

<b>Responsible Officer:</b>	RPM Director
<b>Responsible Office:</b>	<a href="#">Resource Planning and Management (RPM)</a>
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**Note: For links to referenced documents see  
Section VI, *Related Information* below.**

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## **I. POLICY SUMMARY**

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- A.** The University of California's (UC's) Agriculture and Natural Resources (UC ANR) is accountable for the University funds entrusted to it. As well, UC ANR is responsible for the governance of its overall budget and for the continual maintenance of an overall net-neutral or balanced budget position.
- B.** University funds are allocated to UC ANR programs via several distinct funding sources. Funding sources may change over time: in recent years, the majority of UC ANR's core funding has shifted from State General Funds to UC Systemwide Assessment Funds and is scheduled to convert back to State General Funds effective July 1, 2017. In turn, as of April 2017, these funds have been tied to the fluctuation of State General Funds appropriated to UC. Other UC ANR fund sources include, but are not limited to federal formula funds, contracts and grants, gift funds and endowments.
- C.** All UC ANR employees have a responsibility to the University and to California's taxpayers to safeguard UC ANR funding, to manage and spend responsibly and prudently, and to ensure that their unit maintains a net-neutral or balanced budget position.
- D.** All UC ANR units are expected to meet their operating needs within their allocated funding. This policy outlines the responsibilities for monitoring budget deficits and identifies the necessary steps to manage and resolve deficits in a timely manner.

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## **II. DEFINITIONS**

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**Account Manager:** Staff employee assigned to manage specific accounts approve expenditures within policy and award terms and conditions, and review account ledgers in coordination with PI and/or Unit Director; may or may not also be the Business Officer.

**Business Officer:** Staff employee assigned to unit who is responsible for budgetary and fiscal management of the unit's funds; may or may not also be the Account Manager.

**Control Group:** The UC ANR body responsible for tracking and monitoring the Division's financial resources and for approving all deficit resolution plans. The Control Group is comprised of the following UC ANR positions:

- Vice President ("VP")
- Associate Vice President ("AVP")
- Associate Vice President - Business Operations ("AVP-BO")
- Controller
- Financial Services Director
- Resource Planning and Management ("RPM") Director.

**Deficit:** An excess of expenses over allocated resources and/or revenue in a given period.

**Deficit Resolution Plan:** An actionable plan detailing the corrective steps to be taken by a unit to eliminate a deficit within a defined period of time.

**Discretionary Fund:** Unrestricted funding available to spend on items that are an optional part of a fiscal budget (e.g., unrestricted various donor funds).

**Net Budget Position:** The amount of available funding in an account, equal to the net of budget less expenses.

**Principal Investigator (PI):** An academic employee with delegated UC ANR authority to apply for extramural funding for sponsored research and extension projects. PIs are responsible for the design and scientific conduct of a project as well as financial management and technical reporting.

**Unit Director:** The UC ANR employee in charge of a unit or program functioning as the lead point of contact for any and all financial matters specific to their unit (e.g., Statewide Program Director, Research and Extension Center Director, Cooperative Extension County Director or Administrative Service Unit Director).

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### **III. POLICY TEXT**

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#### **A. Periodic Review and Monitoring**

1. On a periodic basis (at least quarterly), all Unit Directors will review their operating financial balances with their Business Officers to ensure potential problems are anticipated and that corrective action is formulated promptly and implemented in a timely way.
2. On a periodic basis (at least quarterly), PIs will work with Account Managers to review financial balances and to ensure compliance with all applicable UC ANR policies and sponsored award terms and conditions.
3. On a quarterly basis, Financial Services will monitor contract and grant funds and contact the appropriate Unit Director, PI, and Business Officer if issues are identified.
4. On a quarterly basis, Resource Planning and Management will monitor all funds other than contract and grant funds, and will contact the appropriate Unit Director, PI and Business Officer if issues are identified.
5. Any unit that identifies a potential deficit that cannot be resolved within the fiscal year will immediately issue an email (or other written) notification to both the Financial Services and the Resource Planning and Management Unit Directors.

