

LEBANESE AMERICAN UNIVERSITY

University Budgets

Roles, Responsibilities and Procedures

June 2009

Amended March 2011

Lebanese American University

University Budgets

I. OVERVIEW

The budget is a tool to facilitate strategic and prioritized allocation of operating and non operating resources. This should provide incentives to maintain and enhance revenues and to utilize resources responsibly.

The following guidelines govern the budgets set up, the monitoring process and the respective responsibilities.

The final approval of the University's budgets rests with the Board of Trustees. The President shall present university Budgets to the Board after being reviewed by the University Budget Committee (UBC) and the Planning & Administrative and Executive Councils. The UBC shall review the divisional budgets and recommends budget priorities to the President. Preparing the Budgets shall be the responsibility of the President, each Vice President and the concerned Deans/Chairs/Directors. The Budgets coordination, monitoring and reporting shall be the responsibility of the Vice President for Finance assisted by the Director of Budget & Financial Planning and the Comptroller's Office.

II. ROLES AND RESPONSIBILITIES

A. The University Budget Committee (UBC) is composed of:

- Vice President for Advancement
- Provost
- Vice President for Finance (Chairperson)
- Vice President for Human Resources and University Services
- Vice President for Student Development and Enrollment Management
- One Academic Dean (on annual rotation basis to be selected by Provost)
- One Dean of Students (on annual rotation basis to be selected by VP SDEM)
- Assistant Vice President for Finance/ Director of Budget & Financial Planning.
- Vice President General Counsel
- Chair of the Faculty Senate
- Vice Chair of the Faculty Senate

The purpose of the UBC is to oversee the operating and capital budget processes and present its recommendation, through the VPF, to the President.

The driving philosophy for the UBC is to provide a platform for linking planning to budgeting functions; namely through:

- 1- A forum for discussion of budgetary issues of interest to the University community;

- 2- An avenue of communication to the University community about the budgetary process and related issues;
- 3- A means of evaluating the budget process;
- 4- An opportunity for representatives of the University community to recommend and defend annual budget priorities.

The basic functions of the UBC are:

- 1- Hold open hearings for each divisional/office budget request.
- 2- Review Divisional/ Unit Head recommendations.
- 3- Prioritize University budget requests within the scope of the strategic plan and mission of the University.
- 4- Make final prioritized recommendation to the President.
- 5- Evaluate budget process and recommend changes as needed.

The UBC, at the request of the PC, may act as an advisory body to the PC on certain financial matters.

B. Heads of Cost Centers

Heads of Cost Centers are responsible and accountable for setting, operating, managing and overall monitoring of their approved budgets. They are expected to be consistent with budget plans and/or provide timely explanations for material variances.

C. Office of Budget and Financial Planning (OBFP)

The Office of Budget and Financial Planning (OBFP) has the primary responsibility for assisting in planning, coordinating and facilitating in the preparation of University budgets. Based on set guidelines and procedures, the necessary schedules, formats, estimations for expenditures and revenues are prepared by OBFP. Participation on the part of Department Heads and other administrators is considered to be an integral part of this process.

The primary responsibilities of the OBFP is coordinating the development of financial plans, and developing and implementing of University budgets. The role of the OBFP includes:

- 1- Assisting in the development of mid to long range financial plans, consistent with the various University's constituencies plans.

2- Coordinating the preparation of the University Budgets,

Performing evaluations and analysis of the University's budgeted revenues and expenses, and recommending cost controls.

3- Assisting University entities in the financial planning of their divisional plans.

4- Compiling the individual budgets received from University entities into one total University wide budgets.

5- Communicating the approved budget and sending periodic timely budget reports to University entities.

D. Comptroller's Office

The Comptroller's Office is responsible for alerting the heads of Cost Centers for any overspending versus the budget captions and to hold commitments in case of obvious overspending.

III. OPERATING BUDGET

A. Overview

LAU Operating Budget shall be three-year rolling estimation of Operating revenues and expenses. This three year plan shall be revised and approved annually. Year one shall be the financial basis on which all University constituencies operate. Years two and three are estimations of LAU future plans.

