

# A Guide to Budgeting



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## WHY ACCURATE BUDGETING IS IMPORTANT

When a cost center develops an initial budget at the beginning of the fiscal year, it should reflect the most accurate plan for the given year. An accurate initial budget provides the foundation for not only each cost center, but for the university. Understandably, things may change throughout the course of a fiscal year, and adjustments can be made. Those adjustments can be made more easily, if the cost center manager or financial steward can see where those adjustments are needed, and where they can be adjusted from.

## WHY ACCURATE EXPENSING IS IMPORTANT

In order to plan for future needs, it is important to know where expenses are growing, and what you may need to account for in coming years.

*For example: If all cost center's ProCard expenses stay in "Office Supplies", but half of them are PC purchases – it is more difficult to justify a request for additional funding for IT equipment when no expenses have been recorded there before.*

*The University Budget Office reports to the State of Maryland on all revenue and expenses at a university level. If expenses are not recorded properly, we are potentially putting the University's funding at risk.*

The expense should be coded to the account that most accurately reflects the description of the expense. An expense should NOT be coded to any account that happens to have budget already. If needed, a budget transfer can be done to move budget to where the expense belongs.

## TOWSON UNIVERSITY'S CHART OF ACCOUNTS

### Source

A source is a four-digit code used to track cash balances, essentially a balance sheet. The source allows Self Support and Auxiliary cost centers to track cumulative cash balances, or the cash balance from the inception of the cost center(s). There are many Self Support and Auxiliary cost centers that have a one-to-one relationship between source and cost center. There can also be multiple cost centers that roll up to one source. Cost centers that are not State Support can carry over their remaining funds (revenue minus expenses) at the end of a fiscal year. The chartfield source is used to track those balances from the beginning of the cost center. While the fund balance remains with the cost center, it is not available to use without prior approval from the Vice President of Administration and Finance as well as the Divisional VP and Division Budget Officer. Cost centers who wish to request use of their prior year fund balance should work with their Divisional Budget Officer.

## Cost Center

In Stratus, a five-digit code known as a cost center is used to represent university cost centers and programs. This is the lowest level of organizational unit. Cost Centers roll up to Departments, Departments roll up to Units, Units roll up to Sub-Divisions and Sub-Divisions roll up to Divisions. The Cost Center is used to establish and set up a budget and track expenses and encumbrances. There are five main types of cost centers in Stratus, as listed below.

1. **State Support** – State Support cost centers are cost centers that are funded by state appropriations and Revenues (tuition).
2. **Self-Support** – These are cost centers that are solely funded by self-generated revenues; they do not receive any state appropriations. Remaining balances (revenue minus expense) are rolled into the cost center’s fund balance.
3. **Auxiliary** – Auxiliary cost centers and activities provide services or goods to students, faculty or staff and charge a fee directly related to the goods or services. These cost centers are essentially self-supporting activities.
4. **Grant/Project Funded** – Grant/Project-Funded cost centers represent programs/projects that receive funds from state, federal or local government agencies. Once awarded, these funds are distributed and managed by the division in which they fall.
5. **Agency Funded**– Agency-Funded cost centers are supported by funds that are deposited on behalf of faculty, staff and student organizations and are used for university-affiliated activities. The individuals in charge of the activity are solely responsible for the management of these funds and any deficit encountered. Towson University is not responsible for covering any overdrawn balances.

	COST CENTERS	SOURCES
<b>Category</b>		
<b>State Support</b>	10000-29999	1000-1999
<b>Self Support</b>	30000-39999	2000-3999
<b>Auxiliary</b>	40000-45999	4000-4599
<b>Loans/Endowments</b>	46000-47999	4600-4799
<b>Plant</b>	80000-89999	4800-4899
<b>Agency</b>	49000-49100	4900-4999
<b>Grants</b>	Letter and Number Combos	5001-5300
<b>Other Restricted</b>		
<b>Financial Aid</b>	57000-58999	5700-5899
<b>Year End</b>	59000-59099	5905
<b>Pell</b>	56301-56999	5630
<b>SEOG</b>	56000-56049	5600
<b>Work Studies</b>	56050-56119	5605
<b>Agency</b>	91000-98000	9100-9800

## Account

In Stratus, an account is a six-digit code used to define revenues/expenses into more detailed categories. Budgets are loaded at the account (child) level. There is also a parent account, or summary, that groups associated accounts. Budget checking is done at the parent level.

