OPERATING BUDGET
POLICIES AND PROCEDURES
FY2015-2016

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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.

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 two categories or buckets:

1. **Compensation** - instructional and administrative salary expenses. This includes full-time and part-time faculty teaching credit-bearing courses and non-instructional personnel. Compensation includes fringe benefits.
2. **Non-compensation** - all other non-compensation expenses.

RESOURCE ALLOCATION
Beginning in FY2015, the University instituted a decentralized budget model also known as responsibility centered management (RCM). The goal of the model is to align authority with responsibility and accountability. The model devolves revenue decisions that had typically been held at the center of the university (e.g., central administration).

Decentralized budgeting allocates the university’s central budgets, which fund institutional expenses and service units such as finance and facilities, to the revenue units, which are the
schools and colleges and business related auxiliaries. As a result, the revenue units will not only cover direct costs but also indirect costs, such as campus safety, the library and student life. The schools and colleges will collect and keep 100% of their revenue, which is made up of tuition and fees, indirect cost recoveries, some portion of the state appropriation, gifts and then any other revenue that they generate.

Units and departments such as finance and campus safety that do not generate revenue are considered support centers. These units support the generation of revenue, and in doing so need to be more accountable to the schools’ and colleges’ needs. This will promote efficiency and focus support units on providing high quality service. For more information regarding the model, please contact the University Budget Office.

CARRYOVER OF UNEXPENDED BALANCES
Certain units may carryover a percentage of their uncommitted year-end funds. The percentage of year-end funds eligible for carryover is different for revenue and support units. Generally, revenue centers are permitted to carryover 100% of their uncommitted balances and support units 65%.

Uncommitted year-end funds that are not carried over are transferred to the undesignated Educational and General Net Assets of the university.

1. Percentage of Carryover
   a. Budget units eligible for 100% carryover include:
      i. Revenue Centers
         1. All schools and colleges
         2. Business Auxiliary Enterprises
      ii. Support Units
         1. Libraries
         2. Health Services
         3. Technology Transfer
         4. Other budget lines as approved by the Vice President, CFO and Treasurer
   b. All support units are eligible for 65% carryover.
      i. The total amount a support unit budget line may carryover is limited to 5% of its operating budget.
      ii. 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.

2. Accumulated Carryover Balances and Required Spending Plans

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1 Bookstore, Parking Operations, The Liacouras Center, Duplicating and Copy Centers, Diamond Dollars and Vending Operations, Residence Halls and Intercollegiate Athletics.
a. For all units, 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.
b. Once a unit’s accumulated carryover balance reaches 5% of its current operating budget, a spending plan is required for the accumulated carryover balance. The plan must be submitted to the responsible officer.
c. Accumulated carryover balances may not exceed 10% of a unit’s operating budget.
   i. Special authorization from the responsible officer and the CFO and Treasurer is required to accumulate carryover beyond the 10% limit.
d. All units, whether granted 65% or 100% carryover, are subject to these accumulated balance and spending plan requirements.

3. Operating Deficits
   a. In the event a unit ends a fiscal year with a budget deficit, that shortfall will be repaid from either accumulated carryover balances, other non-operating balances, and if necessary subsequent years budget allocations.

UNIVERSITY OVERHEAD ASSESSMENTS
As a general rule, university overhead is typically assessed for entrepreneurial activities that occur in funds 105XXX and 101XXX. This assessment is only charged to those funds that report to a non-school/college. Certain business auxiliaries are excluding from the overhead assessment, since those units are part of the decentralized budgeting methodology. Those units are: Residence Halls, Parking, Liacouras Center, Vending Operations (Other Auxiliaries).

The overhead rate is intended to reimburse the University for providing central support and services. The overhead charge is calculated on a sliding scale which is based on annual gross revenue. As gross revenue increases, the overhead charge decreases. The sliding scale is outlined below.

**Sliding Scale**
- A 13.0% overhead charge is applied to the first $200,000 of gross revenue
- An 11.0% overhead charge is applied to the next $300,000 of gross revenue
- An 8.50% overhead charge is applied to all gross revenue beyond $500,000

The overhead charge is assessed on each unit individually. As such, a budget line may not group or combine their auxiliaries for purposes of calculating the overhead charge.

