POLICY: PROGRAM REVENUE BALANCES AND CARRYOVER OF UNSPENT FUNDS

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PURPOSE:
The purpose of this policy is to implement at UW-Platteville the Board of Regents policy on program revenue balances and reserves and to establish college and division carryover thresholds consistent with overall balances and reserves.

BACKGROUND:
In May 2014 the Joint Committee on Finance adopted the Board of Regents policy for the calculation of program revenue balances, implementing a minimum balance of 0% for select funds, and a requirement that institutions justify balances in excess of 12% of total year end expenditures. Affected categories and funds for the 0% minimum balance are: (1) Tuition (Academic Student Fees Fund 131 and Extension Student Fees Fund 189) and (2) Auxiliary Operations (Funds 128 and 228), while affected categories and funds for the 12% maximum reporting threshold include (1) Tuition, (2) Auxiliary Operations, (3) General Operations (Fund 136), and (4) Other Unrestricted Program Revenue (Funds 123, 132, and 184).

POLICY:
UW-Platteville will seek to manage balances within the 0% to 12% range established by the policy for funds 123, 128, 131, 132, 136, 184, and 189 based on the four categories of funds set by the Board. Colleges and divisions will manage cash balances at the account level based on approved budgets. Budgeted funds are anticipated to be fully expended in the implementation of the Board’s policy. Funds will be tracked across categories as Obligated, Planned, Designated, Reserves, or Undocumented in accordance with Board policy.

Financial Services will monitor budgets and expenditures at the account level to determine which accounts, funds and categories of funds have balances outside the 0%-12% range. Plans to have balances less than 0% or in excess of 12% in any category of funds will be determined as part of the university’s multi-year financial planning and will be linked to specific components of the institution’s strategic plan, program plans, or the facilities master plan.

Reports to the Board for funds below 0% or above 12% will be at the institution level, drawing on the details of the account level budgets. Accounts with closing balances below $10,000 are excluded from this policy.
UW-Platteville’s Financial Services will estimate balances during budget development for each account and at the fund level. Expected uses of projected balances will be identified and approved as part of the budget development process.

During each fiscal year, colleges and divisions may reallocate unspent funds to other purposes as allowed by funding source and consistent with state statutes, Board policies, and UW-Platteville policies. Allowable uses of unspent funds during the course of a fiscal year include professional development and travel, equipment, facility or infrastructure investments, one-time compensation adjustments, and software or hardware. The Department of Financial Services will set specific procedures for reallocating funds. If a college or division is not utilizing budgeted funds, the Vice Chancellor will review the situation with the dean or division head and may recommend reallocation of funding to the Chancellor during the current year.

Management of carryover in colleges and divisions is an important component of balances under Board policy. Carryover authority may be requested for up to 80% of end of year account balances for Funds 102, 131 (TSI), and 402. Requests for college and division reserves (amounts with no associated expenditures) from 102, 131 (TSI), and 402 will not be approved. The Vice Chancellor for Administrative Services will approve, modify or deny requests based on the specifics of each request and management of overall fund balances and reserves. The 20% carryover amount not requested, plus any carryover not approved, will be retained centrally to improve the core financial model or for specific one-time expenditures as communicated in August of each year; these will not be available for ad-hoc requests during the year. Other carryover funds not approved in August of each year will also be allocated in August or set aside as a fund balance until the next annual budget cycle.

Any funds carried-over from the prior fiscal year, not expended or encumbered by the end of quarter two, may be reallocated from the college or division. The second quarter report will note the funds that are being reviewed for reallocation. Colleges and divisions will have two weeks to object to the reallocation.

**PROCEDURE:**

UW-Platteville’s Department of Financial Services will calculate balances based on the Board’s policy for each affected account for colleges and divisions, and at the fund level. These will be the official calculations of record.

Financial Services will work with colleges and divisions to establish budgets and expenditures plans consistent with Board policy. Monthly review sessions will be used to track expenditures and projected balances. Quarterly summary reports will be provided to the Chancellor, Provost, deans, senates and senior staff to communicate current and projected financial results for the current year and multi-year planning period. These will be reviewed with the Chancellor, college deans, and division leaders. Using the first quarter report, accounts with balances in excess of 12% at the end of the prior fiscal year
will be reviewed to confirm expenditure plans are being followed. Funds may be reallocated centrally after the second quarter if plans are not being followed. Using the second quarter report, accounts with projected current year closing balances in excess of 12% of expenses may have funds transferred for other institutional purposes, as allowed by state statute and Board of Regents policies.

Colleges and divisions may request carryover authority for funds 102, 131 (TSI), and 402 at the end of each fiscal year on a form provided by Financial Services. The Vice Chancellor for Administrative Services will review requests. Requests may be based on addressing salary inequities on a one-time basis, purchases of capital, equipment and supplies, investment in facilities, professional development and travel. Requests will not be approved if undocumented or in accounts where prior year carryover balances were not expended. To align with the goal of tracking costs per program, the carryover budget will be posted to the program that makes the expenditure and not a central college or division account.