

“Follow the money!”  
Deep Throat in All the President’s Men, 1976

## Departmental Budgeting<sup>1</sup>

### Introduction

Your allocation of resources – in particular, money – reveals your department priorities and implementation strategies more clearly than most of your actions and all of your rhetoric. Here is a common exchange between chair and dean.

Chair: I believe strongly that “A” is of the utmost importance.

Dean: But then why do you spend all your money on “B”?

Your allocation of resources is one of your major tools in driving the development of your unit. You should focus on formulating a budget designed to achieve planned goals and to meet obligations.

There are several reasons mismatch occurs between priorities and allocations. Do any of the following scenarios apply to you?

- You have just become chair and the previous chair has explained, “This is how we’ve done the budget for 20 years. My advice is: don’t change it.”
- You leave budgeting to your Administrative Assistant and Office Manager.
- By the time you are finished satisfying individual faculty demands for travel, photocopying, etc., you find there is little money left to devote to other items of importance.
- You overspend the dean’s allocation each year.
- You have quite a bit of money left in your budget each year.
- You do not see your priorities reflected in the budget.
- You don’t plan a budget at all. You just spend money as the year progresses and demands materialize. When the money is gone, it’s gone!
- When people ask if you have enough money to get through the rest of the fiscal year, you are never quite sure.

No chair wants a mismatch between budget and academic priorities. Equally important, no chair wants a budget shortfall. We will discuss how to devise a budget that reflects your unit’s academic priorities and that respects the dean’s allocation to your unit.

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<sup>1</sup> Written by Joe Glover, Provost and Senior Vice President, University of Florida

## The Color of Money

Money on the university campus comes in different colors or categories. The most common ones the chair deals with are:

- OPS
- OE
- Salary
- IDC/Department Overhead
- Foundation funds

The acronym **OPS** stands for “Other Personnel Services.” These funds may be used to hire the services of temporary workers, including graduate assistants, adjunct faculty, graders, and temporary office help. Many chairs receive lump sums of OPS money to be allocated to help fulfill the manpower needs of the department.

The acronym **OE** stands for “Operating Expenses,” and, as you may expect, these funds are used to pay for various charges incurred in daily operations. For example, telephones, faculty travel, computers, furniture, publications, photocopying machines and supplies all fall into this category.

In some institutions, the dean gives chairs specific allocations of OPS and OE funds. It is possible to “trade” funds between categories. You should find out whether you have complete freedom to trade between your two allocations or whether you need to have the dean’s permission to exchange funds.

**Salary** funds are those funds used to pay for staff and faculty on “lines.” In general, each line is allocated specifically by the dean, and, in general, chairs do not have latitude to use salary money for any purpose except to pay the designated salary in the designated line. If salary money is liberated in some fashion, e.g. by a faculty member going on unpaid leave, the dean may return some or all of it to the department as OPS or OE funds. You should understand what policies may exist in your college to provide automatic returns from liberated salary funds. For example, one college has a policy that returns to the department 40% of salary funds liberated by unpaid leaves. Another university has a policy that returns to the department \$7500 per semester for a faculty member on a sabbatical. These returns can be an important way to augment your base OPS and OE budgets.

The acronym **IDC** stands for Indirect Cost Returns. IDC is charged on many grants from state and federal agencies. Depending on your university and college policy, your department may accumulate a portion of the total IDC charges from individual faculty grants. In general, this money should be used in furtherance of the grant purpose, usually for support of research. This can include support of the department research infrastructure. Normally, it can be used as either OPS or OE money.

Your university has a Foundation that seeks gifts to the institution from private donors and agencies. You may have one or more Foundation accounts at the department’s disposal. These are precious funds, since they can be used for a variety of purposes that other state funds cannot.

## The Budget Workbook

The fiscal year (FY) begins July 1 of each year and runs through June 30 of the following year. This is in contrast to the academic year (AY) that begins in mid-August and runs through mid-May. The dean will receive the college budget around the beginning of the new FY and will probably allocate to your department its share of OE and OPS funds shortly thereafter. What should you do?