The Operating Budget is the translation of plans into figures; it follows the planning process, and incorporates the amounts to be spent for each Program/Office. The Operating Budget is an estimate of revenues and expenses taking into consideration the external and/or internal environment of the University.

B. Budget Cycle

Budget guidelines

1. Taking into consideration the external and internal environment of the University, the UBC recommends the operating budget guidelines to the President. The Board of Trustees approves the guidelines presented by the President.
2. Based on the approved guidelines, the OBFPP prepares detailed guidelines that are circulated to the Cost Centers concerned as an assistance tool for preparing the budget of each division/office.

Budget development

1. Cost Centers prepare their plans in accordance with LAU plans. The Dean/Director and the VP concerned/Provost oversee this process.
2. Division/Office heads coordinate and consult with the OBFP to properly reflect the needs, requirements and estimation of their proposed plans.
3. The budget reports from Cost Centers are submitted to the OBFP based on a budget calendar communicated as necessary. The OBFP reviews the details, and prepares a preliminary University Budget.
4. Cost Centers present their plans with related narrations and justifications to the UBC.

Budget approval

1. Budget Committee hearings are conducted for each Division/Office. These hearings are conducted by the UBC based on a budget calendar communicated as necessary.
2. Based on these hearings, revised budgets are formulated in accordance with approved guidelines and a second University draft operating budget is presented by the OBEP to the UBC.
3. The UBC reviews the overall budget figures, and presents it to the President, for consideration and approval.
4. Should the President approve the budget, he/she and the VPF present the final budget along with the necessary analysis to the relevant University Councils and the Board for final approval.

Budget Monitoring

The OBFP provides the concerned department/office with on line monthly budget reports reflecting the approved budget versus the actual expenses

Heads of Cost Centers are responsible and accountable for operating and managing their budgets.

The aim of budget reports where actual expenditures are compared with the approved budget is to reflect the progress of program/activities with the planned ones.

The VPF and concerned Vice President/Provost are informed by the OBFP for any major deviation.

Annual University Budget reports reflecting operating status are submitted to the UBC and the President's Cabinet.

C. Operating Budget Criteria

The general external and internal factors play a crucial role in developing the budget guidelines mainly in relation to the following and the concerned LAU offices will provide updated data accordingly.

External Factors:

- 1- Economic/Political environment
- 2- Competition
- 3- Market needs
- 4- Tuition sensitiveness
- 5- Quality education versus fee setting

Internal Factors:

- 1- Student enrollment analysis
- 2- School cost analysis
- 3- Quality education needs
- 4- Projected academic plans
- 5- LAU strategic plans & accreditation requirement
- 6- Expansion requirements
- 7- Marketing requirements
- 8- Academic, enrollment, facilities, fund raising and financial plans.
- 9- Faculty & Staff requirements

Based on the above, detailed guidelines are set using the following criteria:

Revenues

- 1-Tuition and other student fees
 - a. Expected student enrollment
 - b. Tuition increases
 - c. Historical data
 - d. Tuition analysis
- 2- Endowment Income
 - a. Economic environment
 - b. Historical data
 - c. Investment policy spending rate
- 3- Other financial Revenue
 - a. Expected short term cash flow
 - b. Expected interest yields
- 4- Gifts and contributions
 - a. Economic conditions
 - b. Historical data
 - c. Overall budget requirements
 - d. Fund Raising Plans

5- Auxiliary Activities

Expenses

- 1- Salaries and related benefits
 - a. Economic conditions and/or governmental obligations
 - b. Promotion/Merit requirements
 - c. Programs needs
 - d. FTF/PTF ratio
 - e. Student/Faculty ratio
- 2- Financial Aid
 - a. Needs assessment
 - b. Historical data
 - c. External funding resources
 - d. Marketing Needs
- 3- Library and Educational Resources
- 4- Travel, communications, supplies, utilities and other expenses
 - a. Programs needs
 - b. Historical data
- 5- Depreciation of:
 - a. Asset holdings
 - b. New capital requirements
- 6- Contingency and Reserves
 - a. Needs assessment
 - b. Historical data

D. Operating budget Re-allocation

When the need arises, budget re-allocations between expense captions may be utilized as determined by the head of Division/Office.

