



Procedure 205-02 Budget

Sponsor: Business and Administrative Services

Purpose

A budget is an annual financial plan to carry out the College's strategic and operational plans. The purpose of this budget procedure is to outline statutory requirements, principles, process, and assumptions used in the annual budget development process.

Definitions

Assumptions: Beginning assumptions provide a financial starting point for developing the budget. The College uses trend analysis, current economic data, and any new legislation to develop realistic assumptions for revenues and expenses.

Informed Budget Process (IBP): The process encourages college-wide involvement in developing the annual operating budget. Employees are encouraged to identify financial resources needed for their departments or for new projects that will help the College advance its vision, mission, values, and priorities. All budget requests for new or one-time funding (operational needs and new projects) are reviewed and prioritized at the division level and forwarded to the President's Cabinet for final funding consideration. More IBP information is available on the employee intranet by going to the Business dropdown arrow and selecting Budget.

Statutory Requirements

District budget; annual estimate; computation; notice; hearing; adoption

The Budget statute A.R.S. §15-1461 sets forth the requirements for each district established pursuant to chapter 14, and any other community college established prior to the enactment of chapter 14, to prepare a proposed budget for the budget year on a form which the auditor general prescribes to be transmitted to the district board. The proposed budget shall be prepared no later than June 5th of each year and accompanied by an estimate of the amount of funds needed for the ensuing year as determined by the district based on the proposed budget prepared by it.

Truth-in-Taxation

The Truth-in-Taxation statute [A.R.S. § 15- 1461.01] requires political subdivisions to publish notice of and to hold public hearings on proposed tax increases on existing property. The first publication shall be at least fourteen but not more than twenty days before the date of the hearing. The second publication shall be at least seven but not more than ten days before the date of the hearing.

Expenditure Limitations

Each year, an expenditure limitation is set for political subdivisions of the State of Arizona in accordance with A.R.S. § 41-563. The expenditure limitation is based upon FY 1979/80 and adjusted for changes in the population and cost of living between 1978 and the current year.

Property Tax Levy limitations

Property tax levy limitations for the College are defined by A.R.S. § 42-17015. The levy on existing property may not increase by more than two percent each year.

Debt

Any debt increases by local government that is paid exclusively through the secondary property tax must be approved by voters. Under Article IX of the Arizona Constitution, the total amount of indebtedness of the district may not exceed 15% of the County's secondary property assessed valuation.

Uniform Expenditure Reporting System

A.R.S. § 41-1279.07 authorizes the Auditor General to prescribe a Uniform Expenditure Reporting System (UERS) for community colleges districts to ensure compliance with the constitutional expenditure limitation prescribed by article IX, §21, Constitution of Arizona.

State Budget Document

The Business Office prepares the budget on state prescribed forms provided by the Auditor General's Office. The preliminary budget is presented to the District Governing Board at the April meeting. Once the preliminary budget has been presented, it cannot be increased for any reason. The College is required to follow statutory requirements, as set forth herein, for posting and advertising the preliminary budget for the public. In May, the District Governing Board holds a public hearing, a tax hearing, and a special board meeting to formally approve the budget through a roll call vote. The budget is required to be submitted by June 20th each year.

Procedure

Budget Principles

The College established the following principles to guide the budget development process:

1. Serve the greatest educational needs of the residents of Coconino County
2. Be good stewards of public taxpayer funds
3. Take a long-term view versus a short-term view to ensure financial sustainability of the College
4. Maintain affordable tuition and fees to ensure accessibility to the community
5. Use student performance measures and data to make the best decisions for our students and community
6. Use Strategic Planning goals to determine the allocation of limited resources
7. Use a program review process to evaluate programmatic and financial data and optimize resources
8. Provide an open and transparent process and communicate broadly to the College and community

Budget Development Calendar

Month	Actions Taken
November	<ul style="list-style-type: none">• Review priorities, strategic plan, and economic data.• Budget Kick-off Meeting of beginning assumptions.• Distribution of tuition and fee schedules and base budget reallocation, and IBP request forms to budget managers.
December	<ul style="list-style-type: none">• Tuition and fee recommendations are due to the Business Office. President's Cabinet reviews tuition and fee requests and develops recommendations.
January	<ul style="list-style-type: none">• District Governing Board work session to review assumptions and tuition and fee recommendations

