

SOP-BUDGET DEVELOPMENT**SOP ID:** LIU-F-B-1001**POLICY TYPE:** F I N A N C E**RESPONSIBLE OFFICIAL TITLE:** VP Finance and Treasurer**RESPONSIBLE OFFICE:** Budget Office**I. STANDARD OPERATING PROCEDURES****1. Purpose**

Each year, the Budget Office develops the LIU enterprise wide General Fund budget for the upcoming academic & fiscal year, which is subject to approval of the BOT. Once approved, this budget is communicated to all key constituents, and forms the basis of guiding & evaluating financial activities for the upcoming academic & fiscal year.

The University's comprehensive planning and budget development processes ensure that resources are adequate to support academic and administrative operations and are aligned with each other by first ensuring that they align with the LIU Mission, the LIU Strategic Plan, the LIU Master Plan, and the LIU Bylaws. The University has comprehensive planning processes, resources, and structures that are aligned to ensure sufficient resources necessary to fulfill LIU's mission and goals. The University's integrated planning and budgeting infrastructure ensures that all University constituencies collaborate toward this shared objective in both a "top-down" and "bottom-up" manner.

2. Scope

The scope of this SOP is the annual LIU enterprise wide General Fund budget development process, as performed by the Budget Office within the Finance Division.

To provide transparency and visibility into this key area, the intended audience of this SOP is all LIU students, faculty and staff members.

3. Prerequisites

The following list of prerequisites should **not** be considered all-encompassing. All relevant information that may have a material impact on the budget should be gathered **prior** to initiation of the budget development process.

Current versions of the following documents:

- Current LIU strategic plan document.
- LIU enterprise wide detailed profit & loss projection document, updated with (As recorded in the general ledger) :
 - Finalized prior fiscal year historical activity, as of year-end.
 - Current fiscal year activity & projections, as of most recent month end close.
- LIU enterprise wide salary document, including all budgeted & unfilled positions.
- Signed contracts between LIU and outsourced service providers/functions.
- Current collective bargaining agreements.
- Current fiscal year enrollment activity & projection.

- Budget proposals (Personnel and general expenses) from Division Heads/Vice Presidents/Business Unit Owners

Information regarding other anticipated/planned key factors:

- National & regional enrollment trends.
- Academic:
 - Campuses, programs, colleges, and/or schools that will be either newly created or sunset.
 - Programs targeted for additional growth to support the needs of LIU's students.
 - Programs requiring additional support to achieve or maintain accreditation.
- Scholarships
 - Authorized institutional aid.
 - Endowed/restricted scholarships and unrestricted endowment support.
- Auxiliary & other income sources:
 - Dormitory occupancy & meal plan usage.
 - New business ventures or enterprises.
 - Income from contractual obligations.
 - Athletic revenues & fundraising.
- Private gifts
 - Anticipated restricted & unrestricted gifts.
- Government grants and contracts
 - Federal & state institutional aid.
 - Grant (research & non-research related) revenue.
- Investment income
 - Endowment balance & current spending policy.
 - Interest on cash balances.
- Personnel & general expense:
 - Critical position listing, including those positions required to support Academic and other factors listed previously.
 - Merit and contractually obligated salary & wage increases.
 - Forecasted benefit increases from actuaries or other providers.
 - Contractual obligations with outsourced service providers/functions and other recurring third party vendors (including incremental increases).
 - Personnel & general expenses required to support other previously listed key factors.
- Other Expenses:
 - Key accounting estimates (Depreciation, interest, bad debt expense, others).
- Other Factors:
 - Changes in internal reporting, accounting standards, financial or other laws & regulations.
 - Budget revisions requested throughout the year.

4. Responsibilities

The following personnel play key roles in execution of this SOP:

- Finance Division Key Constituents
 - **VP of Finance**-Overall executive sponsor; guides the budget development process; interfaces with senior leadership to ensure key priorities are reflected in the budget.

- **Finance AVP/ Budget Director & Budget Office**-Overall project owner & manager; development of detailed budget with supporting schedules and analyses; vetting & approval of all budget proposals from other key stakeholders; validation the budget system accurately reflects the approved budget and any approved revisions.
 - **Other Finance AVP's**-Provide budget proposals for aspects of the budget they are directly involved with/are responsible for.
 - **Other Finance personnel**-Develop supporting schedules and analyses under the direction of the VP of Finance and the Budget Director; update the budget system to accurately reflect the approved budget and any necessary adjustments/revisions; provide input for key components of the budget.
- Other Key Constituents
 - **President's Office**-Overall input as to key items to be reflected in the budget.
 - **Division heads/Vice Presidents/Business unit owners**-Provide budget proposals for their respective areas; adjust/revise proposals based on feedback from the Budget Office, senior leadership, and faculty.
 - **Faculty & VP's of Academic Affairs** -Provide direction and input regarding all academic related aspects of the budget.

5. Procedure

Overall, the budget development process occurs continuously throughout the year. Specific attention is given to finalizing the budget approximately one week prior to the B&F Committee meeting where said budget, along with supporting board resolution, will be presented (Currently **May**).