Presumably you have already given substantial thought to the department's academic priorities. What are its responsibilities to provide seats in courses for majors, for the general student population, for general education, for graduate students, etc.? Which of its signature research and service projects do you plan to develop and emphasize? What are the priorities for faculty, staff, and graduate student support? Now is the time to allocate your funds in a budget that accurately reflects the department's priorities and responsibilities.

To help you do this, we have provided a 3-page Budget Workbook in Excel. (See Budget Workbook, pages 1-3 at end of chapter.) Of course, it starts out as a 3-page template, but by the time you complete it, it may expand beyond the initial three pages. Properly completed, the workbook allows you to:

- Plan your expenditures to implement the department's priorities and responsibilities.
- Present a rational plan to the dean.
- Monitor your expenditures against the plan to stay "on track."
- Provide a rational basis to adjust your planned allocations when unanticipated expenditures arise.
- Provide cross-validation between your planned allocations and expenditures.

**Page 1: the Expense Summary.** Horizontally, this page is divided in two pieces: "Income" at the top of the page and "Commitments" in the middle. Vertically, there are three columns headed "State Appropriation," "Department Overhead," and "Foundation/Other."

**Income.** In this section of the page, you should capture all of the anticipated OE income for the entire FY. You will probably be given a Base Allocation by the Dean from the State Appropriation. You may have other special commitments and hiring commitments made to the department by the Dean. You may also have been able to "carry over" money from the prior FY, which should be entered on the Prior Year residuals line. You may wish to add other income to your OE budget from money controlled by the department in Department Overhead/IDC accounts and in Foundation Accounts. The subtotal should be an accurate picture of the total OE budget available in the FY. You should verify that your college budget officer agrees with your income assessment.

	STATE APPROPRIATION	DEPT OVERHEAD/IDC	FOUNDATION/ OTHER
<b>Income</b>			
Base Allocation			
Special Commitments			
Prior Year Residuals			
<b>Subtotal</b>			

**Commitments.** There are two types of commitments: recurring and non-recurring. Recurring commitments are those that normally reappear each year. Non-recurring commitments are one-time or exceptional commitments. Examples of the former may include telephone and photocopy charges and faculty travel. Examples of the latter may include expenses associated with a faculty search or hire and purchasing furniture.

Non-recurring commitments for the entire FY are grouped first. Try to plan your allocation of funds for the entire FY for searches, equipment and furniture, and new faculty who have arrived.

Recurring commitments for the entire FY are grouped next. Many departments publish different types of information about the department, although more and more of this activity is being moved to the web. Your department may still publish an alumni newsletter, which can be important to maintain relations with your graduates and as a development vehicle. Equipment maintenance can be surprisingly pricey if you own your photocopy equipment. Perhaps it makes sense to lease?

<b>Commitments</b>	<b>STATE APPROPRIATION</b>	<b>DEPT OVERHEAD/IDC</b>	<b>FOUNDATION/ OTHER</b>
<b>Non-recurring commitments</b>			
Candidate Searches			
Advertising			
Entertainment			
Travel			
Equipment/Furniture purchase			
New Faculty			
Travel			
Moving			
Research/Infrastructure			
<b>Recurring Commitments</b>			
Alumni newsltr & other pubs			
Computers			
Hardware			
Software			
Supplies			
Conference support			
Copy/printer paper			
Equipment maintenance			
FedEx			
Laboratory supplies			
Membership/dues			
Miscellaneous/contingency			
<b>Recurring Commitments Continued</b>	<b>STATE APPROPRIATION</b>	<b>DEPT OVERHEAD/IDC</b>	<b>FOUNDATION/ OTHER</b>
Office supplies			
Postage			
Printing (ltrhd,env)			
Storage/bldg main.			
Teaching materials			
Telecommunications			
Telephone main/basic			
Long distance			
Cell phone/Internet			
Travel			
Student recruitment			
Student travel			
Faculty travel			
<b>Subtotal</b>			

**Page 2: the OPS Summary.** This page captures your fiscal year OPS budget.

**Income.** On the top half of the page, you should calculate the anticipated OPS Income to the department for the entire FY. You may get a Base Allocation from the Dean for OPS expenses. You may be able to supplement your OPS budget from other sources you control, such as Department Overhead/IDC and private funds. Anticipated Faculty Returns refers to money that may be returned to the department from faculty leaves and buyouts. If you have any faculty in phased retirement, you should be given the exact amount of money needed to pay those faculty. Once again, you may have been fortunate to carry over unused OPS money into the new year, and you should list this in Prior Year Residuals. If your dean gives you special allocations for summer terms, you should so indicate in Summer A and summer B OPS. Once again, you should verify that your college budget officer agrees with your income assessment.