## Initiative

An initiative is a five-digit code that allows for the use of an additional chartfield further classifying activities into detailed categories. This enables the user to track related expenses for a specific activity within a cost center budget and across cost centers. The initiative chartfield acts as a shadow system within Stratus. An initiative has been defined the same as a project but cannot be used for things that must be capitalized<sup>1</sup>. Cost centers have the flexibility to determine what they want to track as an Initiative. This is not a required chartfield. To track the initiative, the associated value must be present on the transaction(s).

## University Objective

A University Objective is a three-digit code used to track specific revenues and expenses of university-wide activities. The University Objective may be related to strategic goals, or other University-wide Initiatives.

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<sup>1</sup> Capitalized – Assets that are tangible and cannot be easily converted to cash; held for a long period of time; depreciable; typically are over \$250,000. Examples – new buildings, major renovations; equipment purchases for a new building. Usually reserved for Facilities Management Projects.

## BUDGETING

Your budget is the spending limit that has been established for your cost center for the fiscal year, which extends from July 1 to June 30. Each division has a budget officer who supplies the University Budget Office with the Division's budget plan for the fiscal year.

### Timeline

The estimated timeline for budget allocations is provided below. Please note that changes by the State of Maryland may alter the timeline.

#### October

The Operating Budget and Plan book is published for the current fiscal year.

#### November – December

The budget and operating plan guidance letter is sent from the Vice President for Administration and Finance to each divisional area stating general and specific guidelines for the upcoming fiscal year. Budget Submission Instructions are sent to the Divisional Budget Officer (DBO) outlining when documents are due. ***This is the time when areas need to start planning what the needs for the next fiscal year will be.***

#### November – February

Each division prepares a consolidated resource plan and allocation based upon the cost center budget plans. Cost center plans, including new initiatives, are submitted to the vice president. The divisional budget plan is submitted, with new initiatives in priority order.

Base budgets remain the same until changed in the budget approval process. The annual divisional operating plan includes budget reallocations, requests for added resources, personnel changes, position reallocations and requests for new positions.

The University Budget Office completes the Tuition and Fee Modeling for the next fiscal year based on enrollment projections and USM guidelines. The divisions submit, for university approval, the plans for rates and fees for the upcoming academic year. For example, in February 2023, divisions submitted rate and fee plans for fiscal year 2024 (the fall 2023/spring 2024 academic year).

#### March - April

Formal internal budget hearings with the president and vice presidents are held with each division presenting their requests for resources previously submitted in the divisional budget request.

#### April

External budget decisions are finalized by the General Assembly and USM. The campus is notified of any changes from the external budget submission that may impact the internal allocation.

#### June

The Budget Office, in cooperation with divisional budget officers, loads detailed cost center budgets to the automated system for the July 1 fiscal year start.

### Things to know about managing a State Support Budget

Each cost center should have a budget plan to detail its expenses for the fiscal year.

- Budget balances are not carried over from the previous fiscal year; each fiscal year, a new budget is established.
- The funding for regular position employees (Exempt, Non-Exempt, Faculty Regular, etc.) are managed and loaded for each cost center by the University Budget Office.
- If there is a change to a position, the cost center is usually responsible for covering the difference. *For example: a person received a reclass, and the salary increased by \$5000. The cost center is responsible for the increase, plus the additional cost of the fringe benefits. If there are questions, reach out to the Divisional Budget Officer for assistance. Note: Cost centers are also responsible for covering Probationary Increases for non-exempt employees.*
- When making an offer to a candidate, it is important to know the budgeted salary for the position. If an offer is made over the budgeted salary, the cost center is responsible for covering the difference. Please work with your DBO prior to making the offer.
- Tuition Waivers incurred for state support cost centers are funded centrally by the University Budget Office. They will process a budget move once expenses incur.
- Part-Time Faculty and Lecturers are charged to accounts starting with “5024” (except 502419 see below). These expenses will be funded by the Provost Budget Office biannually. The cost center does not have to cover those expenses.
- Department Funding Faculty are charged to 502419 – cost centers ARE responsible for these expenses; the Provost Budget Office does not cover them. This account does NOT fall in the range of the PT Faculty and Lecturers, it will appear in the Contractual Salary Range.
- State support cost centers can ONLY transfer budget within their cost center or to another State Support cost center. (See [Transferring Funds](#))