## **B. Deficit Resolution Process**

### 1. Overview

- a. All UC ANR units are responsible for resolving budget deficits as quickly as possible since all deficits must be eliminated no later than the end of the fiscal year in which they are created.
- b. Units that identify a deficit must eliminate it by increasing revenue, transferring costs to other appropriate fund sources, and/or by reducing and/or deferring spending. Central UC ANR funds will not be made available to eliminate deficits. Accordingly, if necessary, the unit must use discretionary funds to clear deficits in a timely way.

### 2. Timing

- a. Deficits may not be carried-over to the next fiscal year except in extenuating circumstances, and only with the explicit written approval of AVP-BO or VP. To request such an exceptional approval, the business unit must develop and submit to RPM a written plan providing for the elimination of the deficit no later than the end of the subsequent fiscal year.
- b. Deficit resolution plans lasting up to a year will be reviewed by RPM, who will in turn notify the AVP, the AVP-BO, the Controller, and Financial Services. After review, RPM will forward it with their recommendation to the AVP-BO who has authority to grant an approval.
- c. In case of extreme circumstance, a period of two years may be granted to resolve a deficit upon the approval of the VP in consultation with the AVP-BO and RPM. Recharge units may be granted three years to resolve a deficit, as stated in the UC ANR Policy and Procedure Manual Section 291, *Guidelines for Recharge and Income Activities*. If the VP approves an exception they will notify the AVP-BO, RPM, the Controller, and Financial Services.

### 3. Contracts and Grants

- a. If the deficit involves contract and grant funds, the deficit resolution plan will also be reviewed by the Contracts and Grants unit, who will provide input on the plan as appropriate.

### 4. Recharge Activity

- a. Temporary deficit situations resulting from recharge timing issues (especially crossing fiscal years) should be corrected in the proper fiscal year. Although a formal deficit resolution plan is not required, the unit should notify RPM in writing.

- i. For example, if recharge activity incurred during the last month of the fiscal year is billed and the resulting income is realized in the first month of the following fiscal year.
  - b. For a deficit incurred due to under-recovery of costs, the deficit will be absorbed into the next year rate, as allowable by policy 291- *Guidelines for Recharge and Income Activities*.
  - c. All other deficits require a deficit resolution plan as described in the policy.
5. Deficit Resolution Plan Components  
Deficit resolution plans must include the following information.
  - a. A clear explanation of the reason or source of the deficit,
  - b. A clear identification of the deficit as a one-time or ongoing risk to ensure that units will operate at a net neutral or balanced budget position in the long-term.
  - c. A clear statement of the specific, quantifiable actions (i.e., revenue/productivity increase, cost transfers, spending decrease/deferral, etc.) that the unit will take to eliminate the deficit including:
    - i. The specific revenue/cost reduction amount to be realized by each action and,
    - ii. The specific start and complete date for each action resulting in the elimination of the deficit no later than the end of the next fiscal year.
6. Monitoring
  - a. Financial Services will monitor PI's contract and grant funds in deficit to ensure adherence to the unit's deficit resolution plan. Financial Services will also review any deficits not resolved before the agreed-upon date and shall report them to the VP, the AVP, the AVP-BO, and the Controller for further review and resolution.
  - b. RPM will monitor UC ANR units in deficit except contracts and grants to ensure adherence to their deficit resolution plan(s). RPM will also review any deficits not resolved before the agreed-upon date and shall report them to the VP, the AVP, the AVP-BO, and the Controller for further review and resolution.

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## **IV. COMPLIANCE / RESPONSIBILITIES**

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### **A. Vice President ("VP")**

1. Provide leadership, oversight and management of the primary resource planning and administration functions of UC ANR.

2. Maintain a financially sound organization and monitor the financial operations of the organization.
3. Approve deficit resolution business plans submitted by the units.

