

*Policy on Carry Forward of Year End Funds*

Policy Number	ACA-031; BUS-020
Effective Date	When Signed
Responsible Office/Person	Academic Affairs: Provost/COO; Exec. Vice Chancellor Admin. & Finance: Vice Chancellor/CFO
Related Policies	See Below
Additional History	
Additional References	

**University of Massachusetts Dartmouth**  
**Division of Academic Affairs**  
**Division of Administration & Finance**  
**Policy on Carry Forward of Year End Funds**

**PURPOSE**

The purpose of this policy is to establish a consistent and transparent framework for managing carryforward balances.

**SCOPE**

This policy applies to the fund types described below. Unless specifically exempt, this policy applies to all areas of the University.

**DEFINITIONS**

*Carryforward balances (or carryforward funds)* are unexpended balances at the end of the fiscal year. For most units, these balances are calculated as: current year budget appropriation and prior year balances less expenditures. For self-supporting auxiliary and other revenue-generating activities, carryforward balances also include revenues. Conversely, budget deficits become obligations of the unit to be repaid from future year resources.

*Unrestricted funds* are defined as state funds and tuition, program fees, other student fees, indirect cost recovery revenues, private unrestricted gifts, and University Extension funds allocated to units.

*Designated (obligated or committed) funds* are tied to planned expenditures for items/purposes, but costs and timing are estimated (for example, start-up funds for a faculty hire without specificity as to the precise position or timeframe for recruitment). These obligations are approved by the appropriate decision-making authority e.g. executive management level (Chancellor, Provost, Dean, Vice Chancellor or equivalent).

*Reserves* are a specific fund category generally used for contingencies auxiliaries or capital. Capital reserves are generally held in Plant Funds to pay for future infrastructure improvements.

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**Restricted funds** are resources with externally established limitations placed on them by external agencies or donors. These resources may be limited to specific purposes, programs, or university units. For purposes of carryforward calculations, sponsored research, financial aid, utilities, endowments, and certain other accounts are excluded.

**Auxiliary Funds** are used to account for the revenues and expenses of self-funded, self-sustaining entities such as Housing, Dining, Conferencing, and Parking.

**Miscellaneous Funds** derive from revenue generated through departmental activity such as consulting or laboratory testing, service centers, and grant closeouts.

**Plant Funds**, in general, are funds used for the construction, renovation, maintenance and acquisition of capital assets. Capital assets are tangible items with a useful life of at least one year and meet the university's capitalization criteria.

### **POLICY**

This policy has been established to detail the conditions and processes for budgeting carryforward funds. Carrying surpluses forward and avoiding deficits are prudent business practices that encourage stewardship, planning and entrepreneurship and thereby, growth in the overall resource base. The following sections provide guidelines for accumulating and managing year end surplus funds. This policy strives to increase consistency, while recognizing the need for units to have some flexibility to manage financial risks within the specific context of programmatic and operational constraints.

### **General Principles**

- a) In the event that the University finishes a fiscal year with a deficit due to tuition revenue shortfalls and insufficient funds for unavoidable expenses, carryforward balances will be reserved centrally before division/unit allocations are approved.
- b) Units are expected to avert budget deficits. Any unit deficits will be carried forward and immediately deducted from the next year's budget allocation. The unit/division head will also be asked to submit a savings plan or revenue generation strategy.
- c) Carryforward funds may not be used to create or sustain an ongoing funding obligation for the University. For example, carryforward funds may not be used to hire into permanent personnel positions.
- d) Prior to the end of the fiscal year, funds may be allocated to specific current and planned capital construction projects, equipment and furnishings associated with a capital project, debt service reserve for existing bonds, or for specific computers/equipment purchases approved by the Division Head. Funds will be held in a reserve for reallocation when the Plant Fund projects are set up or expenditures are necessary.
- e) The Chancellor and Vice Chancellors have the authority to withhold or redirect any unrestricted carryforward balances within their divisions.
- f) The carryforward for each division may not exceed 10% of the current fiscal year non-personnel expenses. Any amounts exceeding the 10% cap will accrue centrally unless a waiver is granted by the Chancellor or CFO or Provost. Student Activity Fees are an exception.

