



## **PROGRAM REVENUE BALANCE AND RESERVE POLICY**

### **PURPOSE**

The purpose of the Program Revenue Balance and Reserve policy is to provide guidelines for establishing appropriate levels of program revenue balances and reserves for the University of Wisconsin-La Crosse (University). The policy is guided by UW System Board of Regents Policy 21-6 and UWS Balance Designation Guidelines and intended to ensure the adequacy of institutional reserves and balances for the overall financial condition of the university.

### **BACKGROUND**

The University of Wisconsin System is required by 2013 Wisconsin Act 20, the 2013-15 Biennial Budget Act, to annually report its program revenue balances. In October of 2013, the UW System Board of Regents adopted Regent Policy 21-6 for the calculation and reporting of program revenue balances which was approved by the Legislative Joint Audit Committee and Legislative Joint Finance Committee. Regent Policy 21-6 has established a minimum balance of 0% for certain fund categories and a requirement that institutions justify balances in excess of 12% of total year end expenditures. The fund categories for the 0% minimum balance include Tuition (Academic Student Fees, Fund 131 and Extension Student Fees, Fund 189) and Auxiliary Operations (Fund 128). There are four categories for the 12% maximum reporting threshold including Tuition (Funds 131 and 189), Auxiliary Operations (Fund 128), General Operations (Fund 136), and Other Unrestricted Program Revenue (Funds 132 and 184).

### **POLICY**

#### **Program Revenue Balances**

The university will seek to manage balances within a range of 0% to 10% of prior year expenditures for Funds 128, 131, 132, 136, 184, and 189 based on the four categories established by the Board of Regents. Colleges and divisions will manage program revenue balances at the account level based on the annual operating budget that has been approved for each fiscal year. Budgeted funds are anticipated to be fully expended as part of the University and Board of Regents policy. The university will annually report on Program Revenue Balances by levels of commitment in five categories including Obligated, Planned, Designated, Reserves or Undocumented in accordance with the Board of Regents policy and the UWS Balance Designation Guidelines.

The university will monitor college and division budgets and expenditures at the account level to determine which program revenue accounts have balances outside the 0%-10% range. Program revenue balances in excess of 10% in any category of funds require approval by the Vice Chancellor for Administration and Finance with justification and an expenditure plan based on the university's budget and financial planning process and linked to the university strategic plan, academic plan, facilities master plan, and other institutional priorities.

Program revenue balances within each college and division are required to be managed in accordance with the Board and University policy by the vice chancellor of each university division including Academic Affairs, Administration and Finance, Student Affairs, and University Advancement. The Vice Chancellor for Administration and Finance is responsible for approving plans and authorizing expenditures for program revenue balances and ensuring institutional compliance with the Board and University policy.

## **RESERVES**

The university may designate program revenue balances to establish reserve funds for revenue shortfalls, enrollment fluctuations, fiscal mandates from the State or UW System, extraordinary financial losses, and other unforeseen circumstances. Reserves are defined by the policy as amounts held for fiscal contingencies to ensure the continuation of operations and unanticipated needs of the university. The policy limits the amount of reserve balances in the fund categories for Tuition (Funds 131 and 189) and Auxiliary Operations (Fund 128) to 10% of the prior year expenditures.

The Vice Chancellor for Administration and Finance is responsible for approving the establishment of institutional reserve funds and authorizing the use of reserve balances.

## **PROCEDURE**

Board of Regents Policy 21-6 requires institutions to report annually on program revenue balances at fiscal year-end for each fund category by level of commitment. The university's Budget Office will provide each college and division with fiscal year-end reports for all account balances in the program revenue fund categories above the 10% policy threshold. A five-year expenditure plan and related justification will be required to be submitted for account balances exceeding the threshold for the purpose of reducing the balance below the 10% threshold and ensuring compliance with the policy. Accounts with program revenue balances below \$25,000 that exceed the policy threshold are not required to submit an expenditure plan as these balances are not considered material.

## **RELATED DOCUMENTS**

[Regent Policy Document 21-6](#)

UWS Balance Designation Guidelines

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Adopted: 06.09.14