



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/rng3-3.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

Vice Chancellor for Administration

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