### Things to know about managing a Self-Support Budget

A Self Support cost center is funded solely on self-generated revenues and does not receive any state appropriation or revenue.

- The expense budgets of Self Support cost centers should be based on the target revenue for that fiscal year.
- Self-Support cost centers are expected to cover all salaries and benefits, no matter which type of position it is.
  - This also includes any salary increases related to COLA, Merit, reclass etc.
  - Tuition waivers are also expected to be covered by the cost center. No state funding is provided.
- Expenses are not expected to exceed projected revenue.
  - Self-Support cost centers must plan for the required IDC and Fund Balance requirements. (See below)
- If at the end of a fiscal year the revenues exceed expenses, that revenue falls into the fund balance of that cost center (the source that is assigned to the cost center).
  - Please note that the use of your prior year fund balance must be approved in advance by the Vice President of Administration and Finance. Please work with your Divisional Budget Officer to submit this request.

### **Why do you need approval?**

The University Budget Office (UBO) submits Towson University's budget request to the state. This request tells the state where the university plans to spend its funds. Similar to each cost center submits and monitors its own budget, the UBO must do this for the entire campus as a whole. Once final funding is approved at the State level, the UBO monitors the spending of all cost centers. If the campus overspends the approved amount, the State will stop paying the university's bills. Therefore, planning your budget and following it are both key to the success of Towson University. If one cost center overspends it is taking away spending authority from another, causing a ripple effect that could harm the university's financial integrity. This explains why the use of prior year funds by cost centers must be approved by the Vice President of Administration and Finance. The UBO needs to consider the use of these funds when reviewing the campus' financial status at any given time. In addition, the university must increase their fund balance by a specific percentage as required by the University System of Maryland.

**What is the Fund Balance Requirement?** Self-support cost centers must contribute 1% of new/self-generated revenue (does not include transfers of revenue) to the University's Fund Balance as required by the University System of Maryland (USM). The University Budget Office is responsible for ensuring that Towson University meets this requirement, and therefore works in conjunction with Financial Services to collect the 1% requirement monthly. This is recorded in STRATUS account 499919.

**What is an IDC?** Self-support cost centers are assessed an Indirect Cost based on actual revenues. Indirect Cost (IDC) was introduced in FY 2003, at which time internal auditing determined a 9.78% IDC rate. A gradual increase over the current rate will be applied over the years to all non-state account base budgets. The current IDC is 8.5% and is calculated on new/self-generated revenue (does not include transfers of revenue). The purpose of the IDC is to recover the cost of providing services to self-support and auxiliary areas that are not direct-billed services (e.g., payroll and accounts payable process, procurement, and other administrative support functions). These assessments generate a revenue stream that supplements State Support functions of the University. It is important to remember to budget the IDC in your cost center's spending plan. This is recorded in STRATUS account 699999.

### **Can I transfer revenue from my Self Support cost center to another (Self/Auxiliary/State) cost center?**

Yes. If a self-support cost center chooses to transfer funds to another cost center to support an activity or expense, revenue can be transferred. These transfers should NOT be processed using the Budget Transfer spreadsheet for Stratus. If you wish to transfer revenue, and spending authority to another cost center, fill out the [Transfer of Revenue Request](#) form on the University Budget Office Website.

**When do I use the Transfer of Revenue Request Form?** The form should be used when transferring between cost centers that have two DIFFERENT SOURCES.

### **Things to know about managing an Auxiliary Budget**

- The expense budgets of Auxiliary cost centers should be based on the target revenue for that fiscal year.
- Auxiliary cost centers are expected to cover all salaries and benefits, no matter which type of position it is.
  - This also includes any salary increases related to COLA, Merit, reclass etc.
  - Tuition waivers are also expected to be covered by the cost center. No state funding is provided.



