



OPERATING BUDGET POLICIES AND PROCEDURES FY 2007-08

INTRODUCTION

This document sets forth the policies and procedures that govern the development and management of the University Operating Budget (“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 the expenditure of restricted funds (such as restricted gift or grant funds) or capital project funds and hence they are not subject to these procedures. These other categories of funds typically are governed by separate University policies and requirements by law and external funding sources.

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STRUCTURE AND PRESENTATION

Budget Lines - The Operating Budget is presented by the Executive Officer. The aggregate budget for each senior officer is organized by budget lines. Budget Lines define the responsibility and function to which budgeted funds have been assigned. They may consist of one or more cost centers. Each Budget Line is assigned to a Dean, or University Officer. Some Deans or Officers may have multiple Budget Lines for which they are responsible. The Budget Lines generally fall into the following groups:

1. School and College Budget Lines contain funding for the primary teaching, research, and service mission of each School or College as recognized by the Board of Trustees.

For the most part, funding of instructional compensation is provided in the School or College Budget Lines. As indicated previously, certain activities of Schools or Colleges are funded by restricted resources such as research grants or restricted gift accounts. These activities are not funded in the Budget Line.

2. Administrative Unit Budget Lines contain funding for the administrative operating departments of the University. These Budget Lines include both departments involved in the academic mission of the University -- such as the Provost's Office and the Library -- as well as those that provide support and service to the University community.
3. Institutional Expense Budget Lines fund University-wide expenses that are funded and managed at a centralized manner. Institutional expenses include employee benefits, debt service, and the plant development fund (for capital renewal and replacement).
4. Auxiliary Budget Lines generally operate as self-supporting units who generate revenue from services provided to the University community.

Three general categories of expenses are used within each Budget Line -- instructional compensation, administrative compensation, and general expense.

1. Instructional Compensation - This category includes salary expenses of positions that teach credit-bearing courses at the University. Full-time faculty includes Presidential appointments (tenure and tenure-track), non-tenure track appointments, Special Appointment Faculty, Clinical Educator appointments, part-time (adjunct) faculty, and teaching assistants who are listed as the "Instructor of Record". Instructional Compensation is generally found only in School and College Budget Lines. Instructional compensation expenses generally do not include fringe benefits.
2. Administrative Compensation - This category includes expenditures for salaries of non-instructional personnel. Administrative compensation expenses generally do not include fringe benefits.
3. General expense includes all supplies, contracts, and other non-compensation expenses for the University.

ENROLLMENT-BASED BUDGETING

Funding for instructional compensation and a portion of general expense for most Schools and Colleges are formulated using an enrollment-based budget model. The underlying principle of this model is that these allocations should be driven by changes in enrollment.

Instructional Compensation -- Budgets for instructional compensation for most Schools and Colleges are set based on full-time equivalent (FTE) enrollment, and the respective benchmark student/faculty ratio for that School or College. An FTE student is calculated based on 30 credit hours per year for undergraduate students, and 18 credit hours per year for graduate students.

Student/faculty ratios are applied to enrollment in the University's Schools and Colleges each year to calculate the amount of faculty that should be provided to them. Any additional instructional supply funding is based on the Schools and Colleges FTE enrollment. Most Undergraduate Schools are funded using enrollment-based budgeting; faculty in Professional Schools is funded using the enrollment-based funding model for instructional supplies only.

Fall and Spring semester enrollment for the current academic year are used to set targeted enrollment for each School and College for the subsequent year. For example, the enrollment target for FY 2008 is developed based on actual Fall 2006 and Spring 2007 enrollment. Using this information, the FTE faculty target in each School or College is determined by dividing the number of FTE students by the applicable benchmark student/faculty ratios.

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.

In addition to faculty funding determined using enrollment-based funding formula, additional faculty lines may be funded to meet the needs of special programs or circumstances. These allocations are made based on approval of the President.

All faculty hiring will be governed by established University policies and procedures.

Instructional Supplies budgets -- Instructional supplies budgets in 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 of budget funding that is determined by the formula 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 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. The groups and average rates per FTE students are defined in the following table.

| Group 1 Science and Science-Based Disciplines (\$257 per FTE student) | Group 2 Fine Arts and Health-Based Disciplines (\$212 per FTE student) | Group 3 Social Sciences and Social Science-Based Disciplines (\$111 per FTE student) |
|--|---|--|
| <ul style="list-style-type: none"> • College of Science and Technology • College of Engineering • School of Medicine • School of Dentistry • School of Pharmacy • Ambler College • School of Podiatry | <ul style="list-style-type: none"> • School of Communication and Theater • Boyer College of Music and Dance • Tyler School of Art • College of Health Professions | <ul style="list-style-type: none"> • Fox School of Business and Management • College of Education • School of Tourism and Hospitality Management • College of Liberal Arts • School of Social Administration • Beasley School of Law |

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.

