The Importance of Budgeting

Budgeting serves as the structure for every financial plan. It is important to budget as accurately as possible; however, it is very difficult to predict the many elements that could affect a budget in the future.

Budgeting Advantages of PeopleSoft

PeopleSoft’s budgeting system allows us to quickly adjust our budget as needed and to see these results in real time. Some of the benefits of our new system include the ability to:

- Build customized control into the system, allowing us to model the system to our business processes
- Interact easily with other systems to facilitate budget entry
- Run user-friendly reports to extract the specific data you need
- Develop reports with integrated Finance and HR data.

Key Budgeting Terms

As we move forward in PeopleSoft budgeting, it is important to understand the terminology of the new system. Here are some key terms to keep in mind:

Commitment Control - An area of PeopleSoft that allows us to set up rules for controlling budget and tracking budgeted funds.

Budget Definition - Identifies each way the system will manage budgets. Each budget definition is based on one budget ledger group. We will use several budget definitions to manage our different types of budgets: State, F&A, Contracts and Grants, Trust Funds, and CI Projects. Each budget definition will use certain chartfields to achieve the desired degree of control. Budget definitions are created for both expenses and revenues.

Budget Ledgers - Budget transactions are recorded and posted to a budget ledger. There are four budget ledgers for expenditures (budget, pre-encumbrance, encumbrance, and expense) and three budget ledgers for revenues (budget, recognized, and collected).

Budget Ledger Groups - Budget ledger groups contain budget ledgers. We use budget ledger groups to create budget definitions.

Parent/Child Budgeting - When two budget definitions are linked together, this relationship is known as parent/child budgets. The child budget must budget on all of the chartfields of the parent and could have other chartfields for itself. These relationships can be helpful in establishing control and monitoring of the budgets.

MOU - Major Operating Unit. For MOUs with state and F&A funds, they will serve as controlling units for the budgeting of individual departments.
Breaking Down the Budget

In keeping with key terminology, it is important to understand the four main elements of budget expenditures: Budget, expense, encumbrance, and pre-encumbrance. Think of each element representing a different bucket of money in the budget.

Five Fund Types

NOTE: Before reading the Fund Types section, review the Chartfield Structure 101 document.

When designing our new system, configuration decisions were made on a fund-type by fund-type basis. Five fund types were identified and each will have its own budgeting process. Our fund types are:

- State Funds
- F&A
- Contracts and Grants
- Other Trust Funds
- CI Projects

State Funds

There are two options for budgeting state funds. The MOU financial lead chooses the budgeting option, and it applies to the entire MOU. The option can be changed before the start of the fiscal year.

Option 1: Budget resides at department

In Option 1, the budget resides on the fund, department, class, and account. Budget checking and control will stop a transaction only when the MOU as a whole does not have sufficient budget by fund, class, and account.
**Option 2: MOU distributes to departments**

In Option 2, there are two levels of budgeting. On the first level, the central office of the MOU maintains a budget for the whole MOU by fund, class, and account. On the second level, the MOU distributes budget to units using Fund, Account, and Department. In Option 2, the first level acts as the control for the MOU, but budget is managed at the second level. These two levels do not feed into each other and their numbers do not need to equal.

**Budgeting Control**

The Budget Office goal is to give the departments’ budget teams as much control of their budgets as possible. However, if the MOU wants to place more restrictions on a department, they can notify the Budget Office. It will be possible to create hard stops for transactions originating from departments identified by the MOU. If the budget is controlled to stop transactions, it will not stop payroll activities, except for new hires.

**General Budget Control Categories for State Funds**

The general budgeted control categories for state funds are:

- Personnel (EPA-Faculty, EPA Non-Faculty, SPA, and Law Enforcement Officer)
- Fringes/benefits by types
- Utilities
- Library books/materials
- Aids and grants
- Transfers
- Everything else (one bucket for the 520000 series)

“Everything else” will include costs such as contract labor, supplies, travel, fixed charges and equipment.

**F&A**

Facilities and Administrative reimbursements will be distributed as they are currently. You will be able to distinguish between Carry Forward (temporary budget), Permanent Budget, and Formula Allocations. Position control will no longer apply to F&A funds.

The required chartfields for budgeting F&A funds are Fund and Department. For F&A, Budget Office control only occurs when the MOU does not have enough available F&A fund budget.

The system pools the budget when budget-checking the F&A expenses. A process for across the board salary increases on F&A budgets would need to be developed.

**Contracts and Grants**

Contracts and grant budgets will be established via the PeopleSoft Grants module. For contracts and grants, the following chartfields are required: Fund, PC Business Unit, Activity ID, Project, Department, Class, and Account. Control will be handled by Project ID.

The approach to specify budgets for contracts and grants is based on agency requirements and consultation with departments for each award. There are two budget options:

- **Detail Budget** - The Detail Budget will contain major budget categories, such as salary, fringe benefits, travel, and indirect.
- **Summary Budget** - The Summary Budget is rolled up to a high level of direct and indirect.
Other Trust Funds

Other trust funds (excluding F&A funds) have been divided into the following categories for budgeting purposes:

- Student Fee Accounts
- Residual Funds
- Special Projects
- Internal Service
- Auxiliary
- Contracts and Grants (non-OSR)
- Expendable Gifts
- Endowment Principal and Income
- Athletics
- Physicians and Associates

Criteria for Setting Up Commitment Control

The following criteria will be considered for commitment control setup:

- Revenue source
- Timing of revenue stream
- External reporting
- Internal reporting
- Department/school structure

Trust Fund Options

Based on this criteria, we have created three general and two special trust fund options:

- Trust 1 - Fund code, department
- Trust 2 - Fund code, department, program
- Trust 3 - Fund code, department, program, account
- UNCFP - Fund Code, department, program, account
- Athletics - Fund code, department, program, account, and cost code

Capital Improvement Projects

The required fields for Capital Improvement projects are Fund, Class, Account, and Project.

There will be no hard stops for CI projects.