BUDGET PROCESS OVERVIEW

The Operating Budget includes General Funds, Designated Funds, Sponsored Programs, and Other Unrestricted Funds. The Operating Budget planning process at Penn consists of three rounds. See also the Capital Planning Process, which documents the plans for Construction Projects, Capital IT & Equipment Approval, and other related capital investments.

Initial Budget Proposal for Five Years
In the first round, Schools and Centers submit initial budget proposals for the next five years. These plans are reviewed, revised if necessary, and approved in discussions with Senior Management during the winter and early spring.

Original Budget for the Upcoming Fiscal Year
In the second round, which starts each spring, Schools and Centers receive a “guarantee” letter that documents the agreed upon plan and associated guarantees, parameters, and other guidelines. Senior Business Officers then submit an Original Budget that documents the School or Responsibility Center’s plan for the upcoming fiscal year and is loaded into the General Ledger by month. The Original Budget is also summarized into an annual amount and used to populate the Current Operating Budget that documents authorized spending levels at a detailed level.

Revised Five Year Plan
In the third round, which starts each summer, Senior Business Officers revise the outyears of their proposed plan to be consistent with the Original Budget they submitted. If time permits, they may do this at the same time they submit the Original Budget. Alternatively, they may do this at any time over the summer. The revised budget plan for five years must be completed by Labor Day and forms the starting point for the following year’s planning cycle.

Comparing the Budget to Actual Results
As the fiscal year progresses, each School or Center is responsible for monitoring actual performance against the Original Budget, analyzing variances, and projecting performance for the fiscal year.

Maintaining the Current Operating Budget
If necessary, the Current Operating Budget should be adjusted to document changes in authorized spending levels during the year. In addition, the Senior Business Officer should determine whether changes are appropriate in the next revision of the five-year budget plan given changing plans and actual performance in the current fiscal year.