

FAQ's

- What is the difference between cash and budget authority?
- What is the difference between the Auxiliary Trust Fund and E&G?
- What happens to my cash balances on June 30th fiscal year end?
- What type of budget methodology is used in the Auxiliary Trust Fund?
- What are the operating dates of the fiscal year?
- How can I request additional budget authority during the fiscal year?
- What is meant by the term cash flow?
- Are there limits to what auxiliaries can charge for services?
- How do I transfer budget authority?
- How do I initiate a cash transfer?
- How do I prepare a business plan?
- If this is my first time managing an auxiliary operation, what should I do?
- What if my account ends the fiscal year with a bottom line deficit?
- What is operating revenue?
- What are operating expenditures?
- What is the difference between a transfer-in and a transfer-out?

What is the difference between cash and budget authority?

Cash is generated through revenues/fees assessed for the provision of a good or service. Cash is the driving force behind auxiliaries and local funds, thus the key to financial sustainability. All expenditures whether salaries, other personnel services, expense or operating capital outlay in nature are paid for from cash balances. A negative cash balance is indicative of a problem that needs to be addressed immediately to prevent the problem from getting worst and in order to avoid negative balance interest penalties which will make the deficit grow. One of the primary goals of any auxiliary should be to maintain a healthy cash flow and preferably to grow bottom line cash balances. A healthy operating cushion can provide funds for a slow down or an unexpected charge. The full understanding of cash balances in the Auxiliary Trust Funds and Local Funds is central to operations and any remaining questions should be forwarded to the University Business Office without hesitation.

Budget authority is an estimated dollar amount used for planning revenues and expenditures in the beginning of the fiscal year. This figure does not have to equal actual cash balances on hand. The main difference is that while cash is a real figure, budget authority is an estimation of operational activities during the fiscal year. As a safety feature, all departments are required to have both cash and budget authority in order to spend. Neither cash nor budget authority by themselves are sufficient to safeguard financial integrity. A reliance on cash only would eliminate the operational planning aspect thus making it almost impossible to determine whether or not goals and objectives are being achieved. A reliance on budget authority only could result in expenditures being approved up to a planned amount with the risk of revenues falling short forcing a real cash deficit situation on the Trust Fund. It is from the dual requirement of the planning aspect of budget authority and cash generated from real transactions that fiscal integrity is maintained. Note, budget authority is specific to operating categories unlike cash. Therefore, it is possible to have sufficient cash but have a requisition rejected due to a lack of budget authority in OCO if a computer were being purchased without the appropriate OCO budget authority in place. In a situation like this, budget authority can be transferred from another category if available or a request for additional budget authority can be submitted to the University Business Office. [Back to top]

What is the difference between the Auxiliary Trust Fund and E&G?

The Auxiliary Trust Fund is a self-supporting entity generating revenues from the sales of services and goods to other entities. In essence, the auxiliary units operate under similar financial guidelines as that of private sector companies. An auxiliary which fails to generate sufficient revenues faces critical factors such as operational cutbacks, restructuring and possibly layoffs if recovery measures fail to take hold. In essence, there are no guarantees of continuing existence into the future and all monies are earned through market transactions. On the other hand, E&G is appropriated by the State through lump sum appropriations funded by sales taxes, student fees and lottery funds. This type of funding is mostly incremental by nature with some additional monies usually added to the base funding level. Currently, E&G funding is not based on actual performance standards. The funding level from the previous year will likely be the base for the following year with the possibility of some

additional increment applied. In summation, the stakes are higher for auxiliary units but the greater risk is rewarded with greater flexibility and the ability to determine a units own destiny by how much revenue is generated. [[Back to top](#)]

What happens to my cash balances on June 30th fiscal year end?

The auxiliary ending cash balances on June 30th are rolled over as beginning cash balances on July 1st. Therefore, unlike E&G accounts that have their available balances swept at the end of the fiscal year, auxiliary accounts rollover all of their unused cash with no time limitation for spending of those funds.

[[Back to top](#)]

What type of budget methodology is used in the Auxiliary Trust Fund?

The Auxiliary Trust Fund is based on a zero-based budgeting methodology (ZBB). Under this type of system, departmental units should use their historical actual performance as a reference to estimate next fiscal year's revenues and expenditures. Historical actual expenditures are used as a base when requesting budget authority for a given fiscal year. Requested increases beyond the historical years using an assigned threshold percentage (ex. 10%) are required to be supported by documentation that fully explains the reasons for the requested increases. The ZBB methodology is used in the Auxiliary Trust Fund since past performance is no guarantee of future results. In other words, it is possible to have a stellar year followed by a less prosperous one. [[Back to top](#)]

What are the operating dates of the fiscal year?

The fiscal year for all funds is July 1st through June 30th of the following fiscal year. For example, the 2009-2010 fiscal year begins on July 1, 2009 and ends on June 30, 2010. [[Back to top](#)]

How can I request additional budget authority during the fiscal year?

Any auxiliary which does not have any budget authority available for shifting from one category to another or from another account may request additional budget authority from the University Budget Office. Please complete the form titled "Request to Increase Budget Authority" available in the (forms) section of the website. Once completed, the form can be hand delivered, faxed or e-mailed to the University Budget Office for review and processing. [[Back to top](#)]

What is meant by the term cash flow?