Month	Actions Taken
February	<ul style="list-style-type: none"> • Seek broad input from students regarding tuition recommendations • Compensation Committee provides recommendations to Executive Leadership • President's Cabinet reviews IBP requests and makes recommendations based upon strategic planning initiatives and operational priorities • District Governing Board approves tuition and fees and provides direction on salaries and benefits
March	<ul style="list-style-type: none"> • Budget managers review and confirm budgets
April	<ul style="list-style-type: none"> • President's Cabinet and District Governing Board review preliminary budget
May	<ul style="list-style-type: none"> • District Governing Board holds a public hearing and tax hearing • District Governing Board final budget adoption and Collegewide budget presentation

Budget Organization

An explanation of funds and program codes used to organize the College's accounting is described below. Funds are based on the Uniform System of Accounting and Financial Reporting for Arizona Community College Districts and program codes are established by the National Association of College and University Business Officers (NACUBO) Financial Accounting and Reporting Manual for Higher Education.

Funds

1. General Fund is used to account for all general operations of the College and is the largest fund.
2. Auxiliary Fund is used to account for self-supporting activities that perform a service to students.
3. Restricted Fund is used to account for resources that are restricted by outside donors or agencies such as grants, contracts, and financial aid.
4. Loan Fund is used to account for federal loan programs.
5. Unexpended Plant Fund is used to account for equipment or the construction or improvement of buildings.
6. Retirement of Indebtedness is used to account for the resources for payment of principal in interest of debt.

Program Codes

1. Instruction – activities directly related to instruction, including faculty salaries, benefits, and supplies
2. Public Service – activities provide non-instructional services beneficial to individuals or groups external to the institution
3. Academic Support – activities that support instruction, including libraries, academic computing, curriculum development, and deans' offices
4. Student Services – non-instructional, student-related activities such as recruitment, admissions, advising, career counseling, financial aid, and student clubs and organizations
5. Institutional Support – general administrative services such as executive management, legal and fiscal operations, human resources, and public relations
6. Plant Operations and Maintenance - service and maintenance of the physical plant, buildings and grounds, utilities, and property insurance
7. Scholarships – institutional spending on student scholarships, including restricted federal financial aid

Revenues

Enrollment

Enrollment projections are based upon trend analysis and Coconino County projections for population growth.

Tuition and Fees

Tuition and fee rates are reviewed annually. Smaller incremental increases are preferred because they are easier to manage financially than waiting and implementing large increases all at once. In addition, attention is paid to ensure tuition and fees are fairly and equitably priced. Based upon value to the community, some tuition and fees may be partially subsidized through other district revenue sources. Trend analysis of enrollment within the different rates of tuition is used to project tuition revenue.

1. Standard tuition rates – rates are based upon long-term tuition pricing strategy and reviewed annually.
2. Differential tuition rates - Specialty tuition rates for higher-cost programs are added to the standard tuition rate per credit hour. Specialty tuition rates are based upon cost of supplies by subject area; however, some subject areas have been partially subsidized because of the value they provide to the community. The academic deans review specialty tuition rates for higher-cost programs, market data, and instructional expenses to determine if increases to specialty tuition rates will be recommended.
3. Out-of-county tuition is a multiplier of the in-state rate by 1.2
4. Out-of-state Western Undergraduate Exchange (WUE) tuition is a multiplier of the in-state rate by 1.5.
5. Out-of-state tuition is a multiplier of the in-state rate by 3.5. The pricing strategy for out-of-state tuition is based upon recovering at least the full cost of attendance and is reviewed annually against market data.

Tuition and fee recommendations are taken to the Board in January in a work session to review recommendations and receive direction. The Board approves tuition and fee rates in February for the next academic year.

State Appropriation Aid

Estimates for State Appropriation aid is based upon statutory formula (A.R.S. §15-1466) and are incremental changes based upon increase or decrease in the audited full-time student equivalent (FTSE) between the two most recent fiscal years. One FTSE equals an average of 15 credit hours in each of the fall and spring semesters, for a total of 30 credits hours for one year. The state aid funding is differentiated based upon two enrollment categories of non-dual enrollment and dual enrollment.

State Appropriation -Rural Community College Aid

Special line appropriation for rural colleges that began in 2020

STEM and Workforce Programs State Appropriation Aid

STEM aid is restricted to science, technology, engineering, mathematics, and workforce programs. Estimates for STEM and Workforce Programs State Appropriation aid are based upon statutory formula (A.R.S. § 15-1464), which is based upon funding per audited full-time student equivalent (FTSE) of the most recent fiscal year. The FTSE is divided into two enrollment categories of non-dual enrollment and dual enrollment. The estimate is calculated using the audited FTSE multiplied by the prior rate per enrollment category.

