We have observed that new academic department chairs receive minimal, if any, training in budgetary oversight. These persons may not have million-dollar budgets, but they are responsible for expenditures as “budget officers.” We know of many department chairs who simply refuse to spend any money for fear of overspending their budgets. In one case, a spendthrift chair who was uncomfortable reading budget statements was followed by one who appeared to spend extravagantly because she knew how to read her statements and knew that there was plenty of money in the department’s accounts.

At most institutions, reluctance to spend money will never be an issue as far as the business office is concerned. Budget officers will be confronted only if spending goes over budget or if inappropriate expenditures occur. To be certain, however, if a department chair underspends his or her budget significantly, the business office will gladly and silently shift those funds elsewhere!

New department chairs should not fear budgetary oversight. There are some complexities to be sure, but most persons in higher education can understand the process with just a little effort.

Know what a budget really is. A budget is a roadmap to funding your department’s goals. In fact, a budget is the best way to identify a department’s true goals. Departments spend money on those activities that are the most important to them. If your department’s goals are unclear, clarify them.

• What are the actual costs associated with these goals?
• Do you have enough funds in the current budget?
• Can you shift funds around within your budget?

Look for ways to prioritize budgetary categories according to your goals. Let those priorities guide the way you shape the budget in the coming years.

Know how to read your budget statements. Some institutions use very clear, easy-to-read reporting statements, but others do not.

• If no one shows you how to read your statements as a part of your orientation, then make an appointment with the business affairs office. They will be glad to instruct you. You could also
ask an experienced chair for help. If he or she doesn’t understand the statements either, then you both need to approach your dean about conducting a training session for your peers.

- See if you can establish online access to your statements so that you do not have to wait for the end-of-month statements to appear. This is especially helpful at the end of a fiscal year, when expenditures may be nearing limits or when you know of several outstanding charges (such as travel reimbursements).

- Find out what to do if you discover fraud, waste, or abuse within your unit. The institution’s internal auditor may be the first place to go with such suspicions.

**Know the realities of your budget.** Is the paper budget’s total the “actual” limit, or is there an unspoken rule that you are not supposed to spend everything?

- At some institutions, departments that do not spend their entire budgets can find themselves facing involuntary cuts. If you aren’t spending the money, then you really don’t need it (the logic goes) and someone else certainly can use it.

- At many smaller private institutions, budget officers are encouraged to underspend their budgets by as much as possible. In fact, some colleges actually assume that their units will not spend their entire budgets, and they plan other expenditures accordingly. You should speak with other budget officers to find out if this situation is yours.

- The other extreme is departments that intentionally overspend their budgets because their budget officers know that there are no consequences for such excesses. Occasionally such overspending occurs to further an argument that extra funding is necessary. The ramifications of overspending may differ depending on what percentage of the budget is exceeded, but the topic may be a good one to discuss with the business affairs office.

**Know the contents of your budget.** Know the “real” budget, not just the paper one you’ve been handed. The paper budget is the ideal; it’s the goal. Most departments go over budget on some items and under budget on others.

- Find out if the bottom line for your institution is the total bottom line, which means that you are okay to overspend in subcategories as long as you do not exceed the total budget amount.

- Request a printout of the previous fiscal year’s actual expenditures. It should not be hard to procure (you can simply use the old statements if need be). How do the actual expenditures match the categories? Do you need to shift allocations in the next budget cycle? A happy
byproduct of this analysis is that when you have to make budget cuts in a lean year, you will already know which areas can be cut.

**Identify any hidden costs.** A frustrating problem at some institutions is the number of “hidden” expenditures.

- Many institutions allow one budget to make demands on other budgets, such as having academic departments cover general education costs that logically should come out of administrative funds.

- Hidden expenditures also can be found in colleagues who believe that they are entitled to certain funds apart from your approval. These entitlements may have been established by a previous budget officer, or they may simply be obnoxious coworkers running a scam on you. Those old expenditures statements can be of assistance here as well.

- Another important hidden item is called “institutional recapture.” This means that institutional units have to pay for their own activities even within the institution. Planning to use a room on campus for your annual lecture series? Be prepared to be charged for the microphone, the podium, the room set up, and so on. Going to serve refreshments? Be prepared to be limited to the use of the campus cafeteria’s services, and their much higher prices. These shifts are important parts of the total budget at most places but drive unit directors a little crazy at first. Don’t worry, though, you’ll get used to it.

- Hidden costs are the source of the most common erroneous charges against your account—when someone else charges your account without your knowledge and makes a mistake in the billing number. Such errors are often in the hundreds of dollars. Watch those budget statements!

**How can I get more money?** Most budget officers will discover that some activities are stretching the budget more than others. When this is the case, you need to approach your dean and ask what strategies you might pursue. Don’t expect him or her to give you easy money, though. Make an airtight claim and be armed with statistics, clearly documented needs, and even linkage to mission statements. If external funds are the only solution, beware of stumbling into a briar patch there as well.

- If you are going to appeal to donors, especially alumni, be certain to coordinate your efforts with the institutional advancement office. They won’t want you to impinge on existing plans they may have.
If you are going to try to secure grant funds, make certain of your institution’s policies. Check with your on-campus grants clearinghouse, which, at smaller colleges, is often the advancement office again. In either case, clear communication is extremely important.

After running your department through a few fiscal cycles, you will find the process much easier. The first year, though, is hard, especially with so many other new responsibilities going on. By working through these budget considerations, you will be able to succeed in your new position.

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