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### *Fund Types*

- State Appropriation funds that are designated as salary savings will be carried forward in a separate pool and managed by an Executive Budget Panel in accordance with University Policy ACA-030 and BUS-018.
- General Operating Funds will continue to be retained centrally. Outstanding encumbrances for goods ordered but not received by June 30 will carry forward into the next fiscal year in the respective expenditure accounts. Funds will carry forward to respective expenditure accounts if sufficient funds remain in the accounts to make the encumbrance payments.
- College/Program fees. Colleges may carry forward up to 10% of aggregated major fees for general operations. Higher surpluses may be reserved for financial contingencies, faculty startup expenses, capital improvements/renovations/equipment or other strategic investments to enhance program quality and capacity. See policy ACA-039 for more details.
- Other fees. Revenue from fees such as application, orientation, international, student activity, graduation, parking and library fines are included in the operating budget of the appropriate service provider. Because collections may not coincide with the fiscal year, carryforward is allowed to maintain cash flow for operational expenses (i.e., personnel), but should not exceed 10% of revenue during any 12-month period. Technology fees may be carried forward for one year for IT enhancements.
- University Extension revenue share surpluses may carry forward subject to conditions specified in ACA-042.
- Indirect Cost Return Funds automatically carry forward subject to conditions specified in ACA-040.
- Miscellaneous Account surpluses may carry forward subject to conditions in ACA-041.
- Gift Funds are intended to be used in the year available. However, under certain conditions described in UAE-002 some funds carried forward may be allowable.
- Auxiliary Funds with a carryforward greater than \$200,000, whether surplus or deficit, must have a plan to address the surplus or deficit. Written plans approved by each unit's respective Vice Chancellor Office are due to the campus budget office by October 1<sup>st</sup> each year.

### **PROCEDURES**

- A. Year end fund balances will be evaluated at the level of schools, colleges, divisions, and major administrative units for determining the cap in (f) above.
- B. Colleges/Schools will submit carryforward requests to the provost's office by May 15. All other divisions will submit carryforward requests to the Budget Office by May 31<sup>st</sup>.
- C. Units that are conserving funds for major purchases (equipment, furniture, etc.) in future periods should submit a spending plan to the division head. If approved, funds will be transferred to a renewal and replacement equipment/Plant Fund for expenditures that can be capitalized. If an expense comes in under the planned amount, there is no further carryforward of the variance. If an expense exceeds the planned amount the overage will be deducted from the capital reserve in (d) above.
- D. After closing the books for a fiscal year, comprehensive year-end expenditures reports and a carryforward allocation calculation will be sent to each of the divisions. After

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resolution of any questions, a carryforward budget allocation will be confirmed for each division.

- E. In general, it is assumed that carryforward funds will be managed as part of a multi-year budget planning process. Carryforward funds set aside in an approved spending plan will automatically carry forward for the duration of the agreement.
- F. Each division should submit a brief summary report on the use of the previous year's carryforward funds and planned use of carryforward funds for the current fiscal year as part of the annual budget development process. The report should outline the relationship of the use of funds to strategic priorities within the division.
- G. Detailed guidelines, procedures and forms for accessing, monitoring, and reporting carryforward fund usage will be available from the Office of Budget and Financial Planning (OBFP).

### RESPONSIBILITIES

- 1. Approval Authority: Vice Chancellor Administration and Finance – Chief Financial Officer
- 2. Governing Authority: Vice Chancellor Administration and Finance – Chief Financial Officer and Provost/Executive Vice Chancellor for Academic Affairs/Chief Operating Officer

### RESPONSIBLE AUTHORITY:

Specific responsibilities associated with this policy including monitoring compliance with the policy are listed below.

- a) Budget and Financial Planning Team: will provide preliminary estimates of availability of carryforward funds after the final general ledger close. Comprehensive year-end expenditures report and availability of carryforward balances will be made available as soon as is practical.
- b) Organizational Business Officers: Each department requesting a carryforward is required to submit a carryforward request form with required information and appropriate approvals to their organizational approval authority with a notification to the Budget Office. Please see carryforward guidelines and forms for further information.

### POLICY CHANGES:

The Division of Academic Affairs and the Division of Administration & Finance will review this policy every three years or sooner.

### RELATED POLICIES

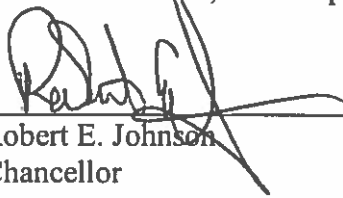
ACA	030	Salary Savings/Recovery Policy
ACA	039	Academic Program Fee Carryforward Policy
ACA	040	Indirect Cost Return Carryforward Policy
ACA	041	Miscellaneous Fund Carryforward Policy
ACA	042	UE Revenue Share Carryforward Policy
UAE	002	Gift Fund Carryforward Policy

### APPROVALS:

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Provost; Executive Vice Chancellor for  
Academic Affairs; Chief Operating Officer



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Chancellor



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Interim Vice Chancellor for Administration &  
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1/28/19  
Date

