DESIGNATED FUNDS

A. Description of Types of Designated Funds

1. Fees:

   The most common fees in the fund are instructional fees. Examples include course fees, lab fees, and field trip fees. There are other fees, such as orientation fees, study-abroad fees, and graduation fees, that are accounted for in designated fees as well.

2. Major Operations:

   These are activities that are self-sustaining and generate significant revenues and expenses. While they operate similar to an auxiliary (self-support/stand-alone operation), these activities are dependent on other funds to exist. Generally, these major operations also have general funds that assist in carrying out their mission.

   a. Athletics: Designated funds established for athletics account for athletic programs that the University participates in, general and administrative costs, trade out/sponsorship activities and event management. Primary funding sources include ticket revenue, student fees, donations, and sponsorship activities.

   b. School of Extended and Lifelong Learning (SELL): Designated funds established for SELL account for internally or externally sponsored programs, miscellaneous services and for general and administrative activities. SELL’s primary funding source is fees charged for services or fees charged to program participants.

   c. Associated Students of the University of Montana (ASUM): Designated funds established for ASUM are used for the various activities of the organization, including general administration, student clubs, organization and activities receiving funding allocations, and ASUM programming. Primary sources of funding for ASUM are the student activity fee, the Kaimin fee, the radio fee, and the UM productions revenue.

3. Sales and Service

   a. Internal Sales and Service: Internal sales and service primarily relate to services/supplies provided to departments including research grants. These are often referred to as recharges such as copy centers, chemistry stores, and the campus motor pool.

   b. External Sales and Service: External sales and service primarily relate to external customers, including faculty, staff, students and, on occasion, the general public. This includes, but is not limited to, Spectral Fusion, the Montana Repertory Theatre, Physical Therapy sales and service, and Chemistry sales and service. These activities must be evaluated in accordance with BOR Policy 1909-Competition with the Private Sector.
4. Facilities and Administrative Costs (F&A):

Revenues generated to recover F&A costs, previously referred to as indirect costs, are costs incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. There are no federal or state restrictions on how recovered indirect costs can be used in connection with external grants awarded to the University. F&A accounted for in designated funds are allocated to further research enterprise at the University.

5. Scholarships:

Accounts set up as designated funds for the purpose of awarding financial assistance to students are primarily for State-funded student financial aid programs including the Montana Tuition Assistance Program and the Governor’s Post-Secondary Scholarship.

6. Miscellaneous:

Only those activities that cannot legitimately be classified in the above types of designated funds should reside in this designated account type. The intent is that there are a minimal number of activities that fall under this type. However, there are occasions whereby it is appropriate to categorize a designated fund type as miscellaneous. Appropriate examples include the grant and contract leave pool, reserve revolving accounts established by BOR Policy 901.15-Establishment of Reserve Revolving Accounts, and the Montana Campus Compact.

B. Fund Balance Standards

1. Fiduciary Responsibility:

Individual fund balances are controlled by the fund owner. This may be a faculty member or a principal investigator, a department head, an executive officer, or the University as a whole. The owner and the aligned dean/director/executive officer of the fund have the fiduciary responsibility for prudent management of the fund balance. It is also their responsibility to ensure the fund is used for its intended purpose.

2. Negative Balances:

Negative fund balances are not allowed in designated funds. Where a deficit condition is a normal timing difference relating to an operations calendar, the negative fund balance must be approved by the Vice President of Administration and Finance. Documentation justifying the exception must be submitted and will be retained for audit. Business Services will generate a negative fund balance report quarterly. This report will be sent to the appropriate fund owner notifying them of the negative balance. Upon notification, the respective designated fund owner will be responsible for bringing the fund balance to a positive balance. If the negative balance remains for two consecutive quarters, the appropriate executive officer will be notified. The executive officer will be responsible for clearing the negative status.

3. Year-End Fund Balance:
Designated funds represent several different types of activities. Some funds are meant to operate on a cost-recovery basis and should have minimal fiscal year-end fund balances from one year to the next. Large year-end balances for funds such as these may indicate a need to reassess the rates that the fund charges. Other funds operate on a different basis and may need larger year-end balances for operational cash flow in order to start the new fiscal year, to respond to market-related uncertainties, or for future expenditures that require an accumulation of funds. Year-end balances, barring any evidence to the contrary, should adhere to the following parameters in the different types of designated funds:

a. Fees: The year-end balance should exceed no more than 30% of the previous three years’ average operating expenditures.

b. Major Operations: The year-end balance should exceed no more than 50% of the previous three years’ average operating expenditures.

c. Sales and Service
   
i. Internal: The year-end balance should exceed no more than 30% of the previous three years’ average operating expenditures.

   ii. External: The year-end balance should exceed no more than 50% of the previous three years’ average operating expenditures.

d. Facilities and Administrative Costs (also known as F&A, indirect costs or SPABA): The year-end balance parameters are to be determined by the Office of Research and Creative Scholarship.

e. Scholarships: The year-end balance should exceed no more than 30% of the previous three years’ average operating expenditures.

f. Miscellaneous: The year-end balance should exceed no more than 30% of the previous three years’ average operating expenditures.