

MONTANA BOARD OF REGENTS OF HIGHER EDUCATION
Policy and Procedures Manual

SUBJECT: FINANCIAL AFFAIRS

Policy 901.15– Establishment of Reserve Revolving Accounts

Revised: January 28, 2010; Issued: _____

Board Policy:

1. The campuses of the Montana University System may establish “Reserve Revolving Accounts” in the Designated Subfund for the purpose of managing and mitigating the impact of unanticipated revenue shortfalls and/or unanticipated and unavoidable increases in expenditures.
2. The “Reserve Revolving Accounts” will be utilized exclusively for:
 - a. the transfer of funds from this Account to cover documented and unanticipated revenue shortfalls in the General Operating Subfund;
 - b. the transfer of funds from this Account to cover documented, unanticipated and unavoidable increases in expenditures in the General Operating Subfund.

Procedures:

1. The account will be reserved exclusively for the deposit of General Operating funds and will be used exclusively to cover unanticipated revenue shortfalls, and/or unanticipated and unavoidable increases in expenditures in the General Operating account.
2. The balance in the “Reserve Revolving Account” may not exceed ~~the greater of 2%– 5%~~ of the prior year revenue ~~or \$500,000~~. Amounts remaining in the General Operating Subfund at the end of each fiscal year may be deposited into this account not to exceed the limits previously described.
3. All transfers out of the “Reserve Revolving Accounts” must be supported by a documented report to the Board of Regents each year. Transfers out of these accounts are not intended to be made on a routine basis, but only in the event of significant fiscal challenges resulting from unanticipated revenue shortfalls or increases in essential expenditures that were unanticipated and outside of the campus’s control.
4. Any balance remaining in the “Reserve Revolving Accounts” at year-end will be retained in the account for use in future years.
5. Each campus shall provide a status report on their “Reserve Revolving Account” as part of their operating budget submission each fiscal year. The status report should include prior year actual transfers to the account and current year budgeted or estimated transfers to the account, prior year transfers out of the account and the beginning and ending account balance for the prior year. If funds were transferred out of an established “Reserve Revolving Account” the report must also include documentation of the revenue shortfall or unanticipated expenditures and that the transfer was necessary to mitigate the impact.

History: ITEM 126-106-R0305, Establishment of Reserve Revolving Accounts, approved by the Board of Regents May 20, 2005.