June 20, 2011

VICE CHANCELLORS
VICE PROVOSTS
DEANS
BUSINESS MANAGERS

Re: Interest Charges on Negative Balances

The campus has a long standing practice of charging interest on certain funds that have negative balances. In general, the funds include: private gifts and grants, endowments, student fees, and self-supporting activities. This practice recognizes that the campus is either charged interest or loses interest income whenever a fund or account has a deficit. The treatment of interest charges on these particular funds will not be changing. However, a new group of funds will be reviewed for the assessment of interest due to changes at the system-wide level.

Historically, interest on General Funds and other University Funds (such as Opportunity Funds, Educational Fees, Lottery Funds, etc.) was retained by the Office of the President, leaving no incentive for campuses to maximize interest earnings on those funds. Beginning in 2010-11, responsibility for generating interest income on these funds was decentralized to the campuses along with an associated budget reduction. This means that we have to generate a minimum amount of interest income to support our general operations or experience a revenue shortfall that must be made by additional cuts.

Over the past few months, discussions were initiated with Assistant Deans and Assistant Vice Chancellors regarding these system-wide changes and how the campus would adjust. As a result, the campus will be implementing a new interest assessment applicable to General Funds, University Funds and certain other centrally managed funds, consistent with the earlier discussions. As described in more detail in the attachment, this assessment will be done once annually based on year-end negative balances for each fund at the organization 4 level (i.e. department or sub-unit). This change will first be implemented in early 2011-12, based on final 2010-11 year-end balances.

Please take appropriate action prior to fiscal close to minimize any negative balances and clean up old accounts or erroneous transactions. You should contact Free Moini (extension 9-4304 or fbmoini@ucsc.edu) if you have any questions or need more information.

Sincerely yours,

Margaret L. Delaney
Vice Chancellor
Planning and Budget

Attachment

cc: Associate Vice Chancellor Eckert
Campus Provost and Executive Vice Chancellor Galloway
Assistant Deans/Assistant to the Deans
Assistant/Associate Vice Chancellors