

Policy applicable for:

Policy Title:

Structural Deficit

2.1.17

Category: Financial

Effective Date: 11/18/2008

Prior Effective Date:

mm/dd/yyyy
Enabling Acts:

Board of Trustees Resolution approved

November 18, 2008 University Board Rule 10-5-04 **Policy Owner:**

Policy Number:

Sr. VP for Administration and Finance

Responsible Office(s):

VP for Finance Budget Management

Background

Faculty/Staff

For many years the University of Cincinnati has permitted unit and central funds to go into deficit status for a variety of reasons. These accumulated budget overruns, referred to by auditors as accumulated negative fund balances, have resulted in a structural deficit that significantly hampers the institution's capacity to respond to emergencies and to take advantage of opportunities. Budget or cash overruns that compose the university's structural deficit include negative fund balances in academic areas, auxiliaries, including Athletics, and institutional funds. This policy addresses how the university will fully discharge the current structural deficits and prohibit future deficits.

Policy

With the exception of intra-year deficits resulting from timing issues, no new deficit funds are permitted without written approval by the Senior Vice President for Administration and Finance. All current deficits require a written repayment plan submitted to the Senior Vice President for Administration and Finance for approval. Measures to correct the academic, auxiliary and institutional fund deficits, described below, may be multi-year endeavors and shall be actively carried out under the oversight for the Senior Vice President for Administration and Finance.

In consultation with the President and the Executive Committee, the Senior Vice President for Administration and Finance has authority to take appropriate action including but not limited to fund suspension, cancellation of vacant positions, policy establishment, write-off or devaluation measures, and use of surplus funds to prohibit future deficits and to pay off current deficits expeditiously while ensuring sufficient flexibility in the financial management of all university funds to support and advance the university's mission.

Academic and Auxiliary Deficits and Corrective Measures

All units with negative fund balances must adhere to their submitted and approved payment plans. Requests for extensions or changes to payment plans must be made in writing and approved by the Senior Vice President for Administration and Finance.

Institutional Deficits and Corrective Measures

Institutional deficits shall be addressed through a variety of corrective measures that will include but are not limited to the following measures:

- The university shall establish a fringe benefits policy requiring that any change to a budgeted position, temporary or permanent, must provide for the associated change in fringe benefits and ensure adequate funding of benefits in affected units, and that fringe benefit dollars may not be used for any purpose other than benefit expense.
- The university will adequately budget for accounts receivable write-off and will continue efforts to manage receivables through enhanced collection and informational practices.
- The institutional structural deficit will become a mandatory budget item in the university's all funds budget process until the institutional deficit is completely discharged. The President's Budget Advisory Committee, in consultation with others, shall decide on the annual amount.
- In consultation with the President and the Executive Committee, the Senior Vice President for Administration and Finance is authorized to use surplus funds toward paying down the institutional structural deficit.

Under extraordinary circumstances and in consultation with the President and the Chair of the Board of Trustees, the Senior Vice President for Administration and Finance may suspend application of this policy for a period of time.

Related links:

Operating Cash Policy

Phone Contacts:

Budget Management 556-0192 Controller 556-3152 Treasurer 556-5002