OP 62.29: Guidelines for the Development of Revenue Budgets

DATE: September 24, 2014

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to outline and establish policies, procedures, and guidelines for the development of revenue budgets.

REVIEW: This OP will be reviewed in February of even-numbered years by the assistant vice president for financial planning & analysis with substantive revisions forwarded to the vice president for administration and finance and chief financial officer (VPAF/CFO) and the president.

POLICY/PROCEDURE

1. General

As with other state-supported institutions, Texas Tech is charged with and depends on the generation of revenue in addition to that provided from legislative appropriations. Because of this, it is very important that an accurate revenue budget be prepared each fiscal year for activities supported by these locally generated funds.

2. Under state law, revenues generated at the various public institutions of higher education are classified as either "Local Funds" (Educational and General Funds) or "Institutional Funds." (Tex. Educ. Code Ann. § 51.009 (West 2007))

a. Local Funds are those revenues that are accounted for as educational and general revenues and are considered in the development of the biennial appropriation of the Legislature. This classification of revenue includes:

(1) Tuition (net of statutory deductions, e.g., TPEG)
(2) Laboratory fees
(3) Student teaching fees
(4) Organized activity fees
(5) Proceeds from the sale of educational and general equipment

b. Institutional Funds include revenues generated from all other sources and are accounted for and include the following:

(1) Designated Funds
(a) Conference, Seminar, and Workshop Fees

(b) Student Fees
   - Student Services Fee
   - Information Technology Fee
   - Medical Services Fee
   - Academic Departmental Instructional Assessment Fee
   - Others as Required

(c) Interdepartmental Sales, including Service Departments

(d) Other Designated Revenues

(2) Auxiliary Funds

(a) Sales and Services Revenues
   - Housing and Dining Services
   - Bookstore
   - Student Union
   - Athletics

(b) Other Auxiliary Revenues

(3) Current Restricted Funds

(a) Sponsored Projects

(b) Gifts

(c) Investment Earnings

(d) Other Restricted Revenues

3. Policy and Procedures

a. The VPAF/CFO has the overall responsibility for development of the various revenue budgets. Any budget that will estimate the generation of revenue, which is in excess of the actual revenue recorded during the prior fiscal year, must be justified in writing and routed to the VPAF/CFO for review and approval.
b. The following is suggested criteria to be followed for the development of listed revenues:

(1) Tuition and Mandatory Student Fees

Actual collections of fees for the prior complete academic year adjusted by fee changes and estimated percentage increase or decrease in student enrollment.

(2) Auxiliary and Designated Funds Revenue Primarily Dependent upon Student Sales

Actual revenues for the prior complete fiscal year adjusted by expected increases in operating costs and the estimated percentage increase in student enrollment.

(3) Revenue Budgets Dependent upon Investment Income

Estimated average annual cash balance expected during the budget development year multiplied by the estimated investment pool rate of return for the budget development year.

(4) All Other Revenues (Including Service Department Revenues)

Actual revenues collected and accounted for during the complete fiscal year prior to the budget development year. Revenues for the service department accounts must accurately reflect state budget contributions, including a recognition of decreases in state funding when appropriate. Justification should include such items as economic or other factors that document the increase or decrease.

c. Departments are encouraged to develop internal written procedures covering development of revenue budgets. These procedures are important in those departments and activities with more complex or multiple revenue sources.

d. Training in revenue budget development may be requested and arranged by contacting the assistant vice president for financial planning and analysis or by contacting the Budget and Resource Planning and Management office at 742-3228 (http://www.depts.ttu.edu/budget/).