NAME	STATE APPROPRIATION	DEPT OVERHEAD/IDC	FOUNDATION/ OTHER
<b>Income</b>			
Base Allocation			
Additional OPS Allocations			
Chair's RA			
Other			
Anticipated Faculty Returns (includes sabbaticals)			
Phased Retirement Faculty			
Prior Year Residuals			
Summer A OPS			
Summer B OPS			
<b>Subtotal</b>			

**Commitments.** The bottom half of the page lists your commitments for the entire FY. (Depending on local policies, you may wish to plan your commitments for the academic year (Fall, Spring) or the fiscal year (including summer). In any case, you should plan carefully your allocation of OPS funds to teaching assistants, research assistants, adjunct faculty, etc. You should also be careful to include fringe benefits on OPS allotments.

	STATE APPROPRIATION	DEPT OVERHEAD/IDC	FOUNDATION/ OTHER
<b>Commitments</b>			
Teaching Assistants			
Adjuncts			
Chair's RA			
Other state-funded RA's			
Phased Retirement Faculty			
Student Assistants			
Summer A TAs			
Summer A Adjuncts			
Summer B TAs			
Summer B Adjuncts			
Other commitments			
<b>Subtotal</b>			
<b>Balance</b>			

**Page 3: OPS Detail.** The preceding two pages of the Budget Workbook were planning documents for the entire fiscal year. This page is intended to capture actual OPS expenditures for the fall term and is typically completed a few days after the fall term begins once the assignment of OPS personnel has stabilized.

In the income section, you should list income from anticipated faculty returns in the fall semester, including leaves, sabbaticals, etc. List also faculty being paid under the Phased Retirement Program.

INCOME		
Anticipated Faculty Returns (includes sabbaticals)	\$\$	COURSE(s)
Name		
Name		
Phased Retirement Faculty		
Name		
Name		

The **Commitments** section is divided into three pieces:

1. In the first section, list each TA (teaching assistant), with FTE, assigned course(s) and section(s), stipend for the fall term, duties, and source(s) of funds.
2. In the second section, list each RA (research assistant), FTE, stipend for the fall term, duties, and source(s) of funds.
3. In the third section, list each adjunct, with FTE, assigned course(s) and section(s), stipend for the fall term, duties, and source(s) of funds.

COMMITMENTS—FALL only						
TEACHING ASSISTANTS						
Name	FTE	Course(S)	Section(S)	Stipend	Duties	Source of Funds
RESEARCH ASSISTANTS						
Name	FTE			Stipend	Duties	Source of Funds
ADJUNCTS						
Name	FTE	Course(s)	Section(s)	Stipend	Duties	Source of Funds

Once you have done this, compare your actual Fall term expenditures with the FY OPS budget plan on Page 2. Are actual expenditures one-half or less of planned expenditures? If not, why not? Will you have enough OPS money left in the spring term to meet obligations?

## **Meeting with the Dean**

The Dean or a member of the Dean's staff may wish to meet with you early in the Fall to review the Budget Workbook. The Workbook reveals a lot about department priorities and budgeting practices. Try to look at it from the Dean's point of view to see what it reveals. Note also that the Dean can compare your OPS plan on Page 2 with your actual expenditures on Page 3. Are these two pages consistent? Do glaring inconsistencies between planning and actual expenditures raise a red flag?

## **The Spring Budget Update**

As the Fall semester unfolds, you may need to modify your original budget plan. Priorities shift and unanticipated needs arise. It is important that you take stock of your fiscal situation early in the Spring term to ensure that you do not overspend your budget or run short in the second half of the fiscal year.

So, early in January, after OPS assignments have stabilized, you should complete the Spring Budget Update. This is similar to the Budget Workbook, although a bit simpler. (See Spring Budget Update, pages 1-3.)

