OP 62.39: Deficit Policy for Texas Tech University

DATE: September 17, 2013

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to provide a defined method for addressing deficits when they occur in university funds and to provide a plan for corrective action.

REVIEW: This OP will be reviewed in March of odd-numbered years by vice president for administration & finance and chief financial officer (VPAF/CFO) with substantive revisions forwarded to the president.

POLICY/PROCEDURE

1. Operations

   It is the policy of Texas Tech University that all FOPs have a budget established prior to the payment of any expense or the encumbrance of any commitment. An exception is made for agency funds, unrestricted gift funds, and scholarships that have a requirement of a positive cash position. All new funds and FOP combinations must have a default FOP provided for fund/FOP set up. Restricted funds may not be used as the default FOP.

   Payroll expenses will be paid from a FOP without rejection due to insufficient budget. Insufficient budget conditions that arise as the result of payroll action will result in:

   a. Notification to the financial manager by the Budget Office of the insufficient budget condition; and

   b. Funding of the insufficient fund condition by the department and/or administrator within the month of notification. Deficits not cleared within the month of notification will be cleared by the Budget Office from the default FOP provided or other funds available to the financial manager.

2. Education and General Budgets

   Education and general budgets will be established during the annual budget process. No increase will be allowed to these budgets without a corresponding decrease. The VPAF/CFO must approve any increase without a corresponding decrease.

3. Designated and Auxiliary Funds

   These funds must have sufficient budget to cover all expenditures and encumbrances. In addition, these funds require sufficient cash to fund all expenditures.
4. **Sponsored Project Funds**

Budgets for sponsored projects are established in accordance with the sponsor-approved budget. Principal investigators are responsible for monitoring project expenses each month to avoid budget deficits. If budget revisions are necessary, departments should contact the Office of Research Services (ORS). Refer to OP 65.09, Budgeting Sponsored Projects, for additional information.

5. **Deficit Fund Positions**

The VPAF/CFO will be notified quarterly by the managing director of Financial Services and Tax (FST) of all non-sponsored funds that have a deficit cash position and the amount of the deficit. (Sponsored project funds are those in the 21, 22, and 23 fund range.)

Financial managers are responsible for year-end fund deficits that exist on August 31 for all non-sponsored funds. FST will notify financial managers of deficit balances at year-end and request instructions for clearing the deficit. Deficits not cleared within two business days of close will be cleared by FST from the default FOP listed on FOP set-up or from other funds available to the financial manager.

Any exception allowing a deficit balance to be carried over into the next fiscal year must be approved by the VPAF/CFO. In such cases, the financial manager must submit a plan to the VPAF/CFO with a copy to the managing director of FST no later than October 31. Such plan must document a reduction in the deficit in the current fiscal year and a plan to correct the deficit within four years.