

233 Gift Funds Campus Policy and CoE Guidance

- In June 2009 Darrell Bazzell issued a memo to the campus Deans and Directors regarding 233 gift fund cash balances. The memo discussed the State's concern regarding the \$50 million dollar negative cash balance in the UW – Madison 233 gift fund as of June 30th.
- The State declared it will no longer tolerate a negative cash balance in the campus' 233 gift fund. The current economic situation and the State's budgetary issues have resulted in the reestablishment of a policy which requires the University to maintain a positive cash balance in its 233 gift funds. Failure to do so may negatively impact future GPR appropriations to the campus.
- As a result of the State policy, Darrell Bazzell and the Controller's Office are monitoring 233 fund cash balances a monthly basis. All schools and colleges are also required to monitor their 233 fund balances monthly to ensure excessive deficit spending is not occurring.
- The Dean's office (Barb McPherson) has been working with the Department Administrators and Research Center Directors and support staffs to review 233 gift fund cash balances monthly. Specific attention is given to those accounts that have a material negative cash balance. At this time, "material" is defined as \$50,000 or greater.
- In order to comply with campus policy, transfers from the Foundation must be completed during the quarter to ensure cash balances at the end of each calendar year quarter are no more than \$50k negative.
- If material negative cash balances are not corrected on a timely basis and no mitigating circumstances or reasonable explanations can be presented for the maintenance of a negative balance, the Dean's office may be forced to put a hold on the gift account to prevent further spending until the balance is corrected. It is our preference however to work collaboratively with each gift account owner to manage balances so this step does not have to be taken.



DATE: June 12, 2009
TO: Deans and Directors of Divisions with Gift Funds in Fund 233
FROM: Darrell Bazzell, Vice Chancellor for Administration
SUBJECT: Policy regarding cash balances in gift funds

This past year, concern was raised by the State about why fund 233's cash balance at June 30, 2008 was over \$50 million negative. For those not familiar with how fund 233 works, the fund holds monetary gifts prior to spending. The gifts are held in the State Treasury. Most gifts to the University flow first to the UW Foundation, a separate 501(c)(3) organization, where they are invested until they are needed for operational purposes. When they are needed those funds are gifted by UWF to the University and placed in fund 233 project/grant accounts for expenditure. Movement of funds from UWF to the fund 233 is made upon the request of the university staff accountable to the donor for the funds in the Foundation. Other gifts flow directly to the University and are placed into fund 233 immediately for expenditure.

The University receives no investment earnings from positive cash balances in fund 233 and pays no interest on negative balances. Any earnings on the funds or interest cost on negative balances becomes part of the State's general fund, the position of which will ultimately effect our GPR appropriations. It is inappropriate for us to carry a negative cash balance in fund 233, particularly at a time when the State is considering going into the commercial loan market to float operating notes to acquire cash to continue operations.

Research and Sponsored Programs Notice 93-3, which can be found at <http://www.rsp.wisc.edu/chap4/rn/rn93-3.html>, outlines the general financial management responsibilities for those administering extramural projects. I am supplementing that Notice with the following policies regarding fund 233:

1. Cash balances by school/college/division in fund 233 will be monitored by the Controller's Office on a monthly basis. Your Divisional Business Representatives will be provided with a report of the cash balance by division with drill down capabilities to determine the balances of individual project/grants and sponsors whose funds are included in the divisional totals.
2. You are responsible for making sure that the balance for your school/college/division is not less than zero at the end of each quarter of the fiscal year; September 30, December 31, March 31 and June 30.
3. If you are unable to attain that quarterly position, you must provide me with an explanation and a fund management plan outlining steps that will be taken to eliminate negative balances.
4. Note that you do not need to assure that each project/grant has a non-negative cash balance. We will hold you accountable for your school/college/division as a whole. However, you need to be concerned about individual project/grants with growing negative balances to make sure that you are not spending money we may never receive.

These policies are effective immediately with the first quarterly measurement happening at the end of this fiscal year, June 30, 2009. Please let me know if you have any concerns.

xc: Tim Norris
Don Miner