

Guidelines for 100% Self Support Educational & General Departments

GENERAL OVERVIEW

Within the Educational & General ("E&G") function of the University are departments often referred to as self-supporting departments. These departments generate 100% of their operating funds. Examples of such departments are Special Course Fees, Library Resource Fees, Assessment Fees, endowed chair or professorship departments.

BUDGETING PROCESS

When preparing a budget for a self-supporting department, the budget for projected expenditures should generally be equal to or less than the expected income for the year. To assist in the budgeting process, an additional form will be provided in the budget package for departments to identify amounts and sources of income.

As part of the budgeting process, departments should be aware of the following guidelines as they relate to the establishment of income budgets, the allowance for doubtful accounts, fringe benefit budgets, and the budgeting of endowed chairs and professorships.

- A. **Income Budget:** The income budget should represent total anticipated income. For example, a course with an associated special course fee of \$50 per student and estimated student enrollment of 2,000 would budget estimated income of \$100,000.
- B. **Allowance for Doubtful Accounts:** Sponsors are asked to recognize that some uncollectable receivables are inevitable when extending credit. These bad debt expenses are considered normal operating expenses and should be provided for as a part of the budgeting process. It will be necessary to estimate the bad debt expense because actual uncollectable receivables will not be known until future periods.

Sponsors are asked to establish an initial allowance for doubtful accounts equal to 5 percent (5%) of total budgeted income. This will allow sponsors to spend up to 95 percent of budgeted income. For example, if total budgeted income was estimated to be \$100,000, an allowance for doubtful accounts of \$5,000 should be established and budgeted in the "Contractual and Related Current Expense" budget category, account code 880005. Periodically, Financial Services will review the aging of the underlying accounts receivable, calculate and record an actual allowance for doubtful accounts. Annually the bursar calculates the allowance for doubtful accounts using the methodology found [here](#).

- C. **Fringe Benefits:** Expenditure budgets for self-supporting departments with line-item salary or wage positions should also include a line-item budget for the associated fringe benefit cost.

- D. **Endowed Chairs and Professorships:** Separate departments (*and funds*) were established for each State Regent's endowed chair and professorship to identify salary expenditures, associated fringe benefits, and maintenance and operation costs associated therewith. If State Regents endowment reimbursements are not sufficient to support the total salary, a Personnel Action Form should be processed to split the salary and FTE between the endowed chair department and the regular E&G department.

For example, a 1.00 FTE faculty in Philosophy funded at \$45,000 is appointed to an endowed chair position with a salary of \$50,000. The department currently exists for the endowed chair and if actual earnings are reported as \$32,000, this is not sufficient to support the total salary of \$50,000 plus \$16,500 (*assuming a 33% rate*) in benefits. A Personnel Action Form should be processed to split the salary and FTE between the endowed chair department and the regular Philosophy department. As a result, the expenditures in the endowed chair department would be budgeted at \$24,060 or 0.50 FTE plus \$7,940 in associated benefits for a total budget of \$32,000. The remaining salary of \$25,940 and the remaining 0.50 FTE would be budgeted in Philosophy.

BUDGET REVISIONS AND TRANSFER FORMS

Department sponsors of E&G self-supporting departments who want to increase spending authority or transfer funds between E&G departments should follow the guidelines below.

- A. **Budget Revisions:** Revisions to increase spending authority may be processed if the department sponsor can demonstrate that actual income has exceeded expectations. For example, if a self-supporting department budgeted at \$100,000 had actual year-to-date income of \$102,000, the sponsor could process a budget revision, using a Budget Revision form, to increase the budgeted spending authority by \$2,000. In the event expenditures exceed income for the fiscal year, the deficit must be resolved as provided for in the University's **Deficit Policy**. A Budget Revision can also be used to transfer funds to another E&G department. However, because of the different types of E&G departments, the sponsor should contact the Budget Office to determine the correct procedure for processing a budget revision.
- B. **Transfer Forms:** In the event a self-supporting department sponsor wants to provide support to other E&G departments, a Transfer Form can be utilized. The department receiving the "credit" would process it as a credit to an M&O expense account category, thereby increasing the free balance.

Should you have any questions concerning the preparation of a Budget Revision or a Transfer Form, please contact the Budget Office or Financial Services.

YEAR-END SETTLEUP

A year-end settle up of self-supporting departments is not necessary unless there are certain correcting entries which need to be made before year-end. The sponsor is responsible for reconciling the department and conveying any anomalies to Financial Services in a timely fashion.

All self-supporting departments have their own fund resulting in the creation of a Soft Money Detailed Balance Sheet statement. All year-to-date 06-30-20xx revenues and expenditures are "closed" into the fund balance category (*account 300003*) on the balance sheet. The 06-30-20xx final balance sheet amounts are automatically carried forward to the next fiscal year. These amounts include cash, accounts receivable, accounts payable, fund balance and others as applicable.

To the extent that a self-supporting department ends the fiscal year with a positive cash balance, the balance will be carried forward to support future fiscal year budgets for that department. Likewise, should a self-supporting department end the fiscal year with a deficit cash balance, the deficit must be resolved as provided for in the University's **Deficit Policy**.