Workshops and seminars (non-credit activity) are assessed an overhead charge based on this sliding scale.

The budget unit in which the auxiliary resides is responsible for offsetting any annual operating loss from accumulated carryover or other eligible funding source.
RESEARCH INCENTIVE - INDIRECT COST RECOVERY (ICR)
The university receives reimbursement for facilities and administrative costs, or indirect costs, associated with external research. This reimbursement, or indirect cost recovery, is allocated directly to the schools and colleges and acts as an incentive to further stimulate and increase external research. Indirect costs recovered will be allocated as follows:

ICR Allocation:
- Deans – 100%
  - Each dean may allocate their share of ICR to their principal investigators (PI) and departments at their discretion.
  - Principal investigators and departments must renegotiate their ICR percentage allocation with their dean at least once every three years or once per grant cycle.

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

- Boyer College of Music and Dance
- Division of Theater, Film and Media Arts
- Tyler School of Art – Fine Arts
- Tyler School of Art – Architecture
- College of Public Health
- Fox School of Business
- School of Tourism and Hospitality Management
- College of Engineering
- College of Science and Technology
- School of Media and Communication

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 robust 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.
5. Survey data to gauge student willingness to pay for additional services that benefit their academic and professional development.

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

1. Reserve of tuition revenue for the Plant Development Fund will apply to all tuition differentials based on the year’s plant fund assessment percentage for FY2016 that percentage is 5.447%.

2. Reserve of tuition revenue for financial aid will apply to all tuition differentials. The assessment for FY2016 on undergraduate tuition will be 17.687% and graduate tuition will be 1.969%.

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

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

1. A dean or officer may reallocate funding among cost centers that are subsidiary to a budget line.

2. Intra-bucket budget transfers are permitted, however, the Budget Office will determine whether such a transfer is appropriate based upon unit’s budget structure.

**FINANCIAL SAFEGUARDS and CONTROLS**
A number of internal and external financial controls are in place to ensure that university funds are safeguarded and prudently managed. Outline below are the internal and external controls that are presently in place.

**Internal Controls:**
- **Position Control** – A formal position control system is used to ensure prior approval of all personnel actions.
- **Transfer of funding between operating and one-time expense categories** – Budget Office review and approval is required to transfer or otherwise use non-compensation dollars to fund on-going or recurring expenditures such as salaries, or graduate assistant tuition and stipends.
- **Monthly budget review** - Each month the Budget Office conducts a review of every department’s budget and finances and produces a budget status report which is then submitted to senior administration. The report helps identify units that may require assistance meeting their financial objectives.
Quarterly financial statements - The Controller’s Office issues quarterly financial statements which are used to highlight items or areas that may require early intervention.

Internal Audit and Risk Assessment - The Office of Internal Audits annually performs a risk assessment and regularly audits operational and financial controls of selected University activities based on an approved five year audit plan. Internal Audits is an integral part of developing control procedures, training and evaluating new system implementations throughout the University community.

External Controls:
The university is subject to no less than ten independent audits annually. These audits ensure that the university’s finances are properly managed and adequate controls are in place. Key external audits include:

- **Financial Statements** - Audit of the consolidated (including TUHS) financial statements conducted by the university’s independent auditor, Deloitte and Touche.
- **990 Audit** – Audit of the university’s form 990, which is an information return filed with the IRS highlighting information related to the university’s finances and operations.
- **Commonwealth Appropriation Audit** - Audit of the university’s Education and General Expenditures in connection with the annual state appropriation.
- **A-133 Audit** – Audit of the federal funds expended by the university.
- **Pennsylvania Department of Education (PDE)** - The University is required to comply with the financial and budgeting guidelines of the PDE. Each fall the university reports its detailed revenue and expenditure budgets along with a host of other financial information to PDE.

The independent rating agencies, Moody’s and Standard and Poor’s, regularly review and report on the financial strength of the university. In their most recent reports, Temple received strong external validation of its financial health from each agency. Additionally, by virtue of the fact that Temple issues debt, bond covenants are in place imposing certain restrictions or controls on the university’s finances.
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, in consultation with representatives of the Board of Trustees, 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.