BUSINESS AND FINANCE DEPARTMENT
Office of Budget and Fiscal Planning

Effective Date: 7/1/2026

BUDGET PRINCIPLES

Policy Number	530-01
Approval Authority	President
Responsible Administrator	Chief Financial Officer
Responsible Office	Treasurer/ Budget Office
Policy Contact	Director of Budget and Fiscal Planning

1.0 POLICY STATEMENT

As a public entity, Tennessee State University (TSU or University) is responsible for the prudent management of resources entrusted to its care by the citizens of Tennessee. Ensuring that budgets developed by the University and considered by the TSU Board of Trustees (Board), are prepared in accordance with sound budget principles is fundamental to good stewardship of financial resources. All University officials responsible for budgeting processes are directed to adhere not only to the specific requirements of this policy, but to also act within the spirit of this policy and in a manner that evidences forthrightness and engenders public trust.

2.0 IMPORTANCE AND REASON FOR THE POLICY

The goal of the University's budget and business planning process is to achieve a balanced budget while maximizing resources and allocating those resources to align with the University's strategic mission. To achieve this goal, the University has a responsibility to submit an annual operating budget to the Board of Trustees each year. The budget principles included in this policy are intended to respond to the expectations of various stakeholders relating to the generation and expenditure of funds.

3.0 DEFINITIONS

Recurring Revenue or Expenses - Revenues and expenses that are predictable and repeated on a consistent schedule.

Non-recurring Revenue or Expenses - Revenues and expenses that are one-time or infrequent, unpredictable and do not repeat.

4.0 PROCEDURES

Working within the University's shared governance process, the President has the responsibility and full authority to propose a budget to the Board. The President will ensure that the process for budget development is open, provides for accountability, includes appropriate constituencies in budget planning, and incorporates clear guidelines for those involved.

A. In the development and submission of budgets, the President shall adhere to the following principles:

1. Budgetary needs should be prioritized relative to the University's core mission and consistent with its strategic plan, with resources aligned accordingly. In situations where resources are constrained or limited, resources should be redistributed as needed to ensure that limited resources meet the highest priority needs of the University.

2. Budgets must respect generational neutrality in that the cost of educating the current generation of students should be borne by the current generation and not be deferred to future generations.

3. The budget must be balanced:

    a. In total, such that all planned expenditures do not exceed expected revenues and use of reserves or other non-recurring funds; and

    b. On a recurring basis, such that planned ongoing expenditures do not exceed expected recurring revenues. Use of non-recurring funds to meet recurring expenditures is discouraged; however, it is acknowledged that circumstances may arise when it is in the best interest of the University to do so. In the event non-recurring revenues are budgeted to meet recurring expenses, this must be specifically disclosed to the Board as part of the budget consideration process, including justification and the University's plan for achieving recurring balance.

    c. If for any reason the annual budget is not balanced due to extenuating circumstances, an explanation must be provided to the Board of Trustees detailing such circumstances.

4. A degree of fiscal conservatism must be incorporated in the budget to reduce the risk of year-end deficits by:

    a. Ensuring all costs are fully recognized. Use of anticipated savings as a funding source (i.e., lapsed salaries) for recurring expenses is discouraged. If anticipated savings are used to fund recurring expenses, this must be specifically disclosed to the Board as part of the budget consideration process;

b. Using financially conservative, yet reasonable, revenue estimates considering existing conditions. Estimates of revenues derived from students must be based on analysis of historic enrollment patterns, modified for any recent observable patterns. The basis for student derived revenue estimates must be communicated to the Board as part of the budget consideration process; and

c. Maintaining appropriate contingency funds for revenue shortfalls and emergencies for both Education and General, and Auxiliary operations, consistent with relevant policies.

5. Related to the principle of generational neutrality, and to ensure the long-term viability of the University, sufficient provision must be made in both Education and General, and Auxiliary budgets to annually fund:

    a. Maintenance and facilities renewals to the physical plant and grounds; and

    b. Acquisition, repair, and replacement of teaching equipment, computers, and other equipment.

6. Opportunities for cost savings arising from shared services and resources between departments and organizations within the University should be aggressively pursued.

B. Requests for new full-time permanent positions on Unrestricted Education and General and Auxiliary Funds may only be requested during the July and October Budget cycles as outlined below:

    1. July Budget – Positions must be requested during the budget hearing stage in March of the current fiscal year. If approved, positions will be effective July 1st of the next fiscal year.

    2. October Budget – Positions must be requested in August of the current fiscal year. If approved, positions will be effective January 1st of the same fiscal year.

    3. Any exceptions to the timeframes above MUST be approved in writing by the president.

C. Accountability for the effective management of the budget rests with the President, who ensures that proper controls and budget management policies are established.

D. Standards may be developed that further direct and clarify application of the above principles in the budget development and administration process. The President is authorized to issue directives on these matters consistent with the provisions of this policy.

5.0 AUTHORITY AND REFERENCES

T.C.A. 49-8-203

6.0 HISTORY

Policy 05.01	Budget Principles and Controls	2020