Introduction to Budgeting

Lane Community College
April 17, 2006
Overview

- Resources & Expenditures: Relationship between Budget and Actual
- Differences between “Budget”, “Projections” & “Audit Report”
- Five steps in the annual budget development process
Resources: Budget v. Actual

Budget

Est. Beg Fund Balance plus Est. Revenues = Outside Limits

Actual Revenues
(Audit report after fiscal year is over)

Actual Beginning Fund Balance +
Expenditures: Budget v. Actual

Budget Plan = Parameters for Expenditures

Actual Expenditures
(Audit report after fiscal year is over)

Ending Fund Balance
Budget

- Defines reasonable outside limits for Resources and Expenditures
- Provides overall picture of major revenue sources
- Provides a general plan for how resources will be allocated
- Provides for unforeseen or emergency needs
- **Must balance** (i.e. total operating resources must equal total operating expenditures)
Projection

- Current **forecast** of future resources and expenditures
- Provides as **close an estimate as possible** (taking into account current knowns v. unknowns)
- Uses **historical spending patterns** as a model where possible
- **Identifies budget development targets** (e.g., deficits that must be covered, surpluses that can be allocated to current or new activities)
Financial Report (Actual)

- Provides **accurate accounting** of financial performance (operating revenues and expenditures) after fiscal year is over
- Allows **comparison** of budget or projection to actual performance
- **Historical record** of financial reports provides basis for future projections
Step 1: Projections → Budget

DATA

Projection Model

State Budget

Enrollment

State Distribution Formula

Employee Compensation

Past Performance: Financial Reports
Step 2: Projections → Budget

- Projection Model
  - Current Year Projected Revenues & Expenditures
    - Budget Year Projected Resources & Current Service Level Expenditures
Step 3: Projections → Budget

Budget Year Projections
- Projected Resources
- Current Service Level
- Expenditures

Budget Targets
- Deficits or Gaps?
- Surplus?
- 3-year Forecast!
Step 4: Projections → Budget

- Budget Targets
  - Deficits or Gaps?
  - Surplus?
  - 3-year Forecast!

- Strategic Directions

- College-wide Plans

Internal Process

PROPOSED BUDGET
Step 5: Projections → Budget

- Proposed Budget
- Approved Budget
- Adopted Budget

Process:
- Budget Committee Process
- Public Hearing – Board Action