Property Taxes

By February 10th of each year, the County Assessor's Office provides a levy limit worksheet. The primary levy cannot exceed the prior year's levy by more than two percent, plus new construction added to the tax rolls. The Board typically adopts the maximum allowed tax rate and is required to follow statutory Truth-in-Taxation (TNT) requirements. Property lease excise taxes are also included under property taxes.

Other Revenues

Other revenues include gifts, grants and contracts, investment income, and other income, including bookstore income, non-class fees such as parking fees, and lease income. Trend analysis, increases in the consumer price index (CPI), and recommendations for increases in non-class fees are used to estimate other revenues.

Grants

Grants are a useful potential source of revenue for the College but must be used in a way that promotes the financial sustainability of the College. See Policy 206-00 Grants Procedures 206-01 through 202-06 for more information.

Carryforward

Carryforward funds are one-time sources of revenue and are not expected to continue. Carryforward funds are used for unexpected revenue shortfalls, one-time expenditures such as capital or equipment, one-time startup costs. They are not used for ongoing operating expenses.

Expenditures

Salary and Benefits

Salary and benefits are the largest expenditure of the College and account for approximately 75 to 80% of the General Fund budget. Salaries and benefits are budgeted centrally by the Business Office. The Board has directed staff to conduct a salary survey every other year. The Board reviews and provides direction on salaries and benefits at the February and March meetings, respectively. The Board's allocation includes any increases for CPI, merit, market, reclassifications and benefits for all faculty and staff.

The Arizona State Retirement System (ASRS) establishes the required employee and employer contribution rates each year.

Health benefits are determined through the Northern Arizona Public Employees Benefit Trust (NAPEBT) which is a trust formed by local public employers to provide cost-effective benefits packages to their employees. The benefits covered include self-funded medical, vision and pharmacy, and traditional life, and voluntary benefits such as dental insurance and short-term and long-term disability.

Capital Equipment

The College allocates funds for preventative maintenance projects annually, based upon a cost per square foot indexed by the CPI. Allocated funds not used in any one year are rolled over and reserved for future preventative maintenance projects. This process allows the College to set funds aside annually for larger projects.

The College has had preventative maintenance schedules for 20 years that include major maintenance and replacement of items such as HVAC units, roofs, parking lots, and carpeting. The Executive Director of Facilities and Security assesses the condition of the facilities and adjusts the schedules annually or as needed, to ensure the facilities are maintained, and the life and safety of the students and staff are

protected. Any capital items that improve or extend the life of the facilities and are over \$5,000 are capitalized and budgeted in the Plant Fund.

Presidents Contingency Fund

An amount is budgeted for unforeseen expenditures and is approved by the President.

Contingency Fund

A contingency is budgeted in the General Fund from reserves (also known as Fund Balance) and is to be used for emergencies or revenue shortfalls. If the contingency is not used, it is returned to the Fund Balance.

Accountability Report

The IBP specifies that departments receiving new funding to support strategic initiatives are responsible for “closing the loop” in the budget process by providing a year-end accountability report that documents progress on intended project outcomes.

References

A.R.S. §15-1461 District budget; annual estimate; computation; notice; hearing; adoption

A.R.S. §15-1461.01 Truth in taxation notice and hearing; roll call vote on tax increase; definition

A.R.S. §15-1464 State aid per capita distribution for science, technology, engineering and mathematics and workforce programs; fund; appropriation; report

A.R.S. §41-563 Expenditure limitations; determination by the commission; definitions

A.R.S. §41-1279.07 Uniform expenditure reporting system; reports by counties, community college districts, cities, and towns; certification and attestation; assistance by auditor general; attorney general investigation; violation; classification

A.R.S. § 42-17015 Primary Property Tax Levy Limits

Policy 206-00 Grants

Procedure 206-01 Grant Application

Procedure 206-02 Grant Management

Procedure 206-05 Time and Effort Reporting for Federal Grants

Procedure 206-06 Grant Closeout

Arizona Constitution, Article IX, §21

National Association of College and University Business Officers (NACUBO) Financial Accounting and Reporting Manual

Government Finance Officers Association (GFOA) Budget Award Criteria

Uniform System of Accounting and Financial Reporting for Arizona Community Colleges

Revision History

03/11/2015 New

10/16/2020 Revised and Approved by Executive Leadership Council

09/23/2024 Approved by President’s Cabinet

Legal review

10/18/2020