To this effect, the following major expense captions are identified:

1. Teaching Compensation
2. Non Teaching Compensation
3. Financial Aid
4. Supplies
5. Books/Periodicals
6. Transportation & Travel
7. Communication
8. Utilities & Taxes
9. Contracted Services

10. Miscellaneous Expenses
11. Conferences and Training
12. Depreciation
13. Contingency

The Budget reallocation requests will be coordinated with the OBFP. The following rules shall apply for Cost Centers' Operating Budget re-allocations.

1. Allocations from/to the following expense captions are not permitted within the same cost center:
 - a. Salaries& Benefits
 - b. Financial Aid
 - c. Financial charges
 - d. Depreciation
 - e. Transfers
2. Allocations within the same department are recommended by the concerned head of division/office and approved by the respective Dean/Supervisor. (Refer to attachment 1)
3. Allocations between two departments for the same expense caption have to be recommended by the two concerned heads of Cost Centers and approved by the Deans/Supervisors. The additional approval of the Provost/VP(s) concerned is required if re-allocation is between different schools/entities. (Refer to attachment 1)
4. Allocations between campuses for same departments and same expense captions to be recommended by the two concerned heads of division/office and approved by the concerned Deans/Supervisors and the concerned VP(s)/Provost. (Refer to attachment 1)

The OBFP shall report on a regular basis with a summary of budget re-allocation to the VP Finance and concerned VP(s)/Provost.

E. Contingencies and Reserves.

This category supports long-term needs and strategic initiatives and is set as a percentage of the annual operating budget. Such items include provision for deferred maintenance (Replacement and Renovation), reserve for future operations and a contingency reserve to accommodate any contingent unbudgeted expense.

Approval for expenditure of contingency funds shall normally be requested only under the following circumstances:

1. Urgent unforeseen plan/activity or
2. When emergency conditions require immediate expenditures in excess of those budgeted, or

3. When an exceptional opportunity is presented for the advancement of the University, or
4. When unequivocal evidence can be presented that the total authorized budget of the person requesting the expenditure cannot reasonably be expected to cover the desired expenditure by realignment of priorities to accommodate the desired expenditure.

Such approved amounts shall be transferred from the contingency account to the appropriate expenditure accounts. (Refer to attachment 2)

The use of the contingency budget needs the approval of the concerned VP/Provost, VPF, and the President. The remaining un-disbursed/unspent contingency budget will be transferred to the University's General Endowment Fund.

IV. CAPITAL BUDGET

A- Overview

The Capital Budget represents investments in fixed assets (in excess of USD500) in support of LAU's academic programs and strategic initiatives. These assets are categorized as follows:

- a. Divisional equipment/furniture/technology/software
- b. Capital projects (land, construction and renovation)
- c. Miscellaneous

The Capital Budget is a five-year estimation of all capital projects, replacement, renovation and equipment/furniture/technology (updated annually over a rolling 5 year plan). It also includes the funding sources necessary to fund the above expenditures namely Unrestricted Plant Funds, Replacement & Renovation Funds and Fund Raising revenue.

The final authority to approve the University's Capital Budget rests with the Board of Trustees. The Capital Budget shall be reviewed, updated, and re-approved annually by the Board of Trustees.

B. Capital Budget Criteria

The following represent various criteria that are analyzed in setting the University Capital Budget:

1. General Economic environment and Market needs
2. University and departments academic plans and objectives
3. Assessment of previous plans
4. Review of historical data/reports
5. Envisaged enrollment growth
6. Educational/Research needs and requirements
7. Available human, physical and financial resources

8. Facilities and space availability and projected needs
9. Financial viability of proposed programs and projects
10. University financial stability
11. Endowment build up/returns and fund raising assessment
12. Student support services, facilities and learning resources

C. Budget Process

1. Divisional equipment/furniture/technology:

This covers the new or replacement assets needed in order to ensure proper and up to date operations of the University.

a. Preparation

Based on the academic plans and programs, Heads of Cost Centers will prepare their rolling lists of the capital needs for five years that would be updated/amended annually and itemized by type (equipment, furniture, etc.)

The preparation of the budget requires the coordination with the support departments covering the input of the following offices:

IT, Operations, and the Purchasing - for specifications, costs, trade-in and replacement needs.