- Auxiliary cost centers are expected to attain a turnover target (salary savings from vacancies)
- Expenses are not expected to exceed projected revenue.
- If at the end of a fiscal year, for a cost center that does not receive student fees, the revenues exceed expenses, that revenue falls into the fund balance of that cost center (the source that is assigned to the cost center). For fee funded cost centers, any remaining revenue will be swept.
- Certain Auxiliary cost centers are assessed an IDC. This number is provided to the division during the internal budget process.
- Not all Auxiliary cost centers are assessed an IDC because some operate solely on student fees.
- Auxiliary cost centers with self-generated revenue are expected to generate more revenue than their expenses.
- Auxiliary fees are distributed by the University Budget Office twice a year, once in the Fall and again in the Spring.

**Can I transfer revenue from my auxiliary cost center to another (Self/Aux/State) cost center?** Yes. If an auxiliary cost center chooses to transfer funds to another cost center to support an activity or expense, revenue can be transferred. These transfers should NOT be processed using the Budget Transfer spreadsheet for Stratus. If you wish to transfer revenue and spending authority to another cost center, fill out the [Transfer of Revenue Request Form](#) found on the University Budget Office Website.

## GENERAL THINGS TO KNOW ABOUT MANAGING ANY TYPE OF BUDGET

### Monitor Open Commitments

If an open commitment/encumbrance (a purchase order) exists in a cost center at the end of a fiscal year, it is automatically carried over to the next fiscal year. However, the budget **does not** carry forward with it - no matter which type of cost center it is on (state support, self-support or auxiliary). It is important to monitor open commitments and close them promptly when they are complete. Open commitments reserve budget in a cost center that can be utilized elsewhere if the commitment is no longer needed. Contact the Procurement Department to close a Purchase Order.

### Student Employees

Student Employees are charged to account 502601. If a cost center has a student employee not taking a full course load, the cost center is responsible for also paying fringe benefits for that student (estimate 9%). This typically includes students who work during the summer, or over winter break. Those expenses post to 502205 and 502207. Additionally, if a Federal Work Study student exceeds their award during the semester, and during summer and mini sessions, the expense is then charged to the cost center directly.

### Graduate Assistants

Graduate assistants (GA) are eligible for a stipend and tuition remission. The stipend is charged to 502701 and the tuition remission is charged to 612110. The amount varies according to the type of graduate assistantship, length of period of employment (months) and the number of hours worked per week (10 or 20 hrs.). If a cost center has a GA not taking the required course load, the cost center is responsible for paying fringe benefits for that student (estimate 9%). Those expenses post to 502205 and 502207. Depending on payroll dates this may likely occur at the beginning of the Academic Year. The cost center

may be responsible for covering both the stipend (and benefits) and tuition remission. Please refer to the Towson University Graduate Assistantship webpage for further information <https://www.towson.edu/academics/graduate/assistantships.html> .

### **Contingent Employees**

Cost Centers are responsible for covering the expenses associated with a contingent employee. This includes their Fringe Benefits (9%). The salary for contingent employees posts in a “5020” account, while their fringe benefits post to 502205 and 502207.

### **Overtime/Shift Differential**

All cost centers are expected to cover Overtime Expenses (501605) and Shift Differential expenses (501705).

### **Travel**

When a travel authorization form is submitted, it does NOT withhold budget at that time. Cost Centers should keep track of what has been approved and the timing of the trip to ensure there is sufficient budget available when the trip is completed.

For more information on travel, visit the Stratus Travel Resources page:  
<https://www.towson.edu/financialservices/travel/stratus.html>.

## **GUIDELINE FOR PREPARING A BUDGET**

The table below provides a guideline for preparing your budget. This table is for high level planning.

When considering how to prepare your budget, look at your budget and expenses from the prior fiscal year to determine the funding that needed for the next fiscal year. Things to consider: are there any new contractual employees, were salary increases given, number of students working, and any out of the ordinary purchases (i.e., new PC's or other special equipment). If starting a new cost center, the same guidelines apply. Look at each account to determine what expenses you will have posted there.

