

# Budget Basics for Chairs

Planning and managing the department budget is one of the department chair's most important responsibilities. Not because this is exceptionally difficult, or that other administrative staff members cannot do it, but because strategic planning, resource allocation, and departmental mission and goals are inextricably linked. A chair should strategically understand the overall vision, mission, goals, financial needs, problem areas, and changing milieu in which his or her department operates and approach budget planning as a strategic activity to address the department's dynamic mission and requirements.

## **Strategic Planning vs. Monitoring**

The budget is a tool to direct resources for the accomplishment of the department's mission and goals. Just as the mission and goals change from time to time, so must resource allocations. The budget is a reflection of the strategic plan and a predictive tool that the chair can use to influence change. This forward-looking approach to fiscal management is different than simply monitoring budget reports to make sure expenses are less than or equal to allocations.

The campus has online tools available to help develop and monitor the department budget. The [Campus Budget Information Gateway \(C-BIG\)](#) is the tool to use to input the department budget and to subsequently review quarterly variance reports that compare actual to planned expenditures. The [Online Financial System Reports \(OFSR\)](#) system enables review of all department cost centers, their appropriations and their operating balances. By reviewing regular budget reports, a chair can monitor the rate of expenditure, assess department efficiency, analyze planned versus actual expenses and identify problem areas. End-of-year reports are especially helpful in planning for the following year's budget, because one can see where reality deviated from planned expenditures and steps can be taken to realign resource allocations, including personnel and funds.

## **Get to Know Your Budget Administrator**

In many departments the budget is handled by a seasoned department administrator, who will replicate the prior year's budget allocations unless directed to do otherwise. Your administrator can be your greatest ally and advisor in dealing with the budget. Discuss the budget process with your administrator. Develop an understanding of what funds are allocated where and what level of flexibility exists for reallocation or transfers across categories. Ask about the areas of the budget that are problematic from year to year. While your administrator is quite capable of developing and monitoring the budget, the department chair has fiduciary responsibility for oversight and efficient use of funds, as well as responsibility for managing departmental resources to achieve the department's changing mission and goals.

## **Most Faculty Want More Budget Transparency**

In helping faculty to understand the budget and how monies are spent, it is helpful to tie allocation of funds to the department's vision, mission, goals and changes in direction that are precipitated by outside forces and/or internal strategy decisions. By communicating with faculty and developing an overall understanding of where the department is now and its future

direction, faculty members can better understand why more or less funding is being allocated to programs or personnel in different areas. It is also helpful to provide a division or school-level understanding of vision, mission and goals, to help place the department's budget allocation in the larger context. Building from this base of overall understanding, a chair can provide faculty members with periodic updates on the budget, what has been allocated and why, what has been spent to date and what funds remain.

### **Department Accountability & Outcomes**

As chair, it is important to understand how well your department is utilizing its resources. There are a number of metrics that you should review regarding departmental accountability and outcomes. For example: time to degree, continuation rate, graduation rate, placement of doctoral students and faculty teaching loads. Consider the curriculum and the number and type of courses per year required to graduate the number of accepted majors in a timely way. If enough courses are not offered in the necessary sequence, consider making adjustments to teaching load. In addition, consider the cost per course or cost per major, including the total personnel, equipment and operating costs. Consider these costs in light of the number and type of students (undergraduate/graduate) enrolled in each course, section or major. Areas in which the department is spending far more per course and/or per student should be identified and considered.

### **Time is Money**

Managing the department resources includes management of people's time. Ultimately the chair is responsible for the way in which faculty, other academic personnel and staff member's time is allocated to courses, committees and other departmental tasks. Ensuring that time is being used efficiently and that tasks, committees and courses are allocated reasonably and fairly makes for a more efficient and harmonious department. Understanding your faculty and staff member's

individual skills, knowledge and experience will greatly enhance your ability to make assignments for courses, committees and other tasks in the most effective manner. It is also important to remember that time directed away from research and teaching will reduce the quality and quantity of scholarly work produced by the department, and in individual cases, may impact faculty advancement opportunities. Balancing departmental needs and individual needs in assigning work is an important aspect of the chair's job.

### **Working with the Dean**

While a department's budget will have some flexibility within it, larger changes typically require additional funding from the dean. Before going to the dean for a funding request, a chair should be ready to provide evidence for how the funding will improve quality or address critical aspects of the department, division and institution's core mission. It is always useful to come prepared with an explanation of what you can do within your department's funding and present concrete ideas for cost sharing that will further the overall goals of the division or school. Managing resources can be an exercise in creativity and should be approached as both a negotiation and creative brainstorming with the dean.

### **Revenue Generation**

There are other ways to increase your department's budget besides asking the dean for more money. Increasingly, chairs are being called upon to participate in external fundraising for their departments. (This subject will be addressed in a future Chair Forum.) In addition to seeking external gifts and endowments, departments may be able to increase their revenue through Summer Session programs or securing grants. It may be possible to partner with other departments or centers to develop programs more likely to attract summer students or outside funding. In an environment of decreasing state funding, increasing your department's revenue stream requires creativity and an entrepreneurial spirit.

*it is important to understand how well your department is utilizing its resources*

## Examples of Types of Income or Revenue Accounts

- General Fund/19900 (permanent and temporary)
- Indirect Cost Recovery (ICR)
- Campus Special Commitments (Temporary)
- Differential Fee Income (temporary)
- Academic Senate/OID Grants
- Sales & Services (Temporary)
- Gifts and Endowment Income
- Contracts & Grants
- Dean's Commitments (temporary)
- Academic Salary Savings
- Summer Sessions Revenue

## Examples of Types of Expense:

### Personnel:

- Ladder FTE
- Academic Coordinator
- Salary Temporary Faculty
- Administrative Ninths
- Administrative Stipends
- Salary Buy-outs (from other Depts.)

