



Carry Forward of Year End Funds

Responsible Official:	Veronica Mendez, Vice Chancellor - Chief Financial Officer Romi Kaur, Executive Director, Financial Planning & Analysis
Responsible Office:	Financial Planning and Analysis
Issuance Date:	June 27, 2018
Effective Date:	June 27, 2018
Summary:	To provide guidelines for unexpended year end funds carried forward to the next fiscal year.
Scope:	University wide core state general and tuition funds as listed in the policy scope section

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I. REFERENCES AND RESOURCES

<http://finance.ucmerced.edu/>

II. POLICY / PROCEDURE SUMMARY & SCOPE

Policy Summary

The purpose of this policy is to provide a more consistent and transparent approach to enable the campus to provide better information about its carryforward balances.

This policy has been developed to detail the management of end of year funds to be carried forward to the next fiscal year. The policy aims to establish a framework for carryforward thresholds and access to, maintenance of, and monitoring of carry forward funds.

Policy Scope

This policy applies to state general fund budget act appropriations allocated as part of the annual permanent allocations (19900, 19912, 19924) as included in the system-wide annual allocation letter from UCOP and Tuition funds (20095) appropriated as base budget allocations.

Exclusions

This policy excludes funds in the following fund categories: specific one-time state allocations as included in the annual allocation letter from UCOP or received during the year for restricted purposes, Nonresident Student Tuition, Summer Session Revenue Sharing, Student Fees, Course Fees, Indirect cost recovery funds, Contracts and Grants funds, Other Restricted funds, Endowment funds, Auxiliary Enterprises, Revenue Generating Self Supporting Programs, Gift funds, Other funds.

Faculty Startup funds are excluded and must adhere to spending guidelines as provided under the existing policy by Provost and Executive Vice Chancellor.

This policy excludes funding related to other faculty carryforward such as non-grant research awards, stipends, Academic Senate awards, AP and Department chair awards, Undergrad Chair awards, Grad Chair awards, FAO awards. These follow the timeline and spending threshold as defined by these awards. See definitions section for further information.

This policy excludes student financial aid related funds such as University Student Aid Program (USAP), Regents Scholarship Funding, Dream Loan Institutional Match and other restricted financial aid related funds.

III. DEFINITIONS

Unexpended Balances: Amount of budgeted money that is remaining to be expended or spent. It is found by subtracting year-to-date expenditures from the budgeted amount.

Carry forward: Balance from previous year rolled forward into the next fiscal year.

Core funds: Main source of support for the educational mission of the University.

State General Funds: Primary state fund from which University receives annual allocations.

Tuition Funds: Revenue collected from Student Tuition Fees.

Non-grant faculty research awards: Research awards provided to faculty from non-grant resources.

Faculty stipends: A fixed recurring or non-recurring sum paid as a salary or allowance.

Senate Awards: Research awards or stipends provided to academic senate members.

Faculty Incidentals: Additional academic support or discretionary funding provided to ladder rank faculty members on an annual basis.

Organization: For purposes of this policy, an organization is defined as an individual expenditure index within the financial reporting system. There are seven organizations in the university which include the following: Provost and Academic Affairs (including Information Technology, School of Engineering, School of Natural Sciences, School of Social Sciences and Humanities, Library, Grad Division, Undergrad Division), Chancellor Organization, Vice Chancellor - External Relations, Vice Chancellor - Student Affairs,

IV. POLICY TEXT

The policy is split into two categories: Faculty Related Carryforward and Non-Faculty Related Carryforward also referred to as all other carryforward balances.

A. FACULTY RELATED CARRYFORWARDS

1. Faculty Incidental Balances

Unexpended faculty incidentals balances will be carried forward every year up to a limit of \$9,000. Once a faculty member reaches \$9,000 in incidental funds, he or she will not receive any additional incremental funding until the balance is reduced to below \$9,000. Any incidental funds not distributed due to the \$9,000 limit will be used for campus-wide initiatives.

This threshold does not apply to incidental funds held at Dean and Department Chairs level. These are considered operating funds and are covered under the non-faculty related carryforward balances sections below.

2. Other Faculty Related Balances

This policy excludes all funding related to other faculty carryforward such as non-grant research awards, stipends, Academic Senate awards, AP and Department chair awards, Undergrad Chair awards, Grad Chair awards, FAO awards. These follow the timeline and spending threshold as defined by these awards. See definitions section for further information.

