University Reserves and Allocation of Carry-Forward Funds

Reserve Policy: The University will maintain operating reserves for funds housed outside the state treasury system. The University will also set limits for Division retention of carry-forward funds to remain within the parameters of the CSU Carry-Forward Fund policy.

The University’s General Operating fund carry-forward funds, including reserves, shall not exceed the limits set by the CSU Carry-Forward Fund policy unless approved by the President. Should a reserve in excess of this limit be proposed and tentatively approved by the President, the University Chief Financial Officer will prepare an expenditure plan for appropriate review and executive approval, and once approved submit it to the Chancellor’s Office for review.

The University’s General Operating Reserve carry-forward funds will be maintained in three categories:

- Reserve for Encumbrances* (allocated to departments),
- Designated Expenditures Reserve (allocated to Division Provost/Vice Presidents), and
- Undesignated Reserve (available for allocation by the President).

*“Encumbrance” is defined as Purchase Orders not expensed by June 30 each fiscal year.

- The Reserve for Encumbrances will consist of department encumbered funds at the end of each fiscal year. Encumbered funds must be liquidated by each department before the end of the next fiscal year. Unused Reserve for Encumbrance funds will be transferred to the Undesignated Reserve at the close of each fiscal year.

- The Designated Expenditures Reserve will consist of allowable carry-forward funds for each Division and restricted category. See Carry-Forward Funds Policy below.
- The Undesignated Reserve will consist of excess carry-forward funds as defined below, annual unused Reserve for Encumbrance funds, and any other funds identified at the end of each fiscal year that do not belong to the Reserve for Encumbrances or the Designated Expenditure Reserve.

Managers for all other funds may establish reserves within the limits set by CSU Carry-Forward Fund policy, in categories that meet their operational needs and debt covenants.

University Carry-Forward Fund Policy:

1. Should the University’s General Operating Fund carry-forward exceed the CSU limit at the close of any fiscal year the campus will take the following steps:

- Each Division that has an adjusted General Operating Fund carry-forward of more than 3% of their prior year final budget shall return the amount in excess of 3% to an “Excess Carry-Forward Funds” account in the Undesignated Reserve to meet other campus needs.
The excess carry-forward funds deposited to the Undesignated Reserve, which are one-time funds, will be used for campus repair, replacement, growth and refresh programs such as those listed below. The President will approve an expenditure plan to submit to the CSU Chancellor, or designee, for expenditure of excess carry-forward within the timeframe specified by CSU policy.

**Examples of Use for Excess Carry-Forward Funds**

- Facility/grounds deferred maintenance and minor capital projects, and allowable transfers to capital projects,
- Instructional classroom and laboratory furnishings, maintenance and remodel projects, including smart classroom conversion projects,
- Instructional and non-instructional computer refresh programs,
- Instructional and non-instructional equipment purchases, and
- Other campus priority needs as selected by the President

2. Should a *Division* end the fiscal year with a deficit in their General Operating Fund accounts, an amount equivalent to 100% of that deficit will be deducted from that Division's General Operating Fund allocation for the subsequent fiscal year to cover the prior year deficit. The funds will be transferred to the current-year University Reserve account.

**Scope of Policy:**
The Reserve policy applies to all University funds and entities including:

- The University’s General Operating Fund,
- University Self-Support funds (Continuing Education, Housing, Parking and Student Health Services, etc.),
- Internal Service Funds,
- Enterprise Campus Services,
- Lottery Fund,
- Capital Project Management Fund,
- Special Projects Fund, and
- Any other funds held by the University outside the state treasury.

The University Carry-Forward Fund policy applies to the University’s General Operating Fund.

**Why the policy is necessary:** In 2006/7, the California State University was authorized by Legislative action to hold and utilize designated funds outside the state treasury. While this provides the University with opportunities to streamline processes, it also requires the University to operate financially independent of the state. Executive Order 1000 and prudent financial practice requires that appropriate reserves be established to guard against substantial demands on its financial resources, including unforeseen emergencies, long-term repair and replacement needs, unexpected revenue shortfalls, and time-sensitive strategic opportunities.

**Responsibilities:** The University’s Chief Financial Officer is responsible for overseeing the establishment and maintenance of reserve funds for the University and its auxiliary organizations and for the completion of an expenditure plan for excess carry forward.

**Approved by Alexander Gonzalez on July 7, 2008**