Term Designated Reserve Revolving Account Policy

(New June 30, 2005); Revised: January 28, 2010

Subject: **Financial Affairs**

Policy:

1. The campuses of the Montana University System may establish "Reserve Revolving Accounts" in the Designated Subfund for the purpose of managing and mitigating the impact of unanticipated revenue shortfalls, and/or unanticipated or unavoidable increases in expenditures.
2. The "Reserve Revolving Accounts" will be utilized exclusively for:
   a. the transfer of funds from these Accounts to cover documented and unanticipated revenue shortfalls in the General Operating Subfund;
   b. the transfer of funds from these Accounts to cover documented unanticipated and unavoidable increases in expenditures in the General Operating Subfund.
3. Approved by Board of Regents on May 20, 2005. Item #126-106-R0305.

Revised: January 28, 2010 BoR Meeting; Item #146-102-C0110

Eff. Date: Immediately

Review Date: Annually

Responsible Party: VP Admin & Finance

Introduction and Purpose:

1. The following outlines MSU's practices for recording and tracking transactions into, and from, the Long-Term Designated Reserve Revolving Accounts.
2. MSU will establish separate accounts for the University, as well as MAES, ES and FSTS, if requested by the Agency Directors.
3. Under Board Policy, the balance in these accounts may not exceed 5% of the University's (or Agency's) prior year General Operating revenue.
4. The accumulated balance in these reserve accounts will be used exclusively to cover the following:
   a. a. significant unanticipated revenue shortfalls as a result of, but not limited to changes in: application and tuition yields, retention outcomes, graduation rates, mix of resident and nonresident students, student credit hour loads, nonresident to resident status, federal and county funds, earmarked revenue (sales), and/or general fund interest; and,
   b. significant unanticipated and unavoidable increases in expenses including, but not limited to: increases in fixed costs such as utilities, write-off of tuition receivables, the settlement of lawsuits, the hiring of additional faculty to serve enrollment shifts, and/or the emergency repair of a major facility or infrastructure element.
5. The Long-Term Designated Reserve Accounts will be managed for transactions at both the University and Executive Division/Agency levels only.
   a. The President, Vice Presidents, and Agency Directors are authorized to deposit funds into the Long Term Designated Reserve Accounts, for use in their respective Divisions.
   b. Funds deposited by Executives and Agency Directors will be used exclusively to cover: 1) significant unanticipated and unavoidable increases in Division expenses that are not covered by the University budget; 2) significant unanticipated and unavoidable decreases in Division revenues that are not covered by the University budget; or, 3) some or all of a Division's proportional share of University-wide budget reductions.
6. The University Budget Office shall manage the Long-Term Designated Reserve Accounts, and all related investment earnings shall accrue into each Long-Term Designated Reserve Account, for the benefit of the University.

Procedures:

1. University-level deposits in the Accounts will be made by the University Budget Office either as a result of: 1) a University Budget Line Item designated by the University Planning, Budget & Analysis Committee (UPBAC) during the development of the University's annual General Operating budget; or, 2) a direction from the President or Agency Directors for the disposition of uncommitted funds at fiscal year end.
2. University-level withdrawals from the Accounts will be made by the University Budget Office, at the direction of the President, including recommendations by UPBAC, or at the request of Agency Directors, and the specific reason for the transaction will be documented by the University Budget Office.
3. Division-level deposits must be submitted by the respective Executive (President or Vice President), to the University Budget Office for processing, with supporting documentation.
4. Requests for Division-level withdrawals must be submitted by the respective Executive (President or Vice President), to the University Budget Office, with detailed supporting documentation regarding the reason for the transaction.

    a. The University Budget Office will prepare a detailed report of each account's annual activity, for review by the President's Executive Council (PEC), in early September of each year

5. All submittals, for either deposits or withdrawals, must be made by June 15^{th} of each year.
6. In accordance with Regent's Policy, the University Budget Office will prepare an annual status report, at FYE, for review by the Regents at their September meeting. The status report shall include prior year and current year transfers to the accounts, prior year and current year transfers out of the accounts, and beginning and ending account balances. If funds were transferred out of an established "Reserve Revolving Account" the report must also include documentation of the revenue shortfall or unanticipated expenditures and that the transfer was necessary to mitigate the impact.