It also requires the input of the Facilities department in terms of space availability, installations and technical requirements.

The budget approval will be set based on total captions rather than individual and itemized equipment.

b. Monitoring and reporting

Heads of Cost Centers are responsible and accountable for operating and monitoring their budgets.

The monitoring of budget compliance is based on major captions of capital expenditures defined as follows:

1. Computer equipment/Software
2. Furniture
3. Office equipment
4. Laboratory & studio equipment
5. General equipment
6. Vehicles

The Comptroller's Office is responsible for alerting the head of division/office for any overspending versus the budget captions and to hold commitments in case of obvious overspending.

The OBFP provides the concerned department/office with monthly budget reports reflecting the approved budget versus the actual expenses.

c. Budget re-allocation

The following rules shall apply for Divisional Capital Budget re-allocations. The budget allocations will be cleared and processed by the OBFP. The OBFP shall also facilitate and provide consultations to budget re-allocations. (Refer to attachment 3)

- i. No allocations between divisional equipment captions are permitted since such allocations will affect depreciation budget and therefore the operating results of the University.
- ii. Allocations between two departments within the same caption have to be recommended by the head of division/office budget owners and approved by the Deans / Supervisors concerned. The approval of the Provost/VP concerned is required if allocations is between Schools/entities.
- iii. Allocations between campuses for the same departments and within the same caption have to be recommended by the concerned head of Cost/Center and approved by the concerned Deans/Supervisors and VP/Provost.

The OBPF shall report on a regular basis with a summary of budget re-allocation to the VP Finance and concerned VP(s)/Provost.

2. Capital projects (land, construction and renovation)

a. Purchase of Land:

The University may elect to budget for purchasing additional land or accept a donated land. The Board of Trustees retains the ultimate approval authority for such transactions (paid or donated).

The Capital Budget should include estimated costs of such purchase/donation based on square meters required and other associated costs (e.g. transferring ownership, registration, taxes etc.)

b. Construction and renovation

The University's construction projects are initiated and approved as detailed below. The Board of Trustees has the ultimate approval authority for construction projects.

i. Preparation

The Facilities Department shall compile the prioritized projects and forward its recommendation to the UBC. The UBC, based on the availability of the funds, shall recommend the appropriate Capital Budget to the President.

ii. Monitoring and reporting

The Facilities Department is responsible and accountable for the technical implementation of the projects within the set budget, time frame and related contractual arrangements.

The Comptroller's Office is responsible to monitor the project's expenditures and cash disbursements within the related contractual arrangements and approved budgets.

A Capital Budget Report including all construction and renovation projects shall be issued on monthly basis to be reviewed by the concerned departments (Facilities, Finance, VPs/Provost and President).

iii. Budget re-allocations:

In case of an anticipated shortage in budgets, the Facilities Department is responsible to communicate and initiate a recommendation for a budget increase/allocation, from the Miscellaneous Budget. (Refer to section 3 hereunder).

Changes to approved projects or variations exceeding the approved budgets need the prior approval of the Board of Trustees

Budget reallocation among construction projects is not allowed without the prior approval of the Board of Trustees.

3. Miscellaneous capital budget

This caption covers a lump sum budget set for unforeseen renovation projects that might be needed during a particular year. It is also used for budget re-allocation and funding equipment/furniture not budgeted for in a particular division/office.

a. Preparation

The Budget Office shall include a lump sum amount up to 10% of the overall capital budget. This budget shall be reviewed by the UBC and include it in the overall capital budget for the Board approval.

b. Monitoring and reporting

The Budget Office shall monitor and process requests for individual projects/items. Withdrawal from this budget and balance available accompanies each approved request.

c. Budget re-allocation

When the need arises, the head of the division/office shall request budget allocation from the Miscellaneous Capital Budget coupled with a justification for such transfer. This request needs the approval of concerned VP, Provost, VPHR&US, VPF and President. (Refer to attachment 4)

D. Source of Funds

The University Administration and the Board of Trustees shall make sure that the University Capital Budget can be achieved with available and projected sources of funds.

Three general sources are identified to finance the Capital Budget:

1. General Plant Funds.
2. Replacement & Renovation Funds.
3. Gifts & Contributions.

The approval of the Capital Budget is highly dependent on the sources of funds available.