Mid-Year Budget Adjustments -- The Budget Office compares actual enrollment for both the Fall and Spring semesters to the prior year enrollment for budget purposes. Schools or Colleges with increases in enrollment from the budgeted FTE receive additional faculty lines funded at the respective part-time faculty salary rate. Schools/Colleges whose enrollment falls below the enrollment target by more than 1% incur a reduction in faculty lines, after allowance for the 1%, calculated at the part-time faculty rate.

Each year, an adjustment is made to School and College budgets to maintain the same ratio established in FY 2002 for full-time to part-time faculty lines. Funding adjustments are made using the faculty standard rates (full and part-time respectively) to maintain the ratio benchmark.

AUXILIARY BUDGET LINES

As a general rule, each auxiliary is budgeted to generate revenues sufficient to cover all expenses, approved renewal and replacement funds, and an overhead cost charge to the University equal to 13% of revenues. This provision is applicable to the following auxiliary units:

1. Academic auxiliaries:
 - Self-Supporting Law Programs,
 - Self-Supporting Business Programs,
 - Temple University Rome,
 - College of Education Jamaica Program,
 - School of Communications and Theater London Program, and

- Certificate of Fellowship in Podiatric Medicine and Surgery.
2. Workshops and Seminars
 3. Duplicating and Copy Services
 4. Parking Operations
 5. The Liacouras Center

Exceptions to the general rule exist for certain specified units, and are described below.

Units with Subsidies from the Operating Budget -- Two auxiliaries – Temple Press and Intercollegiate Athletics do not generate sufficient revenue to cover their actual costs. These auxiliaries receive a subsidy from the Operating Budget and they are required to operate within that subsidy. This subsidy is not adjusted for inflation or any other factors, except as approved by the President. Any surplus of revenues over expenditures 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 cost.

Operating Fund Loan -- Expenditures for the University Housing budget line include debt service costs associated with the renovation of Temple Towers and the 1300 Building. This expense initially resulted in a loss that was funded by the Operating Budget as a loan 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, but are subsidized by the University.

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

University Bookstores provides \$870,000 to the Operating Budget to help cover costs. Surpluses in excess of this amount – up to a maximum of \$150,000 – are transferred to a reserve for use at the discretion of the Associate Vice President for Business Services to meet the needs of Auxiliary Units for which he/she is responsible. Any further surpluses are added to a presidential discretionary fund for academic initiatives.

The Other Auxiliaries Budget Line provides \$776,000 in operating support to the University’s Operating Budget. After this commitment is met, an amount equal to the lesser of (a) annual surpluses beyond \$776,000 or (b) 10% of revenues is transferred to the Office of Business

Services as a management fee to be used at the discretion of the Associate Vice President to meet the needs of Auxiliary Units for which he/she is responsible. All budget surpluses in excess of this management fee and University contribution are recaptured by the University.

CARRYOVER OF UNEXPENDED BALANCES

1. Each Budget Line generally is 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 will be permitted for the following categories of expenditures:
 - Auxiliary Budget Lines, except as noted above
 - Patents
 - Grants in Aid
 - Research Incentives
 - Overhead Recovery Incentive
 - Academic and Computer Equipment funded from the Computer and Technology Fee
 - Plant Development Fund
 - Equipment Fund
 - Faculty Startup Funds
 - Medical School Enhancement Fund
4. Unspent balances in Institutional Accounts except for those listed above; are transferred to the undesignated Educational and General Net Asset of the University.
5. Officers and Deans are expected to manage their budgets in a responsible and prudent manner to ensure that deficits do not occur. In the event a Budget Line ends a fiscal year with a budget deficit, that shortfall is repaid from either current year carryover balances and/or subsequent year budget allocations. This repayment will be performed by the University Budget Office.
6. Funds that have been properly committed but remain unspent prior to the end of the previous fiscal year are carried over 100% to cover the commitment. I.e., obligations incurred in prior years shall be funded by prior years' budgets and not the current budget.

INCENTIVE PROGRAMS

A number of Budget Lines or elements within budget lines operate as incentive programs, with additional funding provided to the Budget Line if revenues derived from operations exceed target amount. These programs are described below:

- Beginning in FY 2001 – 02, the **Dental Clinic** expense budget is increased annually by two-thirds of the revenues generated in excess of that 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 base year of FY 2002 – 03, with the remaining one-third returning to the University.
- The **College of Pharmacy** Off-Campus QA/RA program is increased annually – beginning in FY 2007 – by 65% of the revenue generated from the program in excess of its baseline level of enrollment. That baseline is set at 85% of FY 2007 enrollment levels.

