

GUIDELINES ON MANAGEMENT OF CARRYFORWARD FUND BALANCES

1. SCOPE

These guidelines apply to all UC San Diego employees administering university resources, excluding Medical Center employees.

2. SUMMARY

UC San Diego receives financial support from a number of stakeholders and has an important stewardship responsibility to its students, patients, and donors, as well as federal and state granting agencies. Part of that stewardship involves ensuring to our stakeholders that the university is prudently managing their money.

UC San Diego has a disciplined approach to budgeting and financial management with strong oversight over its carryforward fund balance. The campus will build on its existing review process by providing guidance on carryforward balances defined by *Days Fund Balance*, which consider units' revenue volatility and expense profile, including whether it has responsibility for self-funding its own capital and infrastructure needs.

3. DEFINITIONS

Carryforward balance (or carryforward funds) – The positive or negative balance of the operating budget of a unit at the close of the fiscal year.

Committed Obligations - Obligated use of funds tied to specific and documented commitments for an identified organization or individual, and could be considered legally binding

Days Fund Balance (DFB) – proxy for Days Cash on Hand; calculated as *June 30th Ending Fund Balance ÷ (Annual Operating Expenses / 365)*

Fund – A source of funding for an expenditure or transaction identified by a specific code used in the Integrated Financial Information System. For further detail, please see [Fund Overview](#).

Operating budget – Annual operating budgets are completed in advance of each fiscal year, and represent approved projected revenues/sources and expenses over the course of a year.

Organization – A department or functional unit within a larger department identified by a specific Organization Code in the Integrated Financial Information System. For further detail, please see [Organization Codes](#).

Planned Expenditures - Tied to planned expenses for operating items/purposes or potential future one-time investments, but costs and timing are estimated.

Reserves – Operating reserves are liquid unrestricted assets that can be used to support operations in the event of an unanticipated loss of revenues or increase in expenses. Net balance generated in a given operating year where revenue exceeds operational expense for the intended purpose. Also, a specific fund category recognized in the accounting system, generally used by self-supporting and auxiliary activities.

4. GUIDELINES STATEMENT

These guidelines establish a baseline of financial resources to reasonably protect the university against disruption in the event of unexpected revenue shortfalls or unanticipated expenditures, while confirming to UC San Diego's stakeholders that their resources are being used prudently.

Generally, for unrestricted carryforward fund balances, the following guidelines should be applied:

- No more than 30 days, net of commitments, for administrative units on a fixed base budget and academic units with limited extra-mural support
- 30-90 days, net of commitments, for administrative or auxiliary units with significant reliance on self-support or external revenues
- 30-90 days, net of commitments, for clinical units with significant reliance on patient revenues
- 30-180 days, net of commitments, for academic units with significant reliance on extra-mural support and are expected to provide bridge funding to the investigators

Restricted funds such as Contract & Grant Funds, Endowment Funds, Loan Funds, Plant Funds and Private Gifts are excluded from this guidance as they are earmarked for specific purposes and are not generally available to support core operations.

For fund balances being set aside for specific future commitments, whether they are department or faculty generated, units may be asked to identify obligations (for example: faculty start-up package, renovation, equipment, bridge funding for PIs, one-time investments, etc) tied to these balances and classify future carryforward spending into one of two main categories: Committed Obligations or Planned Expenditures.

Possible outcomes may include requests to deploy and invest carryforward funds to:

- match or cost-share specific activities or programs,
- advance high priority needs in lieu of a core funding allocation (full or partial), or
- invest (spend-down) funds within a specific time period or conversely direct units to slow expenditures to build balances within a specific time period.

5. RESPONSIBILITIES

- A. Department Financial Personnel:** Monitor fund balances and use at least quarterly for adherence to these guidelines. Coordinate with Division and/or Vice Chancellor office to segregate and classify those funds with committed or planned expenditures tied to them for reporting and tracking.
- B. Vice Chancellors and Deans:** Review plans for expenditure in conjunction with financial personnel and assist with adherence to these guidelines. Provide direction to departments regarding number of days balance that is appropriate within the range depending on unique and specialized circumstances of individual departments.
- C. Campus Budget Office:** Provide reporting and assist in review and problem resolution as necessary for adherence to guidelines.

6. PROCEDURES

- A. Department financial personnel should access various standard reports that the Campus Budget Office has created to assist units with overall funds management.

Each Vice Chancellor organization currently has access to a 'Carryforward Balances' report by major fund group, available in 1-year and 6-year views. In addition, new reports will be made available for division/department organization views and will include Days Fund Balance - DFB metric calculated as *June 30th Ending Fund Balance ÷ (Annual Operating Expenses / 365)*

- B. Annual department and faculty budgets should include carryforward fund use plans. Budget discussions will include a unit's projection of anticipated carryforward balances, expected cash-flow from operations and planned one-time investments.

After close of each fiscal year, during the Fall quarter, units will be asked to report on actual final fund balances as of June 30th and Divisions and/or Vice Chancellor offices will coordinate with the Campus Budget Office to segregate and classify those funds with committed or planned expenditures tied to them for reporting and tracking.

- C. Training needs, questions, and issues of non-compliance should be referred to the Campus Budget Office for assistance. Additional implementation information, templates, and Frequently Asked Questions (FAQs) may be provided via the Campus Budget Office at a later date.

7. RELATED INFORMATION

- A. [UCSD PPM 410-05 Policy on Timely Expenditure of Endowment Payout and Expendable Gifts](#)
- B. [UCSD PPM 300-2 Funds Management/Overdraft Policy](#)
- C. [Regents Policy 5307: University of California Debt Policy](#) – Debt Affordability Model requirement of ≥ 60 days cash on hand for Medical Centers
- D. [Overview of Self Supporting Activities](#) – Information on Recharge Rate Review Committee approval process for up to two months surplus balance and Procedures for establishing reserve funds for equipment renewal/replacement and differential income