

Procedures for Monitoring, Mitigating and/or Resolving Projected or Incurred Fiscal Deficits

Responsible Executive: Vice Provost, Office of Planning & Budgeting
Responsible Office: Office of Planning & Budgeting
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Effective Date: July 1, 2019

Overview

All funds must be accounted for, recognized and/or spent in accordance with applicable local, state, federal, sponsor, donor or University policies, regulations or law. The authority to administer funds on behalf of the University brings with it the fiduciary responsibility for effective and appropriate management of these resources. Among other financial responsibilities, Administrative Officials are expected to manage within their available resources and actively mitigate the risk of:

- Unallowable costs and cost transfers
- Inappropriate use of funds, by fund type or restriction
- Cost overruns or deficit operations, whether one time or structural

In order to actively mitigate these risks, the University expects that all Administrative Officials and Principal Investigators regularly monitor financial activity. While Administrative Officials and Principal Investigators may choose to delegate the day to day management of their fiscal resources to Department or Unit Administrators, Administrative Officials and, in the case of grants, Principal Investigators, are ultimately responsible for the management and oversight of said resources.

All campus units are expected to operate within their available resources (spending authority, net revenues, or available fund balances) and to maintain a positive fund balance for each type of budget classification. In other words, the existence of a positive GOF fund balance cannot be considered an “offset” to a negative fund balance in DOF, rather, appropriate expense reclassifications must occur within University systems to reflect a positive GOF fund balance and a positive DOF fund balance.

Mechanisms for Monitoring Financial Status

Several tools are available for Administrative Officials and business unit staff to monitor the status of the unit’s financial health. Examples include, but are not limited to:

- B.I. Portal (<https://biportal.uw.edu/>) report titled “Biennium to Date Budget Balances” which is available on demand for units to monitor state appropriated funds (General Operating Fund, Proviso, Medical Aid Account and Accident Account) as well as Designated Operating Fund activity. Fixed cost budgets are not included in this report.

- B.I. Portal (<https://biportal.uw.edu/>) report titled “Remaining Balance by OrgCode and Category” has fixed cost budgets as a unique category. Use this report to monitor fixed cost GOF and DOF budgets.
- B.I. Portal (<https://biportal.uw.edu/>) report titled “Grant and Contract Deficit Report” is available on demand for units to monitor the status of these budget types.
- MyFinancialDesktop (“MyFD”) user interface, which allows for detailed drill-downs into unit fiscal activity
- EIIA’s “finance data cube” is a data source that allows business units to analyze financial information in Excel or similar programs.

OPB communicates, where known, incurred, projected or recently cleared deficits deemed to be of substantial risk (i.e. units under “enhanced monitoring”) to the Faculty Senate Committee on Planning and Budgeting (SCPB) and the Executive Office of the President and Provost on a quarterly basis.

Process of Charging of Interest on Outstanding Deficits

In cases where a deficit resolution plan is required, the University expects repayment of the deficit in an expedient manner as deficits represent “borrowing” resources from all operating units of the University. As there is an institutional opportunity cost when deficits occur, [APS 37.1](#) outlines the applicability of interest and the rate of interest.

During the “interest-free” period, interest will not be charged against the outstanding debt, however, interest will be calculated annually, at the beginning of a fiscal year, using the prevailing Internal Lending rate in place as of July 1st of each fiscal year. During the “Interest-Free” period, interest that is calculated, but not charged, will be listed as a contribution from central to the business unit in yearly budget meeting documents, allocation letters, and other relevant financial reports and will be taken into consideration when new budget requests are made.

Deficit Resolution Plan Elements and Requirements

In the rare case where a deficit is expected to carry forward into a future fiscal year or represents significant risk to the unit or to the University, a deficit resolution plan is required and may also include a requirement for a signed Memorandum of Understanding between the Executive Office of the President and Provost and the Administrative Official. Administrative Officials are expected to draft, review and propose a Deficit Resolution Plan to the Office of Planning and Budgeting when the Administrative Official foresees that an incurred deficit is unlikely to be fully resolved or mitigated within the aforementioned 90 day or fiscal year end close timeframe or a projected deficit is likely to occur in the future that is unlikely to be fully resolved or mitigated with the aforementioned time period.

Deficit Resolution Plans must include the following elements:

- 1) Background

- a. How did the deficit materialize?
 - b. Why was the risk not mitigated before incurrence of a deficit?
- 2) Proposed plan for eliminating the deficit
 - a. What specific actions will you take?
 - b. When will you take those actions?
 - c. How much will each action (if multiple) cost or contribute to the mitigation?
 - d. How will you measure the success of each action?
 - e. What are the opportunity costs associated with executing such actions?
 - f. What will you do if the actions are insufficient to fully mitigate the deficit?
- 3) Financial Projections
 - a. Include a minimum of the current fiscal year plus three (3) future fiscal year of projections
 - b. Projections should be presented in a “Revenues/Budget Authority and Expenditures” display and be inclusive of all budgets that make up the business unit unless otherwise directed by OPB.
 - c. Target margins should be clearly identified in each of the four fiscal years
- 4) Repayment Terms
 - a. What source(s) will be utilized to repay the deficit
 - b. At what frequency will repayments be made?
 - c. When will the deficit be fully mitigated?
- 5) Monitoring
 - a. How will you ensure the business unit or business activity is on track to the financial projections and repayment trajectory?
 - b. What will you do if a course change is warranted to ensure mitigation and repayment remains on track?
- 6) Signature and/or email approval from the Administrative Official of the unit.

Procedures for Clearing Deficits on Non-Grant Budgets

Campus units and, in turn, the responsible Administrative Official, are expected to resolve operating deficits on their own throughout the fiscal year. All units are expected to meet their operating needs within their available funding.

Deficits resulting from current year activities can be resolved in several ways, and the list below may not be inclusive of all options available:

- 1) Reclassify expenditures to another allowable fund source
- 2) Reallocate budget authority (GOF/DOF) between budgets of like budget type/class
- 3) Perform revenue transfers (non-GOF/DOF) between budgets of similar fund restriction type (i.e. unrestricted, restricted) and budget type/class.

Excluding grant budgets, deficits that are not resolved by the close of the fiscal year by a unit,

and where an OPB approved deficit resolution plan is not in place, OPB may act to reduce or eliminate the deficit by enacting transfers within the Administrative Official's unit resources.

Procedures for Clearing Deficits on Grant and Contract Budgets

Please refer to procedures established by the Office of Grant and Contract Accounting for clearing deficits on grant and contract budgets, which is located at

<https://finance.uw.edu/gca/award-lifecycle/closing-your-award/grant-contract-deficit-procedures>