Carry Forward at Year End

Wise stewardship of all unrestricted revenue including state appropriation, student tuition and fees, and other resources suggests effective and timely use to improve the quality of activities of the University. Because deficit spending is allowed neither by state law nor university policy, some carry forward of funds is necessary to allow reasonable financial management near the end of the fiscal year. This year-end carry forward policy does not obviate the institutional "retention of annual surpluses" but facilitates managing the amount effectively.

Definitive guidelines on the generally accepted amount of year-end balances that are reasonable for an institution do not exist; however, several sources do suggest that such balances should exist. Moody's general credit factors include "Ability to accumulate financial resources, through a combination of successful fundraising, endowment management and retention of annual surpluses." The U.S. Department of Education standards of financial responsibility under Title IV are being rewritten and reviewed during the fall of 2003 to provide explicit weighting of the primary reserves and net income in the overall financial health of an institution.

A mechanism allowing departments and colleges to save funds for either emergencies or major one-time expenditures is necessary to promote effective management of funds and is included in this policy. Any unexpected emergency for which funds may not exist must be brought to the attention of the appropriate vice chancellor immediately and be addressed in writing.

Unaffected Fund Types

Restricted Funds (0382)

There is no change in policy with respect to restricted funds. Funds fully carry forward (to subsequent fiscal years) and deficit spending is not allowed at any time. An example of a restricted fund is a gift whose purpose is stipulated by an external agreement.

Foundation Funds (0352, 0362, and 0392)

Foundation funds should be brought into the University accounting system in a timely fashion (neither prematurely nor with great delay) with respect to the expenditure payments they are to cover. Companies 0352 and 0362, as well as company 0392 function 81 ccns, are drawn down by central administration on a regular basis.

Agency Funds (1102)

Agency funds are funds held by the institution in 1102 cost center number accounts (CCN's) not considered to be funds of the institution and are not affected by carry forward limitations. No deficits are allowed in agency funds at any time.

Funding of Deficit Cost Centers

Any cost center(s) ending the fiscal year in a deficit situation will require the following actions:

1. After year end accounting has closed and prior to the balance carry forward calculation, deficit cost centers for each Dean/Director/(Associate)Vice Chancellor will be identified by a BASIS report. The Dean/Director/(Associate)Vice Chancellor will explain in writing

to the Vice Chancellor for Finance and Administration through their cognizant Vice Chancellor the reason for any material deficit balances (over $50,000.00) and the expected future of the programs generating those deficit balances.

2. The Dean/Director/(Associate)Vice Chancellor (DDAVC) will set aside funds equal to the sum of all negative cost centers under their control. Funds that are designated for a particular purpose may not be set aside as reserves for deficits relating to other purposes. The cognizant Vice Chancellor would have the discretion to require that deficits be covered from this reserve if deemed appropriate.

Carry Forward of the following cost center groups will be aggregated at the Dean/Director/(Associate) Vice Chancellor level for all cost centers in that unit with a goal of 5% of budgets plus revenues:

0102 Educational & General (E&G) Cost Centers
0112 Dedicated Cost Centers for Mandatory Fees and Indirect Costs
0372 Other Dedicated Funds Cost Centers
0122 Service and Revolving Cost Centers
0132 Cost Sharing
0142, 0202, 0212, 0232, and 0242 Auxiliary Cost Centers

The carry forward allowed will be 5% of the previous fiscal year budgets plus revenues for all cost centers in the group above.

The Vice Chancellor for Finance and Administration may amend the carry forward percentage allowed or suspend the carry forward provision altogether in any fiscal year it is warranted due to economic or other conditions. Notification will be made to the units prior to the commencement of the affected fiscal year. It is up to the dean/director/associate vice chancellor to determine the policy within the unit with respect to individual cost centers as has been the policy in the past. In the event of a reorganization which impacts multiple DDAVC areas, the carry forward limit will be calculated based on the new organization.

Institutional Bank for Specific Use of Funds

Units that anticipate the need for existing funds for a specific future expenditure may request a transfer to the Institutional Bank to protect an amount from carry forward limitations. Such funds may be transferred to the Institutional Bank by units for specific purposes only with reasonable estimates of when a draw on the funds will be needed or what would trigger such a draw. The Institutional Bank will not be subject to carry forward limits for a fixed period of time generally expected to be five years. Longer times may be negotiated but generally indicate events of an unlikely nature calling into question the value of such a reserve. After the defined period of time the funds are no longer available to the unit. The effect of such a transfer will be that a unit can bank funds for specific needs that are not within the fiscal year in which the funds are available and can do so without loss of funds. The University will seek ways to manage the funds to minimize institutional year-end balances and simultaneously meet these anticipated needs. The Institutional Bank deposit account is not an interest bearing account.

Any unexpected emergency, for which funds may not exist either as carry forward or as a deposit in the Institutional Bank, must be brought to the attention of the appropriate vice chancellor immediately in writing. Units may be authorized for deficit spending (equivalent to a loan) for specific requests where there can be an expectation that the debt will be paid in three years or less. Such debt will include interest at the cost of money to the institution.

Institutional Utilization of Excess Reserves

All funds not carried forward will be transferred to university cost centers to be spent for an institutional need similar to the original purpose of the funds by institutional decision (not decisions of the unit from which the funds originated).

Revised January 28, 2011
Revised January 29, 2009
Revised November 29, 2004
Revised November 17, 2003
October 21, 2003