Programs operating as incentive programs are required to cover all incremental expenses associated with the programs from the increased budget authority.

Other Matters -- Summer School Programs operate as a single Budget Line, but represent courses offered by Schools and Colleges. Revenue generated in FY 2002 - 03 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 or college exceeds the 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. OF this amount, \$25 is proposed as an increase for FY 2008 and will be allocated directly to Schools and Colleges for technical staff. The remainder of the fee is allocated

- (a) 45% to the Schools and Colleges to undertake technology innovation in teaching, renew their existing facilities, and strike a balance between labs, classrooms, and staff,
- (b) 45% to a central pool managed by the Vice President for Computer and Information Services to equip instructional technology and software in a single location (on each campus) and to provide for professional staff to assist students with all of the software applications that they need for their educational purposes, and
- (c) 10% 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 units, i.e., Paley, Law and Health Science Campus libraries, Student Affairs, the Teaching and Learning Center, Harrisburg, Disability Services, etc.

These departments are required to submit an annual request for projects to be funded from this fee. Of this latter 10% allocation, a continuing commitment of \$200,000 to the Libraries operations is provided as a source of ongoing funding for media and technical support in that Budget Line. Carryover of these funds and projects to which they are allocated is 100%.

DIFFERENTIAL TUITION

Temple University has differential tuition rates for programs in the following schools;

- Boyer College of Music and Dance
- College of Health Professions
- Tyler School of Art
- Tyler School of Art -- Architecture

Beginning in FY 2008, additional tuition differentials have been proposed for the College of Pharmacy, the Fox School of Business and Management and the School of Tourism and Hospitality Management.

The following sets of principles apply to the implementation and management of a program with differential tuition rates charged to students.

Proposals for Differential Tuition should include the following:

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. Identifications 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 revenues including tuition differentials.

2. A 12.51% reserve of tuition revenue for need-based financial aid will apply to all tuition revenues including tuition differentials. The financial aid dollars earned above will be set aside for the school earning said dollars 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 (i.e. if the University sets increases in rates at 4%, any new differential will be applied over and above the base rate of increase),
4. The Tuition Committee may recommend to the President an approximate maximum (the total increases in any year including the University adjustment and the differential shall not exceed a specified rate) that might be applied in any given year. Proposed maximums for undergraduates, graduate students and professional students will be considered separately.

Revenues will flow to the operating budgets of Schools and Colleges in the following manner:

- The revenue is calculated on the basis of student enrollment by category at the applicable tuition rate. The calculation is performed at the same time that the enrollment adjustments are applied to the enrollment-based budget (e.g. fall end-of-semester and spring mid-semester). 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 on the revenue-based portion of a unit's budget are assessed the appropriate fringe benefit rate. Units will be responsible for their own incremental increases in general expenses, scholarships and other non-compensation budgets funded from differential tuition revenue.

Schools and Colleges with previously approved differential rates will be managed using these same principles beginning with FY 2008.

BUDGET TRANSFERS

Funds may be used in Budget Categories or Budget Lines 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; such transfers will require the approval of the Budget Office.

3. Non-compensation funds may only be transferred to compensation for positions which terminate by the end of the current fiscal year; such transfers will require the approval of the Budget Office, and the Budget Line will be responsible for any required fringe benefit costs as well as the salaries for persons employed with non-compensation funds.
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. Hiring will be limited to those positions included in a unit's approved budget; hiring any other positions must be authorized by the Budget Office pursuant to the Position Control System.
6. A Dean or Officer may reallocate funding among cost centers that are subsidiary to a Budget Line.
7. Transfer of funds from one Budget Line to another Budget Line will require a) the approval of the responsible Senior Officer and b) a written request detailing the amount of the requested transfer and the reason(s) for the request to the Budget Office.
8. 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.
9. Excess funds earned by auxiliary 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 based on actual increases or decreases of enrollment compared to budget, or based on events giving rise to unforeseen increases or decreases in revenues or expenses.
2. No transfer of funds may be made across Budget Lines, as defined above and approved by the Board of Trustees, unless the proposed transfers have been approved by the President or his/her designee.
3. The President is authorized to allocate and cause to be spent 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 and cause to be spent budget savings which occur in central accounts, or in any other Budget Lines for which funds have been provided based on expectations which have not come about, thus resulting in uncommitted funds; such reallocations and expenditure shall be for non-recurring purposes only.
5. The President is authorized to allocate and cause to be spent 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, at the discretion of the President; such allocations and expenditure shall be for non-recurring purposes only.
6. At year-end, the President is authorized to allocate any budget surpluses not subject to carryover (as described above) to such designated projects, purposes, or programs (including capital project accounts) as he/she may deem in the best interest of the University.