subject to the following provisions:

1. A 4.75% reserve of tuition revenue for the Plant Development Fund will apply to all tuition differentials.
2. A 12.51% reserve of tuition revenue for need-based financial aid will apply to all tuition differentials. The financial aid dollars allocated for tuition differentials will be set aside for the school or college earning the differential less an amount to the central pool allowing for students who transfer within the University. This amount will be based upon historical changes.

3. The application of any new or adjusted tuition differential will be over and above the rate of increase for the University.

Revenues from tuition differential will flow to the operating budgets of the schools and colleges in the following manner:

- The revenue is calculated on the basis of student enrollment by category at the applicable tuition rate. Earned revenues – less the provision for need-based financial aid and the plant development fund – are added to a unit’s base budget in a calculation independent of the enrollment-driven portion of the base budget.
- New positions funded by tuition differential revenues are assessed the appropriate fringe benefit rate. Units are responsible for their own incremental increases in general expenses, scholarships and other non-compensation expenses funded from differential tuition revenue.

BUDGET TRANSFERS

Funds may be transferred and used in budget categories other than those enacted in the Operating Budget subject to the following rules:

1. Unused instructional or non-instructional compensation funds may be transferred to non-compensation for non-recurring purposes.
2. Unused instructional compensation funds may be transferred to non-instructional compensation for positions that terminate by the end of the current fiscal year.
3. Non-compensation funds may only be transferred to compensation for positions which terminate by the end of the current fiscal year.
4. Instructional compensation funds for tenured or tenure-track faculty, but not used for that purpose, may be used to employ part-time faculty, or full-time non-tenure track faculty.
5. A dean or officer may reallocate funding among cost centers that are subsidiary to a budget line.
6. No funds may be transferred from a school or college budget line to an academic auxiliary budget line; nor may faculty or staff charged to the regular academic budget line be used to support an auxiliary program except where the regular academic budget is fully reimbursed for those services by the auxiliary.

7. Excess funds earned by auxiliaries offering courses for degree credit may be transferred to the regular academic budget line of the school or college at the discretion of the Dean.

PRESIDENT'S AUTHORITY

The Board of Trustees grants the President authority to manage, modify or amend the Operating Budget as described below.

1. The President may amend the Operating Budget of any or all budget lines.
2. No transfer of funds may be made across budget lines unless the proposed transfer has been approved by the President or his/her designee.
3. The President is authorized to allocate any current, unrestricted revenues in excess of total budgeted revenue. Such expenses may be made for recurring purposes only to the extent that the President deems the increased revenue likely to be recurring.
4. The President is authorized to reallocate any budget savings which occur in central accounts or in any other budget lines; such reallocations and expenditures shall be for non-recurring purposes only.
5. The President is authorized to allocate Undesignated Educational and General Funds created from prior years' uncommitted funds. These funds shall be available for unbudgeted expenses, or to provide for budgeted expenses in the event of a revenue shortfall. Such allocations and expenditures shall be for non-recurring purposes only.
6. At year-end, the President is authorized to allocate any budget surpluses not subject to carryover to such designated projects, purposes, or programs (including capital project accounts) as she may deem in the best interest of the University.