**B. Associate Vice President for Programs (“AVP”) and Associate Vice President for Business Operations (“AVP-BO”)**

1. Advise the VP on all programmatic and financial matters.
2. Ensure that units are fiscally responsible and monitor the operations of UC ANR.
3. Collaborate with units and RPM to eliminate deficits and/or develop solutions to eliminate outstanding deficits that last over an extended period of time.
4. Approve deficit resolution business plans submitted by the units.

**C. Controller**

1. Advise the VP, the AVP, and the AVP-BO on fiscal matters.

**D. Financial Services**

1. Review deficits in contract and grant funds on a quarterly basis.
2. Review deficit resolution plans and serve as an advisor to the VP, the AVP, the AVP-BO, and Unit Directors on contract and grant funds.

**E. Contracts and Grants**

1. Review deficit resolution plans and serve as an advisor to the VP, the AVP, the AVP-BO, and Unit Directors on contract and grant funds and the latter's respective award terms and conditions.

**F. Resource Planning and Management**

1. Collaborate with units to help manage resources and monitor financial balance of funds.
2. Ensure that deficits are resolved in accordance with University policy and UC ANR's deficit management policy.
3. Review deficit resolution plans on all funds other than contract and grant funds.
4. Serve as an advisor to the VP, the AVP, the AVP-BO and unit directors on budgetary and fiscal matters.
5. Ensure that units are executing their deficit resolution plans as approved.

**G. Unit Directors**

1. Align resources to support programmatic and administrative needs according to approved UC ANR and sponsored budgets.

2. Monitor their unit's financial performance and compliance with UC and ANR policies.
3. Take prompt action to eliminate any deficits.
4. In coordination with Business Officer, develop a deficit resolution plan and ensure that corrective actions are implemented and performing as expected.
5. Resolve deficits in accordance with approved deficit resolution plan.

#### **H. Principal Investigators**

1. Review and monitor contract and grants funds, and ensure expenditures are allowable and within the approved budget per the terms of the sponsor.
2. Identify and take prompt actions to eliminate any deficits.
3. In coordination with the Account Manager, develop deficit resolution plan and ensure that corrective actions are implemented and performing as expected.
4. Resolve deficits in accordance with the approved deficit resolution plan.

#### **I. Business Officers**

1. Review and monitor UC ANR funds, and contract and grant funds deficits.
2. Take prompt action to eliminate any deficits.
3. In coordination with Unit Director, develop deficit resolution plan and ensure that corrective actions are implemented and performing as expected.
4. Resolve deficits in accordance with the approved deficit resolution plan.

#### **J. Account Managers**

1. Review and monitor account activity to ensure transactions are appropriate and allowable.
2. Communicate with Unit Director, PI, and Business Officers as appropriate on account balances and year-end projections.
3. Notify Unit Director, PI, and Business Officer, as appropriate, of identified issues, including projected deficits.
4. Ensure relevant corrective actions are implemented and performing as expected.
5. Resolve deficits in accordance with the approved deficit resolution plan.

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### **V. PROCEDURES**

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Not used – see Item III., *Policy Text* above.

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## **VI. RELATED INFORMATION**

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- [University of California Accounting Manual, Official Documentation Required In Support Of University Financial Transactions - A-000-7](#)
  - [UC ANR PPM Section 205 - Financing Cooperative Extension Activities](#)
  - [UC ANR PPM Section 290 - Departmental Responsibility In Maintaining Internal Financial Records, Files, and Documentation](#)
  - [UC ANR PPM Section 291 - Guidelines for Recharge and Income Activities](#)
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## **VII. FREQUENTLY ASKED QUESTIONS**

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Not used.

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## **VIII. REVISION HISTORY**

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### **November 2017:**

Format updated.

### **April 2020:**

Clause added to clarify that recharge units may be granted up to three years to resolve a deficit. Existing content verified, links updated, minor formatting updates.