

IN-11-16-1

UNIVERSITY OF WISCONSIN-GREEN BAY

PROGRAM REVENUE BALANCES AND RESERVES POLICY

Purpose:

The purpose of this policy is to implement at UW-Green Bay the provisions of the Board of Regents Program Revenue Calculation Methodology and Fund Balances Policy (RPD 21-6) and to establish sound business practices related to program revenue balances.

Background:

In June 2014, RPD 21-6 was adopted to ensure the financial health and stability of each UW System institution and the UW System as a whole and to communicate an accurate fiscal condition more broadly and clearly. The policy balances prudent fiscal management with adequate levels of resources to carry out the universities' missions, programs, strategic goals, and objectives in an effective and efficient manner.

RPD 21-6 states in part:

The Board of Regents recognizes that there are many instances where accumulation of balances is a prudent practice in order to achieve strategic priorities over a multi-year period (establishing new academic programs, purchasing major equipment, funding start-up packages for new faculty, etc.). Institutions with balances above 12% of total fiscal year expenditures shall submit justifications for the entire balance along with a defined multi-year spending plan for each of the following four categories: (1) Tuition (Academic Student Fees and Extension Student Fees), (2) Auxiliary Operations, (3) General Operations, and (4) Other Unrestricted Program Revenue. Total balances above the 12% threshold should be obligated, planned, or designated by the Chancellor for specific purposes.

The 12% threshold is established to determine an amount which will require a report and Board approval. It is not established as cap on end-of-year balances.

Reported year-end balances in (1) Tuition (Academic Student Fees and Extension Student Fees), (2) Auxiliary Operations, (3) General Operations, (4) Other Unrestricted Program Revenue, and (5) Federal Indirect Cost Reimbursement shall be categorized by the methodology used in the Legislative Audit Bureau's Report 13-17. The categories are obligated, planned, designated, reserves, and undocumented.

Policy:

Program Revenue (PR) balances will be managed in the following funds: Tuition – Funds 131, 189; Auxiliary Enterprises – Fund 128; General Operations – Fund 136; Other Unrestricted Program Revenue – Funds 132, 184; and Federal Indirect Cost Reimbursement – Fund 150.

All PR generating activities will follow the long range strategic planning process and procedures approved by the Cabinet and the Chancellor.

At the end of each fiscal year, PR balances must be categorized as **Obligated, Planned, Designated, or Undocumented (Discretionary)**. The UW-System Balance Designation Guidelines are attached to this policy to aid in the categorization. PR balance categorizations, and all requests to retain a PR balance in

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any division or department, must be approved by the appropriate Dean or division head; the Provost, Vice Chancellor for Business and Finance, or Associate Chancellor for External Affairs as applicable; and be reviewed by the Chancellor for final approval. Divisions will document all planned revenue, expenses and PR balances in the forms provided as part of the annual operating budget process. The forms will incorporate the current budget year and five additional years for a six-year planning window. PR balances not required for division/department purposes will be consolidated in a central campus account at the discretion of the Chancellor.

No fiscal year-end PR balance will fall below zero without an approved plan for temporary coverage from another department/division and a plan for restoring a positive operating margin.

Reserves are defined as balances held for contingencies. These balances are not set aside for specific purposes but rather to mitigate risks associated with unexpected declines in enrollment or other revenue, abrupt termination of external funding, and other emergencies or unforeseen circumstances. Reserve balances and expenditures from reserves must be approved by the Chancellor or a person authorized by the Chancellor. The categorization of balances as Reserves will be determined at the campus level in accordance with the following guidelines:

Tuition: A reserve balance equivalent to the annual tuition of 500 full-time undergraduate resident students will be maintained to protect against unexpected fluctuations in enrollment.

Auxiliaries: A reserve balance of 10% of total UWGB auxiliary expenses will be maintained to protect against unexpected declines in revenue or business interruptions. This level of reserve is generally sufficient to pay three months of staff salaries and benefits in this category.

General Operations: A reserve balance of 10% of total UWGB general operations expenses will be maintained to protect against unexpected declines in revenue or business interruptions. This level of reserve is generally sufficient to pay three months of staff salaries and benefits in this category.

Other: A reserve balance of 10% of total UWGB non-credit outreach operations (Fund 132) expenses will be maintained to protect against unexpected declines in revenue or business interruptions. This level of reserve is generally sufficient to pay three months of staff salaries and benefits in this category.

Federal Indirect Cost Reimbursement: A reserve balance equal to the average of the three most recent years of Federal Indirect Cost Reimbursement expenses will be maintained to protect against unexpected declines in revenue from federal grants.

In each of the above categories, the reserve balance will be calculated and managed at the campus level while balances may be maintained in individual division/department accounts. Any specific program reserves mandated by appropriate agreements or contracts will be set aside separate from the campus reserve.

The Chancellor or Chancellor's designee may adjust, in writing, amounts or percentages in this policy to address emergent campus needs or priorities in any given budget cycle.