All activities listed below are performed by the Budget Office, unless otherwise specified.

All draft budgets and adjustments/revisions occur at the individual department and general ledger account level, unless otherwise specified.

- All of the information specified in the “Prerequisites” section of this SOP is gathered at the mid-point of the current fiscal year (Currently **February/March**), either directly or through contacting other key constituents (most importantly budget proposals).
- A mid-year “snapshot” of the current year budget is taken, which combines actual activity to date plus projected activity through year-end. This forms the initial basis for the budget under development.
- The mid-year “snapshot” is updated for all items mentioned in the “Prerequisites” section of this SOP, in the following order:
 - Revenues (From largest to smallest NACUBO category): To identify resources available to support potential expenses.
 - Expenses (From largest to smallest NACUBO category): As informed by available revenue, expected expenses required to generate said revenue.
 - Transfers.
 - This output represents the “initial budget”.

- After the initial budget has been updated, a review of the initial budget is performed by the Budget Director & VP of Finance, overall, by NACUBO category, and by underlying department. The objective of this review is to ensure the budget:
 - Accurately reflects all anticipated revenue, expense and transfer activity;
 - Provides sufficient resources to achieve:
 - Short term tactical department/division/business unit needs;
 - Medium term targets & growth objectives;
 - LIU's long term, enterprise-level strategic plan.
 - Initial adjustments are made as deemed appropriate, and the output presents the "1st draft" budget.
 - The budget system is updated to reflect the 1st draft budget.
- The 1st draft budget is shared with all key constituents identified in the "Responsibilities" section of this SOP.
 - Detailed budget planning meetings are held to review budgets with key constituents at the department level, and discuss any differences between constituent proposals and the 1st draft budget.
- The key constituents provide updated proposals & other 1st draft budget feedback to the Budget Office.
 - Additional adjustments are made as deemed appropriate.
- The Budget Director & VP of Finance performs a 2nd review, and the output represents the "2nd draft" budget.
 - The budget system is updated to reflect the 2nd draft budget.
- The 2nd draft budget is shared with key constituents, as needed, to review any additional adjustments made.
- A final review is performed by the Budget Director, VP of Finance, and the President's Office, in the same spirit as the 1st review.
 - Any final adjustments are made, and the output represents the "proposed board budget".
 - The budget system is updated to reflect the proposed board budget.
- The summary board budget is presented by the VP of Finance to the B&F Committee and the full Board of Trustees (Currently **May**).
 - The board will vote on a resolution to approve or deny the proposed board budget.
- Once approved the "proposed board budget" becomes the "approved board budget" and will be reflected in the budget system as the "original budget".
- A detailed review of the reports produced from the budget system is performed to:
 - Recalculate all allocations;
 - Identify departments to be closed;
 - Other administrative "clean-up" type items.

- Budget reports containing the approved board budget are provided to Division Heads/Vice Presidents/Business Unit Owners for their respective areas (Currently **June**).
 - These constituents have discretion to request budget revisions within their areas, based on changes in facts & circumstances from their initial budget proposals and reviews.
 - These revisions, once approved by the Budget Office, will be processed and be reflected throughout the year as the “revised budget”.
 - This process is further documented in SOP LIU F-B-1002 Budget Management.
- Beginning at the start of the new fiscal year (Currently **September**) and continuing throughout the entire fiscal year, divisional, departmental, and other budget reports (containing budgeted and actual activity) are provided automatically by the budget reporting system on a regular basis.
 - Division Heads/Vice Presidents/Business Unit Owners/Deans/Departmental managers may initiate budget revision/transfer requests.
 - Once approved by leadership and the Budget Office, these revisions will be processed and be reflected throughout the year as the “revised budget”.
 - This process is further documented in SOP LIU F-B-1002 Budget Management.

6. *References*

- LIU policies & procedures.
- NACUBO accounting guidelines.

7. *Definitions*

B&F Committee-Budget & Finance Committee of the Board of Trustees.

BOT-Full Board of Trustees.

Budget Phases:

- Initial budget- Starting detailed budget for upcoming fiscal year, based upon current fiscal year actual activity to date, projected activity through year end, and inputs mentioned in “Prerequisites” section.
- 1st draft budget-Initial budget with adjustments based upon Budget Director & VP of Finance review.
- 2nd draft budget-1st draft budget with adjustments based upon key constituent review.
- Proposed board budget-Summary budget reflecting all inputs & feedback captured in creation of the initial, 1st and 2nd draft budgets.
- Approved board budget-Proposed board budget following BOT approval.
- Original budget-Approved board budget, as reflected at a detailed level in the budget system.

- Revised budget-Budget reflecting adjustments to the detailed original budget, made during the fiscal year, as requested by key constituents and approved by the Budget Office.

NACUBO-National Association of College and University Business Officers. NACUBO promulgates common financial standards & practices widely used by higher education institutions.

LIU-Long Island University or the University.

SOP- Standard Operating Procedure.

VP-Vice President.