	<b>Current Budget</b>	<b>Expenses</b>	<b>Projection</b>
<b>EXPENDITURES</b>			
Obj.01 - Salaries and Benefits			
Overtime			
Obj.02 - Contingent Salaries and Benefits			
Regular Student Help			
Grad Assistants			
Associated Fringe Benefits			
Obj.03 - Communications			
Postage			
Telephone Repair			
<b>OPERATING</b>			
Obj.04 - Travel			
Obj.06 - Fuel and Utilities			
Obj.07 - Motor Vehicles			
Obj.08 - Contractual Services			
Obj.09 - Supplies and Materials			
Obj.10 - Replacement Equipment			
Obj.11 - Additional Equipment			
Obj.12 - Grants, Subsidies, & Contributions			
Obj.13 - Fixed Charges			
Obj.14 - Land and Structure			
<b>Total Expenditures:</b>			

## WHEN DO I USE THE STRATUS BUDGET TRANSFERS SPREADSHEET?

Stratus budget transfer spreadsheets should be used when spending authority needs to be adjusted within a cost center, and/or when the cost centers have the same Stratus Source (When you are changing the plan). Note: Many Self Support cost centers have a one-to-one relationship between Source and cost center, but there are some that have multiple cost centers that ‘map’ to the same source – meaning they ‘share’ a Fund Balance. If you are unsure which option to use, contact the University Budget Office at [UBO@towson.edu](mailto:UBO@towson.edu) for guidance.

### Transferring Funds

Budget transfers should **only** be performed to adjust a cost center's spending plan and to cover over expenditures. **Budget transfers should not be done to move an expense.** Expenses should always stay in the cost center and account with which they belong. For detail instructions on how to process a budget transfer, visit the University Budget Office Website: <https://www.towson.edu/budgetoffice/stratus.html>, and view the “how to complete a budget transfer” document.

Reminder – budget transfers should not be done using a “Parent Account” – the account where budget checking is done. Budget transfers must be processed using the “Child Account” – the accounts where expenses post.

**When processing a budget transfer – it is best to transfer the estimate for what is needed for the remainder of the fiscal year! This could eliminate the need to process budget transfers as frequently.**

The University Budget Office looks at the Parent Level in each cost center to ensure it is not overspent. The child accounts are not reviewed by the University Budget Office. Some areas prefer to have each account in the ‘black’. Each cost center manager/financial steward decides on what level they wish to monitor their budget. (See Parent and Child Budgeting for details on accounts)

Budget transfers from a state support cost center (cost centers starting with a one or a two) to any other type of cost center (self-support, auxiliary, agency etc.) are not allowed. **State support cost centers can only transfer budget to another state support cost center.**

If you are transferring between funding sources, you must use the “Transfer of Revenue Request Form” on the University Budget Office website, <https://www.towson.edu/budgetoffice/stratus.html>. This form should be used when transferring budgets in the circumstances listed in the table below. Note: all state support cost centers have a source that begins with a “1”. Transfers between state support cost centers is allowed and does NOT require the Transfer of Revenue Request Form.

Transfer from:	Transfer to:
Self support	Self support
Self support	State support
Self support	Auxiliary support
Auxiliary support	Auxiliary support
Auxiliary support	State support

## CONTACT INFORMATION

### Phone/Email Contacts:

**Original Budgets** – For questions related to your original budget, contact your Divisional Budget Officer.

**Revised Budget** – For questions related to revisions made to your budget, including transfers, contact the University Budget Office at x4-2182 or [UBO@towson.edu](mailto:UBO@towson.edu).

**Budget Monitor** – For questions refer to the training materials provided on the Budget Office website: [budgetoffice/Stratus.html](http://budgetoffice/Stratus.html). If you still have questions, contact the University Budget Office at [UBO@towson.edu](mailto:UBO@towson.edu).

For more information on budgets, including Towson University’s Operating Budget and Plan, visit the University Budget Office Website at: <http://www.towson.edu/budgetoffice/index.html>