ADVANCE COMMITMENT FUNDS
Management Guidelines and Procedures
January 2008

Policy Statements

Proposed Board of Regent Policy, Section 7.03 General Policies, subpart A on Budgets, new section 5.

Budgeting Guidance for Student Fees and Charges

As allowed by Iowa Code section 262.9 (18), Regent universities may utilize non-tuition components of the general university funds first. Accordingly, general university funds remaining at the close of a fiscal year are comprised solely of student fees and charges.

Institutional Policy

As authorized by Regent policy section 7.03 A (5), the University will utilize non-tuition components of the general university funds first.

Purpose of Advance Commitment Funds

There are two primary purposes for maintaining an Advance Commitment Fund.

1. *To fund strategic initiatives or undertake projects or equipment purchases that are unaffordable in a single operating budget cycle.*
   Resource unit administrators may plan for investments in new programs or for large anticipated future expenses. For example, a unit anticipating faculty retirements and replacements may seek to establish a fund to support recruitment and start-up costs for new faculty.

2. *To provide resources that can be used to offset short term revenue fluctuations or to smooth the adjustment to longer-term revenue trends.*
   It is appropriate for units to develop a minimum level of reserves to provide a cushion against adverse budgetary events. A prudent reserve amount might be established by considering past variations in state appropriations, undergraduate and graduate enrollment and variability in sponsored funding. The level of resources that would be needed to "manage through" downturns in revenue without damaging a program or service could be estimated for the Advance Commitment Fund.

Budget Procedures

Annual revenues and expenses will be estimated for the institution and presented as a balanced budget for each operating year. The comparison of actual revenues and expenditures will be reported through the standard reports to the Department of Management.

Accounting Procedures

Cash balances remaining in the general university (7xx accounts) at fiscal year end are tuition and are not subject to reversion. These funds will be transferred to Advance Commitment accounts at the close of the year. Each resource unit as defined below will have a separate 721 control account. Expenditures will be made directly from the Advance Commitment accounts. When the Advance Commitment is used to offset revenue shortfalls, class codes indicating the purpose of the transfer will be used. A first-in first-out approach will be assumed for tracking expenditures from the Advance Commitment accounts. More detailed guidelines on Advance Commitment accounting procedures are available on the Controller's Web site. See http://www.controller.iastate.edu/controller/acguidelines.pdf.

Advance Commitment accounts must maintain a positive balance. Should a resource unit require advance funding of a strategic initiative, a plan including the use of the funds and the related strategic value, the payback schedule, and source of the payback funds should be proposed to and approved by the Executive Vice President and Provost and the Vice President for Business and Finance. This process should be used for non-capital expenditures only and will not replace the current practice of utilizing an internal financing agreement for equipment acquisition.

For purposes of this policy, eleven resource units are defined as:

- each of the seven colleges,
- Library and support units reporting to the Dean of the Library,
- Provost Office including academic administrative units reporting to the Provost,
- Vice President for Business and Finance Office including units reporting within the Division of Business and Finance,
- Vice President for Student Affairs Office including units reporting within the Division of Student Affairs.

Reporting Requirements

It is important that units develop clear business plans that support the need for the Advance Commitment Funds and that the plans be executed in a timely manner when sufficient funds are available. Annual plans with three distinct components are required from each resource unit in August.

A. Broad, multi-year plans must be developed initially and then updated and submitted annually. They should describe unit priorities in several categories:
    a. Programmatic Initiatives
    b. Faculty/Staff Start-Up & Retentions
    c. Renovations & Facility Repairs
    d. Equipment Upgrades
    e. Contingencies
B. Annual expenditure plans must be submitted for the fiscal year that began the previous July 1. Those plans should be at the department or unit level and detail the planned expenditures as follows:
    a. Salaries and fringe benefits (short term commitments)
    b. Building repairs

   c. Supplies & services
   d. Equipment

C. A report of actual versus planned expenditures for the fiscal year that ended the previous June 30 should also be submitted. This report should follow the same format and provide the same level of detail as the annual expenditure plan in section B.

Two examples illustrate the type of planning and reporting that is expected.

Example One

A college anticipates that faculty hires will occur in several disciplines with high cost start-up packages and wishes to use advance commitment funds for these expenditures. In addition, the college is vigilant about retaining key faculty members and maintains some resources to address costs that cannot be specifically anticipated. The plan for these two priorities in section A should include the following level of detail.

Faculty/Staff start-up and retentions

- Department A faculty start-up costs. Brief description of the number of faculty anticipated to be hired over the next several years, the type of start-up package needed and the estimated cost.
- Department B faculty start-up costs. Same information as provided for the first department.
- Faculty retention pool. Brief description of the need to maintain faculty numbers by keeping key faculty members. Describe the type of retention packages often needed and a rough estimate of the costs.

Section B of the annual plan would include the planned annual expenditures for the priorities described in Section A. Continuing with the example, Section B should include the following level of detail.

Faculty/Staff start-up and retentions

- Department A faculty start-up costs. Three searches are approved for the upcoming year in sub-disciplines 1, 2, and 3 and start-up packages will be needed. For each hire indicate the expenditures by broad category: salaries and fringe benefits, building repairs, supplies and services, equipment.
- Department B faculty start-up costs. Same level of information.
- No specific planned expenditures can be included for retentions since they, by definition and nature, are unexpected.

Example Two

One of the vice presidential areas has developed plans that include refurbishing the office area for department #1, transitioning to a new computer system and platform in department #2, and redirecting the program focus of an auxiliary unit. The plans for these priorities in section A should include the following level of detail.

Renovation and Facilities Repair

- Department #1 is planning to refurbish its office areas with fresh paint and carpet and new furnishings estimated to cost $X. This is an element of a longer range plan for all units that report to the vice president to maintain comfortable, functional work environments for staff and to better support the services that the department provides to the campus.

Equipment Upgrades

- All of the departments that report to the vice president will transition to a new computer platform and several of the departments will transition to new computer systems that support their work. Department #2 is the first priority for this transition. The cost is estimated to be approximately #X.

Programmatic Initiatives & Contingencies

- The set of services provided by an auxiliary unit will be revised and redirected over the next three years. This change will require new investments in program materials and a new business plan. One component of that plan is to develop a contingency fund to carry the unit through the anticipated drop in external revenue while the change is occurring.

January 2008