

## Carryforward guidelines and process

### PURPOSE

This document provides guidance to support a consistent and transparent approach to how campus units manage and report on carryforward balances. Generally these funds are used to pay for future obligations and manage financial risk. This guidance is providing a consistent approach to managing balances across campus. The yearend carryforward processes described in this document will allow the campus to provide better information about the balances and their intended uses.

### DEFINITIONS

**Carryforward balances (or carryforward funds)** are unexpended balances at the end of the 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. Planned uses of funds are not reflected in this calculation.

**General Fund, Fee and Other Unrestricted Funds** are defined as general funds and tuition, summer session fees, professional degree fees, student services fee, course material fees, campus-based and other student fees, indirect cost recovery revenues, private unrestricted gifts, unrestricted endowment/FFE earnings, CEL reserves, self-supporting degree fees, application fees and other funds which include primarily short-term investment and patent revenues (Appendix1).

**Outstanding commitments (304016)<sup>1</sup>** are planned uses of funds tied to specific commitments for an identified organization or individual, and could be considered legally binding; or are funds designated by the Provost/BIA as committed obligations. Committed obligations have been approved in writing by the appropriate decision-making authority e.g. executive management level (President, CFO, Provost, Dean, Vice Presidents or equivalent), or as delegated by this level. A project ID, has been established to record funds being used for these types of obligations in our financial system.

**Designated for Encumbrances (304018)** (also called encumbrances or open commitments) are generated by the purchasing system when a purchase order is approved and reflect a contractual obligation by the university to spend funds.

**Planned obligations (304011,304012,304016)** 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, temporary assignments that will cross fiscal year). These obligations have been approved in writing by the appropriate decision-making authority e.g. executive management level (President, CFO, Provost, Dean, Vice Presidents or equivalent), or as delegated by this level. A project id, XXXX, has been established to record funds being used for known obligations in our financial system (see Appendix 1).

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<sup>1</sup> The list of equity accounts: 304010-Designated for capital Improvement/Construction; 304011-Designated for Equipment Acquisition, 304012-Designated for Program Development, 304013-Designated for Future Debt Service, 304014-Designated for Facilities Maintenance and Repairs,304016-Designated for Outstanding Commitments, 304017-Designated for Catastrophic Events, 304018-Designated for Encumbrances, 304021-Designated for Financial Aid, 304022-Reserve for economic Uncertainty

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**Reserves (304010, 304011, 304013, 304014, 304017, 304022)** are a specific fund category recognized in the accounting system and generally used for self-supporting, auxiliary activities or campus-based student fees. These are funds set aside for a specific and future use and typically fall into one of two categories: reserves for equipment and reserves for capital improvement and deferred maintenance, economic uncertainties future debt service, catastrophic events, financial aid). Equipment reserves are accumulated following a standard depreciation schedule for equipment being replaced, whereas improvement reserves are set aside as part of the budget planning process for that activity and are generally more subjective. The reserves set aside for the capital improvements and deferred maintenance will be transferred to the appropriate capital funds and NRMR funds (Appendix 2)

### GUIDANCE FOR MANAGING CARRYFORWARD FUNDS

The campus is providing the following guidance to encourage a more consistent and transparent approach to manage carryforward balances. This guidance strives to increase consistency, but recognizes the need for units to have some flexibility to manage financial risks within the specific context of programmatic and operational constraints.

#### ***Carryforward Balances***

The campus has established an initial guideline that a prudent level of carryforward will be a percentage% of prior year expenditures. The campus will generally evaluate balances at the level of schools, colleges, divisions, academic support and administrative units (major units). The following fund categories will be reviewed regularly, within the carryforward margins of 10% as outlined:

These fund type categories are generally provided by the state, students, university operations or other key funding partners and therefore will be subject to central reporting and review.

For central campus reporting purposes, the prudent carryforward calculation will be made at the major unit level - with flexibility to consider being below or above this level, provided there is appropriate explanation in keeping with outstanding commitments (OCM) or planned obligation (PLO) considerations (see Appendix 1).

There may be variances among organizational levels within each of these major units in how this summary-level margin is calculated and reported. Each major unit has the ability to provide additional guidance to subordinate organizational levels to be able to respond to unique circumstances within their units. The summary level calculation should still meet the percentage% margin.

