Budgeted Operations Fund Balances

This policy summarizes the Board policy on Budgeted Operations Fund Balances. (See Budgeted Operations Fund Balances policy, [Chapter 11, page 23], adopted by the Oregon State Board of Higher Education at the June 4, 2004 meeting, and amended by the Board at the September 10, 2004 meeting.)

Responsible fiscal management requires adequate reserves, or fund balances, to mitigate current and future risks. Adequate fund balances are essential to offsetting cyclical variations in revenues and expenditures and to protect against 1) catastrophic events, 2) unforeseen revenue declines and expenditure gaps, 3) unexpected legal obligations, and 4) failures and health/safety/code issues in infrastructure or major business systems.
The focus of this policy is fund balances within the budgeted operations funds, which are the primary operating funds through which all basic instruction and institution administration occur. Budgeted operations funds include state General Funds and Other Funds Limited, made up principally of student tuition and fees and also including educational department sales and services, indirect cost recovery, and other operating revenues.

.110 POLICY RATIONALE

OUS seeks to ensure that the policies and procedures related to budgeted operations fund balances are documented, communicated, clearly understood, and consistently applied.

.120 AUTHORITY

- State Board of Higher Education policy Budgeted Operations Fund Balances, Chapter 11, p. 23
- ORS 351.085 - Duties and Powers of Chancellor
- OAR 580-040-0005 - Delegation and Assignment of Responsibility
- IMD 6.001 - Finance and Business Affairs Accounting Policies - Assignment of Responsibility

.130 APPROVAL AND EFFECTIVE DATE OF POLICY

Summarization and addition of this policy to the Fiscal Policy Manual was approved by the Vice Chancellor for Finance & Administration on September 2, 2008. (See Budgeted Operations Fund Balances policy, [Chapter 11, page 23], adopted by the Oregon State Board of Higher Education at the June 4, 2004 meeting, and amended by the Board at the September 10, 2004 meeting.)

.140 KNOWLEDGE OF THIS POLICY

All Chancellor's Office and institutional personnel with financial management responsibilities should be knowledgeable of this policy.

.150 DEFINITIONS

Budgeted Operations Funds

For purposes of this policy, budgeted operations funds are defined as all funds included in Fund Type 11 (Education and General) in the Oregon University System accounting records.

Fund Balance

Fund balance is defined as the difference between the assets and liabilities of a fund (assets-liabilities=fund balance). Given this definition, fund balance can be described as the available resources of the fund, which can be significantly different than cash balances due to accrual accounting. For instance, at June 30 of each fiscal year, campuses have received payments for summer session tuition and fees. Since summer session activity occurs predominantly in July, a
significant portion of these receipts are recorded as a liability (deferred revenue) at June 30 to comport with accounting rules. As a result, cash balances may be higher than fund balances.

As noted above, fund balance is the difference between the assets and liabilities of a fund. Generally Accepted Accounting Principles (GAAP), promulgated by independent standards-setting groups, set forth rules for the proper recording and valuation of assets and liabilities. Each OUS institution is required to follow GAAP and, as a result, fund balance is defined consistently across all OUS institutions.

Institution Fund Balance Commitments

Higher education institutions operate in a fiscal environment and on a business cycle that does not tightly correlate with the biennial budget process. As a result, institution management may make certain internal budgetary commitments against their fund balances. Among other reasons, these internal budgetary commitments are necessary in order to help maintain continuity of programs and provide funds for entrepreneurial activities and/or to provide incentives for certain desired outcomes. Examples of these budgetary commitments include, but are not limited to, commitments to maintain balances for certain departments, commitments to fund certain future actions, or contractual commitments to provide funding for program startup. Generally Accepted Accounting Principles do not call for such commitments to be recorded in the accounting records and, therefore, they do not impact fund balance.

In the event of an emergency these internal budgetary commitments could be funded from future resources (revenue increases or expenditure decreases), modified, or eliminated in order to meet the short-term need. Therefore, internal fund balance commitments support a balance within the policy range, but do not reduce the fund balance.

.160 RESPONSIBILITIES

A. CHANCELLOR'S OFFICE

The Vice Chancellor for Finance and Administration or designee shall have oversight responsibility for this policy.

B. INSTITUTION

(See section .170 for institution presidents' responsibilities.)

Each university Vice President for Finance and Administration or designee shall have oversight responsibility for institutional provisions set forth in this policy.

.170 BUDGET OPERATIONS FUND BALANCE STANDARDS

OUS institutions shall develop budgets that target an ending biennial budgeted operations fund balance of approximately 10 percent of annual budgeted operations revenues. For purposes of this policy, budgeted operations funds are defined as all funds included in Fund Type 11
(Education and General) in the Oregon University System accounting records. Budget operations fund balances will be monitored as part of the quarterly projections included in the Managerial Reports provided to the Board, and institution presidents shall advise the Board in the event projected or actual ending balances for the biennium either fall below 5 percent or rise above 15 percent of revenues. Included in the information provided by the presidents will be an explanation for the variance and a plan to rebalance the budgeted operations fund balance over time to approximately 10 percent of annual budgeted operations revenues.

.690 CONTACT INFORMATION

Direct questions about this policy to the following offices:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>General questions from institutional personnel</td>
<td>Institution Office of Business Affairs</td>
</tr>
<tr>
<td>General questions from institutional central administration and Chancellor's Office personnel</td>
<td>Chancellor's Office Controller's Division</td>
</tr>
</tbody>
</table>

.695 HISTORY

(See Budgeted Operations Fund Balances policy, [Chapter 11, page 23], adopted by the Oregon State Board of Higher Education at the June 4, 2004 meeting, and amended by the Board at the September 10, 2004 meeting.)

09/02/08 - Approved for Fiscal Policy Manual

Policy Last Updated: 09/02/08

APPENDIX

None