

Budget Task Force Minutes

February 17th, 2009

The task force convened at the Hattiesburg campus.

Members present: Denise Von Herrmann, Bill Smith, Patricia Biesiot, Ann Blackwell, Susan Burchell, Homer Coffman, Allyson Easterwood, Lynn Estes, Dale Marchman, Joe Olmi, Steve Oshrin, Joe Peyrefitte, Rod Posey Lynn Smith, and Russ Willis

Allyson Easterwood discussed and explained the following technical issues related to budgeting:

- All-funds approach (i.e., unrestricted and restricted) – A budgeting model that encompasses all resources, including funds that may be subject to restrictions. Restricted funds are items such as gifts, grants, or endowments. Unrestricted funds include funds that are not restricted and can be used for any purpose.
- Budget balance carryovers – Carryover funds are operating funds unspent in one fiscal year that are rolled over to be utilized by a department in the next fiscal year. USM’s current policy is that academic departments keep carryover.
- Budget contingency – contingency funds are reserves built into a budget model to allow maximum flexibility as well as fund any unforeseen emergencies.
- Gross or net budgeting – the gross versus net issue relates to a unit like auxiliary enterprises that generates revenues. With net budgeting, you budget only the amount they are going to produce in terms of net revenues and ignore whether they over/under realize revenues and expenses. With gross budgeting, they have to budget expenses and revenues and are held accountable for variances. You still see the net revenues through the budget, but they are responsible for managing both revenues and expenses—not just the bottom line. This is a more effective approach because, if they over-realize revenues and maintain expenses at a steady rate, the surplus falls through to the university’s bottom line. With net revenue budgeting, an over-realization of revenues or under-realization of expenses usually gets spent by the unit and the university never realizes that it had more money available for other priorities.
- Line item or pool budgeting – when resources are distributed in detailed categories such as salary, wages, travel, etc. Funds can only be spent within those categories. Pool budgeting is basically what USM currently does. Total of all operating line item budgets within a department are “pooled” together. Budget controls are set at the pool level, not by line item.
- Multiyear budgeting -budgeting beyond one year.
- Reallocation mechanisms – when managers of programs must identify a small portion of existing resources that will be redistributed in accordance with established priorities.
- Sponsored program overhead recoveries distribution (F&A, Indirect cost recoveries) – Currently (generally speaking), USM’s distribution is as follows: 50% research, 15% to unit, 10% to Dean, 25% to the general fund. A sponsored program is basically an agreement between an institution and external entity such

as a federal agency. The agreement states that certain operating costs are reimbursed to the University.

- Treatment of vacancy savings (salary savings) – Salary savings are salary positions that are budgeted within a department but for some reason did not get spent by the unit. Common reasons for salary savings would be mid-year retirements, terminations, or resignations. If the position is not filled “salary savings” will be available. Current policy at USM is that this is not kept by the departments but rather used at the central level.

The Task Force then split up into groups of two to “pair and share” about all the above topics. Approximately 30 minutes were spent discussing within the groups. Each group then shared their viewpoints on each topic and gave suggestions/ideas.

Meeting was adjourned. Next meeting scheduled for February 27th, 2009 at p 3pm on the Hattiesburg campus.