**Expense Summary Page.** In the first column, update your FY plan for spending the OE portion of your state appropriation. It may not have changed at all, in which case you can simply copy the FY plan from the Budget Workbook. But chances are it will have changed. Be sure to have your budget officer fill in the second column indicating how much you have spent in each category as of January 1. Are expenditures proceeding according to your plan? Will you make it to the end of the FY? Any cause for alarm?

**OPS Summary Page.** On this page, update your OPS expenditure plan for the entire FY. Have your budget officer fill in the line at the bottom indicating your OPS balance(s) at the beginning of January.

**OPS Detail Page.** On this page, fill in the OPS income and assignments for the Spring semester. These should be actual assignments, not planned assignments. You should have sufficient OPS money left to fund these, as indicated on the OPS balances line on the previous page. If you do not, call your Dean pronto.

## **Meeting with the Dean (Again!?)**

The Dean and/or designee may meet with you in January to review the Spring Update. The Dean's primary concern at this point is: do you have sufficient funds to cover expenses in the second half of the FY without deficit spending? Do you?

## **Sage Advice**

Having to face a potential budget deficit due to poor planning or to mistakes is never pleasant. Telling the Dean about it: even less so. You may be tempted to procrastinate. But the Dean will be more understanding if you reveal the problem as soon as you discover it. And the earlier you discuss it, the more likely it is the Dean can help you find a relatively painless solution to the problem.



## Questions

1.
  - a. Is your department expected to prepare and submit a budget request, formal or informal, describing resource needs?
  - b. If not, how are the resource needs of your department made known to the administration? Who makes the request for you?
  - c. If yes, how detailed a budget request are you expected to prepare?
2. At your institution, who decides the institutional priorities? Who decides the department priorities? Who decides how many resources your department will receive?
3. Who in your department is responsible for the every day fiscal activities of the department? Do you, as chair, monitor the budget carefully?
4. Do you as chair, make decisions as to exactly where the money is spent or does a departmental committee?
5. Do you plan ahead for “one-time” or “unexpected” expenditures? If not, how do you meet these expenses?
6. Would your chances for obtaining or increasing funds be enhanced if you included in your budget request some mention of how the department’s role helps the institution meet its commitments? Does your budget reflect the department’s mission/goals?
7. Do you know your dean’s policy for “liberated salary” money? Does it disappear from your departmental budget? Is the salary or a portion of the salary returned to the department?
8. What is the policy of your university related to indirect cost? Your college policy?
9. What types of publications does your department have? Are they hard copy printed and mailed or electronic. Could these procedures be updated?
10. Does your department have a foundation account? How does the department build the balance? If the department has a foundation account, how are the funds used?

# Budget Workbook

## Expense Summary

<b>DEPARTMENT:</b>			
	<b>STATE APPROPRIATION</b>	<b>DEPT OVERHEAD/IDC</b>	<b>FOUNDATION/ OTHER</b>
<b>Income</b>			
Base Allocation			
Special Commitments			
Hiring commitments			
Prior Year Residuals			
<b>Subtotal</b>			
<b>Commitments</b>			
<b>Non-recurring commitments</b>			
Candidate Searches			
Advertising			
Entertainment			
Travel			
Equipment/Furniture purchase			
New Faculty			
Travel			
Moving			
Research/infrastructure			
<b>Recurring Commitments</b>			
Alumni newsletter & Other publications			
Computers			
Computers (hardware)			
Computers (software)			
Computers (supplies)			
Conference support			
Copy/printer paper			
Equipment maintenance			
Fedex			
Laboratory Supplies			
Membership/dues			
MISC/Contingency			
Office supplies			
Postage			
Printing (ltrhd,env)			
Storage/bldg maint.			
Teaching materials			
Telecommunications			
Telephone Maintenance/Basic Service			
Long Distance			
Cellphone/Internet			
Travel			
Student recruitment			
Student travel			
Faculty travel			
<b>Subtotal</b>			
<b>BALANCE EXPENSE</b>			

