

OPERATING POLICY USED TO ADMINISTER DISCRETIONARY FUND BUDGETS

The University continually receives monies and properties conveyed as gifts or bequests by various donors for the direct support of the University's educational and research mission. These gifts, and the interest income earned thereon, are used to supplement existing resources and are appropriately dedicated to various instructional, financial aid and/or research programs in accordance with the desires of the respective donors.

Occasionally, donors choose not to attach limitations or detailed conditions to the use of their gift but, rather, will tender a gift which specifies unrestricted use, such as "for such purposes as the Board of Regents (President, Dean, etc.) deems to be in the best interest of the University" or "to be used at the discretion of the Board of Regents (President, Dean, etc.)." The absence of specific limiting conditions communicated by a donor may qualify this type of gift for designation as discretionary funding. The desirability of designating limited amounts of money for discretionary purposes arises from the current limitations placed on the use of "public funds" by state and federal regulations. These unrestricted, non-public or "discretionary" funds can be used to serve the University in many meaningful ways for which the use of public funds may not be authorized (e.g., recruiting, conference and seminar expenses, entertainment and hosting, etc.). Within this framework, the Board of Regents has authorized the President of the University to act for the Board with respect to the disposition of unrestricted gifts. This policy has been approved by the President.

The responsibility for using discretionary funds prudently and in accordance with the policy and procedures stated herein will be at the level of the President, Provost, Vice President or Dean designated to administer such funds. Procedures for expenditure of these funds shall apply to existing, as well as future accounts.

POLICY AND PROCEDURES

University funds which are classified as discretionary funds shall be subject to the following policies with respect to the receipt and expenditure thereof:

- 1) Specific donor intentions regarding the expenditure of their gift or bequest are communicated to the Board of Regents at the time the Board accepts the gift or bequest on behalf of the University. Unless otherwise determined, only those gifts received without specific limitations will qualify for designation as discretionary funds. In addition, there may be certain private grants which qualify for designation as a discretionary fund if they contain the characteristics that are basically typical of a gift as described in [Grants Information Memorandum 34](#) dated October 10, 1983.
- 2) Discretionary fund revenues shall be promptly transmitted to the Office of Development, deposited in University of Washington bank accounts, and invested or disbursed through normal procedures, appropriately recorded and separately accounted for in University ledger accounts. This separate accountability is required to prevent commingling of non-public funds with public funds, and to insure the discretionary nature of these unrestricted gifts. Expenditures from discretionary funds will be documented and processed for payment in accordance with the policies and procedures set forth below and with such additional instructions to implement these policies and procedures as may be established from time to time by the Vice President for Business and Finance.
- 3) Proposals for the establishment of a discretionary fund shall be directed to the Controller by the appropriate Vice President or Dean, wherein the Vice President or Dean will specify the purposes and objectives of such a fund, including a list of proposed types of expenditures allowable from the fund. Proposals are to be transmitted using a form consistent with the attached [Request to Establish a Discretionary Fund](#). Concurrently, this information should be furnished to the Office of Gift Processing. Such funds must be approved by the President of the University or the Vice President for Business and Finance. With this approval, an account will be established within Program 64 (64-XXXX) for the deposit and disbursement of the funds received. Discretionary funds already established within Program 63 will be converted to Program 64 upon approval of a Request to Establish a Discretionary Fund initiated by the Vice President or Dean having administrative

responsibility for the account. This conversion will be accomplished by transferring the unobligated balance of funds (net of actual disbursements and outstanding commitments) to the new Program 64 account.

- 4) The purpose of discretionary funds is to give University officers greater flexibility in achieving the missions of their units. To facilitate review, and to achieve consistency in application of the policy stated herein, accountability for the use of discretionary funds will be at the level of the President, Provost, Vice Presidents, or Deans, although responsibility for day-to-day disbursements may be delegated to principal assistants, Departmental Chairs, or Directors within their organizations. Discretionary fund balances should be maintained at a level necessary for ongoing program requirements. Large accumulations of funds designated as discretionary beyond this level will be discouraged.
- 5) Discretionary funds shall be used for the general benefit of the University and only for the direct benefit of the program or objective for which they were received. Any separate benefit which might accrue to the donor, or to a faculty or staff member, from the use of such funds must be clearly incidental to the primary purpose for which they were received and accepted. Funds will not be established where the major contributor and principal user or person controlling the fund is the same individual.
- 6) With the best interest of the University as the basic premise, prudent judgment and reasonableness will govern the general range of allowable expenditures from discretionary funds. Without limiting the scope thereof, discretionary funds may be expended:
 - a) For all purposes allowed by the University of Washington policies and regulations covering public funds generally.
 - b) For such purposes that are objectively determined to be ordinary and necessary to the prudent and resourceful conduct of the program for which the fund was established, but which are otherwise not allowable expenditures from public funds and therefore must be paid from non-public discretionary funding sources.
- 7) As a matter of University policy, payment of salaries, wages, stipends and personal services contracts, building alterations, and the purchase of equipment and printing from discretionary funds shall be made in compliance with applicable statutes and prescribed University regulations regardless of the source of funds. Exceptions to this policy will be referred to the Vice President for Business and Finance. Income from sales/services and other non-gift revenues will not be deposited in discretionary fund accounts.
- 8) Discretionary funds shall be expended through the use of normal University forms (e.g., Purchase Requisitions, Travel Expense Vouchers, Invoice Vouchers, etc.), accompanied by receipts or vendor invoices and must be approved by the appropriate Vice President or Dean accountable for the expenditure of such funds.
- 9) All pertinent records related to the receipt and disbursement of discretionary funds shall be maintained in accordance with University regulations. Internal audits will be performed periodically to insure consistent application of this and other appropriate policies.