V. OTHER BUDGETS

This covers the set up and process of special budgets covering institutes, centers and Students Association.

A. Academic Institutes, Centers & Special Activities

Similar to the operating expense budget, the Director of the Institute (reporting to the concerned Dean/Provost) is responsible for establishing the estimated revenues and expenses. The budget approval, monitoring and reporting follows the same guidelines outlined under the operating budget.

The overall financial monitoring and reporting of the Institutes/Centers is handled by the Grants' Office.

B. Student Association Fund

The Student Association Fund budget is prepared by the VPSDEM, the Deans of Students, and the Executive Director of OCE. The budget is prepared by activity and by item of expense. The budget approval, monitoring and reporting follows the same guidelines outlined under the Operating Budget.

Budget re-allocation within captions is allowed; however, approved expenditures by the Deans of Students and the Executive Director of OCE should not exceed the projected revenues.

Attached transfer request forms:

Attachment 1: Allocation request among School/division/office operating budget line items

Attachment 2: Contingency fund budget allocation request

Attachment 3: Divisional Plant fund budget allocation request

Attachment 4: Miscellaneous Plant fund budget allocation request

LEBANESE AMERICAN UNIVERSITY

Operating budget

Allocation request among School/division/office budget line items:

From: Division/office name ----- **Organization number**-----**Campus**-----

Budget line item - Name (number) -----

To: Division/office name ----- **Organization number**-----**Campus**-----

Budget line item- Name (number)-----

Request / Project Title (if applicable):

Brief Description of scope:

Budget amount to be allocated:

Cost Estimate(\$)	Contingency(\$)	VAT(\$) (10%)	Total(\$)

Requested by: Name and signature

Date:

Approved by: Name and signature

Date:

Provost/Vice President concerned

Approval:

Date:

For Business Office Use

Project No:	Budget amount(USD) :	Allocated by:	Date:
Account No:			

LEBANESE AMERICAN UNIVERSITY

CONTINGENCY FUND BUDGET ALLOCATION REQUEST

Requesting Department:		Campus:	
Date:		Location:	
Request / Project Title:			
Brief Description of scope:			
Budget amount to be allocated:			
Cost Estimate(\$)	Contingency(\$)	VAT(\$) (10%)	Total(\$)
Requested by:		Approved by:	
Date:		Date:	
<u>Provost/Vice President concerned</u>			
Approval:		Date:	
<u>Vice President for Finance</u>			
Approval:			
Date:			
<u>President</u>			
Approval:		Date:	

For Business Office Use

Project No:	Budget amount(\$):	Allocated by:	Date:
Account No:			

LEBANESE AMERICAN UNIVERSITY

Divisional capital budget

Reallocation among School/division/office budget line items:

From: Division/office name ----- **Organization number**-----**Campus**-----

Budget line item - Name (number) -----

To: Division/office name ----- **Organization number**-----**Campus**-----

Budget line item- Name (number)-----

Request / Project Title (if applicable):

Brief Description of scope:

Budget amount to be allocated:

Cost Estimate(\$)	Contingency(\$)	VAT(\$) (10%)	Total(\$)

Requested by: Name and signature

Date:

Approved by: Name and signature

Date:

Provost/Vice President concerned

Approval:

Date:

For Business Office Use

Project No:	Budget amount(USD) :	Allocated by:	Date:
Account No:			

LEBANESE AMERICAN UNIVERSITY

MISCELLANEOUS PLANT FUND BUDGET ALLOCATION REQUEST

Requesting Department:		Campus:	
Date:		Location:	
Request / Project Title:			
Brief Description of scope:			
Budget amount to be allocated:			
Cost Estimate(\$)	Contingency(\$)	VAT(\$) (10%)	Total(\$)
Requested by:		Approved by:	
Date:		Date:	
<u>Vice President concerned</u>			
Approval:		Date:	
<u>Vice President for Human Resources & University Services</u>		<u>Vice President for Finance</u>	
Approval:		Approval:	
Date:		Date:	
<u>President</u>			
Approval:		Date:	
<u>For Business Office Use</u>			
Project No:	Budget amount(\$):	Allocated by:	Date:
Account No:			