# Budget Workbook

## OPS Summary

<b>DEPARTMENT:</b>			
<b>NAME</b>	<b>STATE APPROPRIATION</b>	<b>DEPT OVERHEAD/IDC</b>	<b>FOUNDATION/ OTHER</b>
<b>Income</b>			
Base Allocation			
Additional OPS Allocations			
Chair's RA			
Other			
Anticipated Faculty Returns (includes sabbaticals)			
Phased Retirement Faculty			
Prior Year Residuals			
Summer A OPS			
Summer B OPS			
<b>Subtotal</b>			
<b>Commitments</b>			
Teaching Assistants			
Adjuncts			
Chair's RA			
Other state-funded RAs			
Phased Retirement Faculty			
Student Assistants			
Summer A TAs			
Summer A Adjuncts			
Summer B TAs			
Summer B Adjuncts			
Other commitments			
<b>Subtotal</b>			
<b>Balance</b>			

## Page 3

[illegible]

# Spring Budget Update Expense Summary

<b>DEPARTMENT:</b>		
	<b>STATE APPROPRIATION BUDGETED</b>	<b>YEAR-TO-DATE STATE APPROPRIATION EXPENDED</b>
<b>Income</b>		
Base Allocation		
Special Commitments		
Hiring commitments		
Prior Year Residuals		
<b>Subtotal</b>		
<b>Commitments</b>		
<b>Non-recurring commitments</b>		
Candidate Searches		
Advertising		
Entertainment		
Travel		
Equipment/Furniture purchase		
New Faculty		
Travel		
Moving		
Research/infrastructure		
<b>Recurring Commitments</b>		
Alumni newsletter & Other publications		
Computers		
Computers (hardware)		
Computers (software)		
Computers (supplies)		
Conference support		
Copy/printer paper		
Equipment maintenance		
Fedex		
Laboratory Supplies		
Membership/dues		
MISC/Contingency		
Office supplies		
Postage		
Printing (lthrhd,env)		
Storage/bldg maint.		
Teaching materials		
Telecommunications		
Telephone Maintenance/Basic Service		
Long Distance		
Cellphone/Internet		
Travel		
Student recruitment		
Student travel		
Faculty travel		
Vehicle Maintenance		
<b>Subtotal</b>		
<b>BALANCE EXPENSE</b>		

**Spring Budget Update  
OPS Summary**

**Page 2**

<b>DEPARTMENT:</b>			
NAME	STATE APPROPRIATION	DEPT OVERHEAD/UFRF	FOUNDATION/ OTHER
<b>Income</b>			
Base Allocation			
Additional OPS Allocations			
Chair's RA			
Other			
Anticipated Faculty Returns (includes sabbaticals)			
Phased Retirement Faculty			
Prior Year Residuals			
Summer B OPS			
<b>Subtotal</b>			
<b>Commitments</b>			
Teaching Assistants			
Adjuncts			
Chair's RA			
Other state-funded RAs			
Phased Retirement Faculty			
Student Assistants			
Summer A TAs			
Summer A Adjuncts			
Summer B TAs			
Summer B Adjuncts			
Other commitments			
Subtotal			
Balance			
<b>Actual OPS Balance as of January 1:</b>			

## Page 3

INCOME						
Anticipated Faculty Returns (includes sabbaticals)						
NAME	\$\$	COURSE(s)				
Phased Retirement Faculty						
NAME						
COMMITMENTS -- SPRING						
TEACHING ASSISTANTS						
NAME	FTE	COURSE(s)	SECTION(s)	STIPEND	DUTIES	SOURCE OF FUNDS
TOTAL						
RESEARCH ASSISTANTS						
NAME	FTE			STIPEND	DUTIES	SOURCE OF FUNDS
TOTAL						
ADJUNCTS						
NAME	FTE	COURSE(s)	SECTION(s)	STIPEND	DUTIES	SOURCE OF FUNDS
TOTAL						

## **Fiscal Management Case Studies<sup>1</sup>**

In each of the following scenarios, how would you handle the problem?

1. Your operations account is inadequate for purchasing durable equipment needed by faculty and students. In addition the materials and supplies necessary for your courses are killing your expense operations budget.
2. How do you support student group travel to present at an international conference?
3. You have a junior faculty member who received a \$3000 gift from a local foundation to support her research, which she wants to use to buy some equipment. The money was deposited into your department's unrestricted Foundation account. Your faculty member has submitted a PO to order the equipment. From which account do you pay for the equipment? Why?

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<sup>1</sup> Created by Johnny L. Pherigo, Department of Music, University of Central Florida