**Reporting Process and Format**

The following reporting process and format has been developed to balance workload considerations with the need for appropriate and accurate reporting. While new steps are added to the transaction process, campus needs to move beyond “we just know” to being able to provide high level data to identify planned uses for these funds. This approach is also consistent with a responsible fund management approach to implement more consistent and robust reporting practices for campus carryforward balances. Key measures adopted include a standard reporting template with data to be preloaded each year by BAO and shared with major units, as well as clarity on reporting timelines and expectations.

***a) Spring Review (to align with the annual Budget Meeting process)***

Budget and Fiscal Offices will provide the carryforward data for the last two fiscal years for discussion with major units in preparation for each unit’s spring budget meeting. Units are expected to discuss how the current year’s starting carryforward balance will change based on activities/commitments made during the year, including discussion of any major variance with the 10% guideline margins as appropriate.

***b) Fall Review (to provide an analysis soon after each fiscal year close)***

After each fiscal year, BAO will provide additional data related to the most recent year- end carryforward balance to each major unit. Further discussions with BAO and major units will take place if balances are below or above the 10% margin, or if there are issues/questions that arise about this data. BAO will provide the results of this review to the President, CFO, Provost and Vice presidents.

***c) Year End Potential Management Decisions( president’s cabinet)***

The review and analysis of carryforward balances is primarily focused on improving information and ensuring financial decisions take into account existing balances as one factor. And, in the context of this review and the overall budget process, there is potential to consider a range of management decisions about each unit’s carryforward balances and intended uses. Possible outcomes of these discussions might include requests to set up and invest carryforward funds to: match or cost-share specific activities/programs; or advance high priority needs in lieu of a central funding contribution (full or partial). Leadership might also ask for a plan to invest (spend- down) funds within a specific time period or conversely direct units to slow expenditures to build balances within a specific time period. To recognize that circumstances faced by individual units or campus wide may vary from year to year - different options may be developed or followed.

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| FY2020-21   | CSU-485 Operating Fund                    |                      |                     |                       |                   |                  |                        |              |                     |                     |                     |                   |                              |                      |
|---|---|----------------------|---------------------|-----------------------|-------------------|------------------|------------------------|--------------|---------------------|---------------------|---------------------|-------------------|------------------------------|----------------------|
| SFCMP   | NG001, NG025, NR101, NG100, SE001, SU001- | NR201                | NR301               | NR401                 | SU005-SU204       | NA101            | SE002                  | NCXXX        | NE002-NE902         | THXXX               | TSXXX               | SG101             | NG500                        |                      |
| Reserve account                                       | Operating Fund                            | IDC                  | Cost Recovery       | Programs & Initiative | Initiative Grant  | Textbook         | Summer Enrollment Gran | HEERF        | Escheat             | Student Health      | Misc. Fee           | SG101 Mini Grants | NG500-Creative Arts Building | CSU 485 TOTAL        |
| 304010 - Designated for Capital Improvement/Construct | -   | -                    | -                   | 172,462.00            | -                 | -                | -                      | -            | -                   | -                   | -                   | -                 | -                            | 172,462.00           |
| 304011 - Designated Equipment Acquisition             | -   | -                    | -                   | 50,000.00             | -                 | -                | -                      | -            | -                   | -                   | -                   | -                 | -                            | 50,000.00            |
| 304012 - Designated for Program Development           | 127,249.24                                | -                    | -                   | 1,623,339.60          | -                 | -                | -                      | -            | -                   | -                   | -                   | -                 | -                            | 1,750,588.84         |
| 304013 - Designated for Future Debt Service           | -   | -                    | -                   | -                     | -                 | -                | -                      | -            | -                   | -                   | -                   | -                 | -                            | -                    |
| 304014 - Designated Facilities Maintenance & Repair   | 1,500,000.00                              | -                    | -                   | 2,500,000.00          | -                 | -                | -                      | -            | -                   | -                   | -                   | -                 | -                            | 4,000,000.00         |
| 304016 - Designated for Outstanding Commitments       | 9,598,471.83                              | 9,537,080.36         | 1,217,990.43        | 14,659,032.66         | 386,656.16        | 23,506.15        | -                      | (169,344.04) | 3,811,797.64        | 1,982,246.09        | 6,179,363.36        | 367,194.21        | (17,508,693.91)              | 30,085,300.94        |
| 304017 - Designated for Catastrophic Events           | -   | -                    | -                   | -                     | -                 | -                | -                      | -            | -                   | -                   | -                   | -                 | -                            | -                    |
| 304018 - Designated for Encumbrance                   | 3,292,983.08                              | 889,999.67           | 307,503.26          | 1,382,299.91          | 10,653.90         | -                | -                      | 169,344.04   | -                   | 501,524.56          | 268,159.53          | 26,535.11         | -                            | 6,849,003.06         |
| 304021 - Designated for Financial Aid                 | 50,115.00                                 | -                    | -                   | -                     | -                 | -                | 568,450.00             | -            | -                   | -                   | -                   | -                 | -                            | 618,565.00           |
| 304022 - Reserve for Economic Uncertainty             | (14,350,098.82)                           | -                    | -                   | 23,494,333.27         | -                 | -                | -                      | -            | -                   | -                   | -                   | -                 | -                            | 9,144,234.45         |
| 304099 - Offset for Reserves/Fund Balance             | -   | -                    | -                   | -                     | -                 | -                | -                      | -            | -                   | -                   | -                   | -                 | -                            | -                    |
| <b>CABINETSSUBTOTAL</b>                               | <b>218,720.33</b>                         | <b>10,427,080.03</b> | <b>1,525,493.69</b> | <b>43,881,467.44</b>  | <b>397,310.06</b> | <b>23,506.15</b> | <b>568,450.00</b>      | <b>-</b>     | <b>3,811,797.64</b> | <b>2,483,770.65</b> | <b>6,447,522.89</b> | <b>393,729.32</b> | <b>(17,508,693.91)</b>       | <b>52,670,154.29</b> |

