
Policy Title: BUDGET MODIFICATION GUIDELINES AND PARAMETERS

This policy recognizes the authority of Mid-State Technical College for adopting an annual budget and its ongoing fiduciary role for the financial operations of the district.

The purpose of this policy is to establish parameters and guidelines to ensure that the annually adopted budget and any modifications to it remain current and aligned with the district board's strategic directions; college goals; and its academic, student support, human resources, facilities and financial strategies.

Current literature suggests that in a dynamic and continuously changing environment, budgets must be adaptive in order to be effective.

Throughout the year it may become necessary to modify the district budget or reallocate expenditures. These changes occur because of unanticipated expenditures, reprioritization of alternatives, funding emergencies or unanticipated changes in realized revenues. Changing federal funding patterns have also caused budgetary changes in the past. When these changes occur, they are normally of two types. They include:

- Budget modifications/amendments – A change to the board approved totals of budgeted revenues by fund and source and for budgeted expenditures by fund and function.
- Budget transfers – Two or more simultaneous offsetting changes within the budget which result in no change to fund equity from the board approved totals of budgeted revenues by fund and source and/or for budgeted expenditures by fund and function.

To maintain board awareness, budget modifications will be presented monthly as part of the regular board meeting and Finance & Audit Committee packet. Explanations will be provided and all changes will comply with the following budgeting and budget modification guidelines and parameters.

BUDGETING GUIDELINES

- Budgets will be balanced so that revenues equal or exceed expenditures, or interim increases in budgeted expenditures are offset by decreases in other budgeted expenditures or increased budgeted revenues; otherwise an explanation for using fund equity is required.
- Budgeted fund equity will remain within targets established by the Finance & Audit Committee unless previously approved.
- Transfers between fund and/or function are permissible and require Finance & Audit Committee approval.

- Administration may make temporary transfers (known as inter-fund borrowing) provided inter-fund liabilities are used in conformance within the Wisconsin Technical College System’s Financial Accounting Manual (FAM).

BUDGETING PARAMETERS

Administration will keep modifications to the annual budget in alignment with the following policies of the District Board.

- HLC financial ratio targets – The College’s “*Institutional Update*” submitted annually to the Higher Learning Commission of North Central Accreditation to demonstrate compliance with its “Financial Indicator Progress”, and their established financial ratios, thresholds, and composite score targets.
- Mid-State fund equity targets – The District Board expects the General Fund equity to remain within 25% to 33% of its annual revenues and recognizes the need to increase the district’s overall net asset position over time and in relation to its budgetary growth. Every fund must maintain a fund equity (or retained earnings) position necessary to provide sufficient working capital for grants, financial aid, trust accounts, and enterprise units. Administration will also maintain a General Fund equity position adequate to:
 - Provide a cash-flow which eliminates the need for temporary cash-flow borrowing
 - Provide growth funding for new and expansion of existing academic programs and services
 - Provide funding for unexpected or catastrophic events
 - Ensure solvency and enhance the financial condition of the district
- Federal, state and private grants - The annual adopted budget for grants is based on proposals being prepared and the estimated funding awards from those proposals. Often the award letters are received after the budget is adopted requiring its modification. Other grant opportunities emerge throughout the year for which the College will write proposals, receive award letters and create new budgets. This fund maintains an end-of-the year balance to match the award when required.
- Contracts for services – This fund tracks revenues and expenditures associated with the direct costs for services rendered. Costs for administration, curriculum development and other overhead are accounted for in other funds. Revenues should equal or exceed costs and comply with WTCS requirements and Mid-State District Board Policy. A positive fund equity is encouraged to provide adequate working capital and flexibility necessary to meet emerging community business and agency needs throughout the year.
- Capital budgeting and financing – The College’s capital budget covers seven categories: 1) facilities construction and remodeling/renovation; 2) building and grounds equipment, capital maintenance and improvements to the grounds; 3) technology and related infrastructure; 4) equipment and software for Academics and Student Services; 5) grants; 6) other college initiatives or projects; and 7) capital expenditures associated with enterprise units and trust & agency activities which must be accounted for in other funds.

Policy Section: Fiscal Management

Policy Title: Budget Modification Guidelines

Annual capital allocations remain relatively stable with the exception of facility construction, remodeling and improvements. Capital projects are financed with the sale of general obligation promissory notes amortized over the estimated average life of the assets, generally 5-10 years. The College must use these proceeds within three years from receipt of the proceeds. Capital budget balances are carried forward and remain associated with those capital projects that are assigned a unique number – until the project is completed and closed.

- Debt service targets – Amortization schedules from previously issued capital debt determine the timing of annual debt service payments. These payments are funded almost exclusively by property tax revenue as required by the notes. Funds must be on-hand when payments are due requiring the College to levy a year in advance for payments required before December 31. Therefore, revenues will not equal expenditures. The required fund equity is recalculated annually and applied to the proposed budget.
- Student financial aid and activities – Revenues and expenditures for the student financial assistance and student activities are forecasted and budgeted by the Financial Aid Office and the Student Services Office. Excess revenues and fund equity are held in-trust within the respective funds.
- OPEBs funding– Accumulated liabilities associated with Other Post-Employment Benefits (OPEBs) will be reported in the audited financial statements. Funding for any accumulated OPEBs liability reported exclusively in the annually audited financial statements may be addressed by the District Board during the audit or during the subsequent year’s budgeting process. It will be addressed by reserving a portion of fund equity or authorizing a payment to an irrevocable OPEBs Trust.

BUDGET AMENDMENTS

The District Board will take action twice each year to formally amend the budget by fund and function with the WTCS office. Once prior to the subsequent year’s budget proposal and once after the July 31 end-of-the-year closing, but before the audit is completed.

Budget amendments require board action and class 1 publication following proper meeting agenda notice. Passage by a two-thirds vote of the entire board is required.

Adopted: August 2011

Last Reviewed: July 2017

Last Revised: August 2017