Faculty Startup funds are excluded and must adhere to spending guidelines as provided under the existing policy by Provost and Executive Vice Chancellor.

B. NON-FACULTY RELATED CARRYFORWARD BALANCES

1. Unexpended non-salary base budget balances of permanent State General Funds (19900, 19912) and Tuition (20095) yearend carryforward balances are limited by the following:
 - a. Unexpended salary base budget balances, more commonly referred to as salary savings, are not allowed to be carried forward.
 - b. In the event that the University finishes a fiscal year with a deficit due to state or tuition revenue shortfall and insufficient funds for unavoidable expenses, organization carryforward balances will be reserved centrally and any return of funds are subject to Chancellor approval.
 - c. If appropriate amount of University financial resources exists to support organizational unexpended non-salary carryforward balances, the carry forward may not exceed 5% of the current fiscal year non-salary base budget allocation provided the following requirements are met:

- i. There are no budget deficits at the requesting department, division and organization level. Any deficits will be carried forward and immediately covered by the next year's allocations.
 - ii. Carryforward funds may not be used to create permanent positions or hire permanent personnel.
 - iii. Annual spending plans are required for use of the carry forward fund.
- 2. This part of the policy applies to unexpended balances for Student Academic Preparation and Educational Partnership (SAPEP Fund 19924) Funds.
 - a. The usage of SAPEP funds are restricted towards specific approved programs and services that are intended to raise overall student achievement levels and to close achievement gaps among targeted groups of students throughout the California educational pipeline. UCOP guidance indicates that these state funds are expended in the year allocated.
 - b. This policy establishes a limit on level of reserve for 19924 funds at 25% of the annual allocation to provide sufficient operating reserve for the units if there are changes to the temporary fund sources (such as awards and grants). To address the current reserve levels, the following applies to departments carrying reserve balances higher than the 25% threshold established by this policy:
 - i. Currently the campus receives approximately \$1.6 million for SAPEP funds through annual state funds base budget allocations. Approximately 97% of this balance is allocated to Student affairs with 84% to Center of Educational Partnership (CEP) and 13% to Admissions.
 - ii. CEP and other departments receiving these funds, have built a statewide reputation for delivering student, school and district services resulting in increased college eligibility rates. Due to the quality of such services, the Center has garnered awards and grants, which has allowed the Center to build a significant reserve. The current reserve is at approximately 122% of the annual allocation. In order for the campus to manage the significant reserve and also provide a transition period for the departments to manage the reserve, beginning FY1819, departments receiving these funds will be provided 3 years to spend the FY 17/18 year-end carryforward balance so that it is at 25% threshold by the end of the 3rd year. The remaining annual carryforward and any remaining unspent balances after three-year period will be diverted towards other approved SAPEP like programs and services, currently not receiving SAPEP funding.

C. YEAR END COMMITMENTS, ENCUMBRANCES AND MEMO LIENS

- 1. For funds governed by this policy, any year end commitments for good or services received but not invoiced need to be accrued for using the proper accounting procedures for fiscal year end close. Refer to year end close calendar for deadlines as published by the Accounting office.

2. Funds for outstanding encumbrances and/or memo liens for goods and/or services ordered but not received by June 30, will not carry forward into the next fiscal year. The units must consider the impact of these outstanding encumbrances and/or memo liens to the annual budget.

V. PROCEDURES

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 Financial Planning and Analysis team through budget@ucmerced.edu.

VI. RESPONSIBILITIES

1. Approval Authority:

- a. Vice Chancellor – Chief Financial Officer

2. Governing Authority:

- b. Vice Chancellor – Chief Financial Officer and Budget Advisory Committee

3. Responsible Authority:

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

- a. Financial, Planning and Analysis Team: Financial Planning and Analysis team will provide preliminary estimates of availability of carry forward funds after the final general ledger close. Comprehensive yearend expenditures report and availability of carryforward balances will be made available as soon as is practical.
 - b. Organizational Finance 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 Financial Planning and Analysis team. Please see carryforward policy guidelines and forms for further information

VII. POLICY OR PROCEDURE REVISION HISTORY

Date	Action / Summary of Changes
June 27, 2018	Issued Policy on Carry Forward of Year End Funds