| FY2020-21   | 441.00              | 443.00             | 444.00             | 452.00                       | 463.00                             | 464.00        | 471.00                         | 472.00                | 481.00                 | 485.00               | 531.00                 | 534.00                      |                      |
|---|---------------------|--------------------|--------------------|------------------------------|------------------------------------|---------------|--------------------------------|-----------------------|------------------------|----------------------|------------------------|-----------------------------|----------------------|
| SFCMP   | TCXXX               | Extended Education | Extended Education | TH202                        | TAXXX                              | International | TPXXX                          | TPXXX                 | TLXXX                  | CSU Operating        | TDXXX                  | TU001/TU004                 |                      |
| Reserve account                                       | Education           | Maintenance &      | Campus Partners    | Facility Revenue Fund-Health | Instructionally Related Activities | International | Parking Revenue Fund-Fines and | Parking Revenue Fund- | Lottery Education Fund | Fund                 | Housing-Operations and | Campus Union-Operations and | TOTAL                |
| 304010 - Designated for Capital Improvement/Construct | -                   | -                  | -                  | -                            | -                                  | -             | -                              | -                     | -                      | 172,462.00           | -                      | -                           | 172,462.00           |
| 304011 - Designated Equipment Acquisition             | -                   | -                  | -                  | -                            | -                                  | -             | -                              | -                     | -                      | 50,000.00            | -                      | -                           | 50,000.00            |
| 304012 - Designated for Program Development           | -                   | -                  | -                  | -                            | -                                  | -             | -                              | -                     | -                      | 1,750,588.84         | -                      | -                           | 1,750,588.84         |
| 304013 - Designated for Future Debt Service           | -                   | -                  | -                  | -                            | -                                  | -             | -                              | -                     | -                      | -                    | -                      | -                           | -                    |
| 304014 - Designated Facilities Maintenance & Repair   | -                   | -                  | -                  | -                            | -                                  | -             | -                              | -                     | -                      | 4,000,000.00         | -                      | -                           | 4,000,000.00         |
| 304016 - Designated for Outstanding Commitments       | 2,250,512.21        | -                  | -                  | 1,055,234.87                 | 5,093,330.37                       | -             | -                              | -                     | 1,495,984.19           | 30,085,300.94        | -                      | 5,140,680.66                | 45,121,043.24        |
| 304017 - Designated for Catastrophic Events           | -                   | -                  | -                  | -                            | -                                  | -             | -                              | -                     | -                      | -                    | -                      | -                           | -                    |
| 304018 - Designated for Encumbrance                   | 195,385.16          | -                  | -                  | 19,798.00                    | 150,505.11                         | -             | 119,783.15                     | 48,468.11             | 124,226.89             | 6,849,003.06         | -                      | 89,982.07                   | 7,597,151.55         |
| 304021 - Designated for Financial Aid                 | -                   | -                  | -                  | -                            | -                                  | -             | -                              | -                     | -                      | 618,565.00           | -                      | -                           | 618,565.00           |
| 304022 - Reserve for Economic Uncertainty             | -                   | -                  | -                  | -                            | -                                  | -             | -                              | -                     | -                      | 9,144,234.45         | 1,353,602.79           | -                           | 10,497,837.24        |
| 304099 - Offset for Reserves/Fund Balance             | -                   | -                  | -                  | -                            | -                                  | -             | -                              | -                     | -                      | -                    | -                      | -                           | -                    |
| <b>CABINETSSUBTOTAL</b>                               | <b>2,445,897.37</b> | <b>-</b>           | <b>-</b>           | <b>1,075,032.87</b>          | <b>5,243,835.48</b>                | <b>-</b>      | <b>119,783.15</b>              | <b>48,468.11</b>      | <b>1,620,211.08</b>    | <b>52,670,154.29</b> | <b>1,353,602.79</b>    | <b>5,230,662.73</b>         | <b>69,807,647.87</b> |