Cash flow refers to revenues generated from the basic operating activity of an auxiliary unit. A healthy cash flow balance helps individual operations from regressing into negative cash flow territory. Ideally, operating revenues should cover operating expenditures in order to maintain positive cash flow. The level of decline, stability or growth in cash flow is indicative of management's reaction to the environment and how well opportunities are capitalized on or contingencies are dealt with. It is important to note that cash flow does not factor commitments such as encumbrances, accounts receivables and/or accounts payable but rather transactions that have been recorded resulting in a real inflow or outflow of cash. [[Back to top](#)]

Are there limits to what auxiliaries can charge for services?

While a defined ceiling is not specified, the amount typically charged is an amount sufficient to cover all associated costs with providing a good and/or service as well as some provision for depreciation, capital funding and reserves. Every auxiliary should strive to grow their bottom line in order to foster a healthy operation that can weather a downturn in demand while charging an amount that is competitive in comparison to private sector providers. [[Back to top](#)]

How do I transfer budget authority?

By completing a budget transfer form and submitting the request to the University Business Office. Budget authority can be transferred within the same category such as salary category to salary category as long as the department numbers are different. Conversely, budget authority can be transferred cross category within the same account or multiple accounts such as salary to expense category. Budget transfer forms for auxiliary and local fund transactions are available in the (online forms) section of this website. In order to maintain trust fund balance integrity, cross fund transfers are not permitted. Examples of cross fund transfers include requesting a transfer of funds from an auxiliary account to the sponsored research trust fund, E&G and/or local funds. [[Back to top](#)]

How do I initiate a cash transfer?

A cash transfer can be processed by contacting Finance and Accounting. It is important when requesting a cash transfer that sufficient cash remain in the account to support operational activity. Current departmental cash balances can be verified by accessing (FGITBSR) in Banner.

How do I prepare a business plan?

A business plan is a comprehensive document that reflects the units mission, goals/objectives and strategies chosen to ascertain the goals/objectives. Besides a fact sheet that details the purpose of the business, financial forecast are provided typically for three to five years with target dates set for goal attainment. A business plan is integral to understanding the components of an organization such as the inputs (labor, materials, etc.), outputs (what was provided or produced and how efficiently) and outcomes (how effective were the goals and objectives achieved). Although outputs and outcomes are estimated, they provide an analytical framework. In summation, a business plan is a map describing specific courses of action on how to navigate from point A to Z. [Back to top]

If this is my first time managing an auxiliary operation, what should I do?

Becoming familiar with the terms in the glossary is a good start. Paying particular attention to "What is the difference between cash and budget authority" is essential. Set up a meeting with University Budget Office staff to discuss essentials of managing an auxiliary operation. Please see the (contact) section of this website for a list of names and phone numbers. [Back to top]

What if my account ends the fiscal year with a bottom line deficit?

First, determine the root cause of the cash deficit. If the source problem is of a recurring nature, then the viability of the account or service must be reassessed. This may require reducing costs, rescheduling projects and/or an assessment of revenue collection, and pricing. The golden rule of responsible financial stewardship states that current operating revenues must cover all current operating expenditures. If conservative revenue estimates are insufficient to cover anticipated expenditures plus the bottom line deficit then restructuring actions will be required. The University Budget Office is actively monitoring accounts for deficit balances since one of the goals is to minimize accounts in this status. While account managers are fully responsible for the performance results of their departments, the UBO will pro-actively assist with the development of solutions to the extent possible. If the source problem is of a non-recurring nature or a onetime occurrence, the issue can be addressed through increased revenues, limiting expenditures or variations of these two components. Note, for activities with multiple accounts, cash may need to be transferred between accounts to subsidize less performing accounts. In either case, account managers are encouraged to discuss options with University Budget Office staff. [Back to top]

What is operating revenue?

Operating revenue is monies earned from current fiscal year sales of goods/services. The most common types of operating revenue components include sales of goods/services to state agencies, sales of good/services to state government, miscellaneous receipts, interest income and rental income. [Back to top]

What are operating expenditures?

Operating expenditures are monies actually spent during the course of a fiscal year. The most common types of expenditures include salary and benefits, other personal services (OPS), expenses (supplies, copying, etc.) and operating capital outlay (OCO). [Back to top]

What is the difference between a transfer-in and a transfer-out?

A transfer-in is a positive infusion recorded as a non-operating revenue that adds to an accounts bottom line cash position. A transfer-out on the other hand is treated as a negative in the non-operating expenditure section since cash is leaving the account and thus reducing the accounts bottom line cash position. Transfers-in are sometimes necessary to offset a negative cash balance, to offset the cost of a large purchase or to offset a decline in revenues. From an accounting perspective transfers must net out. In other words, the minuses must be offset by an equivalent amount of positives in posting. During the budget process, the University Business Office requires business plans to detail the specific accounts and amounts where transfers-out are being shifted to. Note, a single transfer out can benefit several accounts as long as the minuses and pluses equal. [Back to top]