### Operating:

- Faculty Recruitment
  - New Faculty Transition
  - Faculty Setups
- Student Recruitment
- Faculty Support
- Student Support
- Career/Casual Staff
- Research Staff
- Programmatic /Research
- Faculty Development
- Staff Training
- Travel
- Equipment
- Communications (phone/fax/mail/Internet)
- Copying/Printing
- Computer Software and Services

## Expense Category Identifiers–Sub Codes

00	Salaries- Academic
01	Salaries – Staff
02	General Assistance
03	Supplies and Expense
04	Equipment and facilities
05	Special items
06	Employee Benefits
07	Special Items
08	Special Items
09	Recharges to other Departments
9H	Overhead
9X	Overhead

## Glossary of Terms

**Appropriations** - Budgetary provisions against which expenditure transactions are made or allocations made at the functional or college level which will be reallocated to a department level prior to spending. Budget provisions are established against commitments made by the State, Federal agencies, private gift and grants to provide funds, and against other sources of funding such as student fees, endowment income and income from self supporting activities. Transactions affecting appropriations appear as Type Entries 11, 12, 13, 14 and 15 on the Detail General Ledger.

**Campus Budget Information Gateway (C-BIG)** - C-BIG is a web-based, campus-wide budget application, built on the Hyperion platform. The application allows for budget input and review, as well as quarterly variance reporting and analysis. C-BIG was first used by the campus for the FY2005/06 budget cycle. <http://www.apb.ucla.edu/cbig.html> ([cbig.ucla.edu](http://cbig.ucla.edu))

**Course Buy-Out**- When a faculty member uses a source of funds (usually contract and grant funds) for release time from teaching a course, usually calculated as a percentage of the total faculty's course load.

**Deficit** - The condition where total expenditures and encumbrances exceed an appropriation amount for a given Account/Cost Center Fund Sub. Also known as overdraft.

**Department Code** - a 4-digit code, an attribute of the account number that identifies the fundamental unit (the department) in the Organizational structure of the campus. Departments generally report to a department chair or administrative officer and perform a unique function for the campus as a whole. Each detailed transaction that enters the financial system is linked to the department and other levels of the hierarchy by the departmental code, permitting detailed as well as summary reporting for each organizational unit.

**Division** – A 4-digit code maintained within the financial system that identifies and categorizes major areas on the campus. These divisions generally report to a divisional dean, an associate or assistant vice-chancellor or their equivalent.

**Encumbrances** – Detailed transactions or balances for a given Account/Cost Center/Fund/Sub-Object that reflect the University’s legal obligation to pay for goods or services ordered through a formal purchase order or various maintenance, consultant, rental and lease agreements. These are also commonly called “liens” but should not be confused with Memo Liens. If a purchase order or agreement is subsequently cancelled, the lien on the funds is released and they return to the department fund.

**Fiscal Closing** – As prescribed by the State of California, the University’s fiscal year begins July 1 and ends June 30. During the annual fiscal closing, the results of UCLA’s operations for the year must, by law, be compiled, summarized and subsequently incorporated into the University’s Annual Financial Report. While the Accounting Office has the primary responsibility for the fiscal year end process, each campus department has its own responsibilities, as well.

Each fiscal year the budget is closed on June 30 and a new Fiscal Year budget begins July 1. Funds do not automatically flow from one fiscal budget to the next. Typically the 30 days prior to the close, budget administrators go through a process to “close out” the budget. This involves moving surpluses from some accounts to cover deficits in other accounts, as well as general auditing and cleaning up of accounts. During this time the carry forward process occurs, in which unspent funds may be earmarked for future use in the next fiscal year. Typically the actual budget is not provided to each department on July 1, but may take 1-2 months before it is officially available.

**Ledger Balance** – The total appropriation less the total expenditures and less the total encumbrances for a

given Account/ Cost Center/ Fund/Sub-Object on the “Expenditures: Sub-Object Summary” section of the Detail General Ledger. As applicable these balances are shown for both “Inception Date” and/or “UC Fiscal Year to Date.”

**Memo Liens** – Detailed transactions or balances for a given Account/Cost Center/Fund/Sub-Object that represent an unofficial commitment for spending requests that have not yet been approved or encumbered.

**Non-PEAR (Non Payroll Expenditure Adjustment Request)** – The purpose of the Non-PEAR is to provide an instrument for departments to adjust charges and/or other financial transactions on the general ledger that can be fully explained, justified and approved.

**Online Financial System Reports (OFSR)** - Provide users with an easy mechanism for retrieving payroll expense distribution and committed salary expenditure data in a standard format from the Personnel Payroll (PP) Query Database (QDB). Users must have QDB access and Employee Data Base (EDB) Inquiry access. <https://i4w.ais.ucla.edu/ils/login.aspx?izApplID=edu.ucla.ais.fs>

**Operating Balance** – The ledger balance less the memo lien total for a given Account/Cost Center/ Fund/Sub-Object on the “Expenditures: Sub-Object summary” section of the Detail General Ledger. When applicable these balances are shown for both “Inception to Date” and UC Fiscal Year to Date.”

**Permanent Funds**—Funding which is renewed each year. E.g., general funds, endowment funds.

**Signature Authorization** – A formal responsibility for approving budget financial and personnel transactions against specified accounts and funds.

**Temporary Funds**—Funding received on a one-time-only basis.

## Resources:

Chou, Don. (2006). *The Department Chair Primer*. Bolton, Massachusetts: Anker Publishing Company, Inc.

Hecht, Higginson, Gmelch, and Tucker. (1999), *The Department Chair as Academic Leader*. Phoenix, Arizona: American Council on Education Oryx Press.

UCLA Accounting Handbook