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The strategy described in this document seeks to build additional tools or mechanisms to ensure carryforward funds are being used in the most efficient method across our campus. Therefore, the use of assessments on carryforward funds is not viewed as a routine practice.

### Procedures for Coding Carryforward Funds in the Financial System

To assist campus implement this carryforward strategy, BAO and Fiscal Services have developed two new object consolidation codes, to more easily track and record intended uses of carryforward balances in our financial system.

**Outstanding commitments (304016)<sup>2</sup>** are planned uses of funds tied to specific commitments for an identified organization or individual, and could be considered legally binding; or are funds designated by the Provost/BIA as committed obligations. Committed obligations have been approved in writing by the appropriate decision-making authority e.g. executive management level (President, CFO, Provost, Dean, Vice Presidents or equivalent), or as delegated by this level. A project ID ~~account code~~ XXXX, has been established to record funds being used for these types of obligations in our financial system.

Note: the outstanding commitments will be reported without the legal commitments. The open commitments (purchase orders PO) will be reported as designated for encumbrances.

**Designated for Encumbrances (304018)** (also called encumbrances or open commitments) are generated by the purchasing system when a purchase order is approved and reflect a contractual obligation by the university to spend funds.

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As a process the PLANNED OBLIGATIONS transfer in year two in OUTSTANDING COMMITMENTS & DESIGNATED FOR ENCUMBRANCES.

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### **Steps to Record**

1. Identify funding needs/obligations e.g. start-up package, contract, equipment, renovation etc.
2. Ensure appropriate approvals are in place and availability of funds to meet needs/obligations.
3. Establish a project code beginning with “CF”, consistent with the list below.
4. Transfer funds using a budget adjustment from the appropriate account into planned obligation with assigned project code *(Note: supporting documentation identifying estimated amounts and timing of expenditure approved by the appropriate decision-making authority is required.)*
5. Once firm commitments are made to expend funds, move committed amounts from planned obligation to committed obligation. *(Note: supporting documentation approved by the appropriate decision-making authority is required.)*

### **Carryforward Project Codes- Planned Obligations**

| Obligation Type/Description for Academic Units                  | Project Codes |
|---|---------------|
| Start-up funding for faculty recruitment: use xx to denote unit | CF            |
| Retention funding for faculty                                   | CF            |
| Fellowships   | CF            |
| Endowed Chairs  | CF            |
| Contract employee   | CF            |
| Summer session/seminar compensation                             | CF            |
| Equipment   | CF            |
| Bridge funding: support between research grants                 | CF            |
| All Others: designate appropriate abbreviation for “xxxx”       | CF            |

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| Obligation Type/Description for other units | Project Codes |
|---|---------------|
| Temporary Appointments ( contact employees) | CF            |
| Special projects                            | CF            |
| Program development                         | CF            |
| Equipment                                   | CF            |
| All Others                                  | CF            |

| Obligation Type/Description for Reserve           |                             |
|---|-----------------------------|
| Capital Improvement /Construction                 | Transfer to capital-CSU 486 |
| Designated for Future Debt service                |                             |
| Designated for Facilities Maintenance and repairs | Transfer to NRMR-CSU-487    |
| Undesignated                                      |                             |
| Designated for catastrophic events                |                             |
| Designated for Financial Aid                      |                             |
| Equipment   |                             |
| Designated for economic uncertainties             |                             |
|   |                             |