

San Francisco State University Policy: Designated Balances, Reserves, and Carryforwards

100 Objective

The objective of this policy is to ensure designated balances, reserves, and carryforwards are administered to support San Francisco State University's (the University, SF State) financial health, are recorded and reported transparently, and are expended according to state, CSU, and SF State regulations and policies.

200 Background

200.1 Designated balances and reserves

Designated balances and reserves ensure the University's financial health and stability. In good economic and budgetary years, designated balances and reserves may be accumulated to prepare for uncertain or negative economic and budgetary years. During economic downturns, designated balances and reserves can provide a cushion to absorb the impact of reduced funding from the State of California and reduced tuition and fee revenue due to declining enrollment. Designated balances and reserves may also be used to cover unanticipated costs. Designated balances and reserves are recorded and reported at the University-level per CSU reporting requirements and, therefore, not attributable to a division, college, or department.

200.2 Carryforwards

Carryforwards are the difference between budgeted expenditures and actual expenditures in the general operating fund. When the University's budget is balanced or when revenues exceed expenses, carryforwards represent current year resources that can be used in the next or future years. Carryforwards may accumulate over a number of years based on the annual difference between budgeted expenditures and actual expenditures. The CSU's financial system requires expenditures to be budgeted and recorded by department, so carryforwards, unlike reserves, are attributable to divisions, colleges, and specific departments.

Note: Carryforwards are generally only applicable to the campus' general operating fund.

200.3 Fund balances

Fund balances are the difference between a fund's available resources and the actual uses of those resources. Fund balances, like reserves and carryforwards, represent resources available to the University. Funds may be assignable to a campus division, college, or department (e.g., a trust fund), assigned across the campus (e.g., the general operating fund), or assigned to a self-support unit (e.g., Housing). A negative fund balance indicates a fund's expenses exceed the resources available to support the activities attributable to that fund. As a general rule, funds are prohibited from having a negative fund balance as of June 30, the end of the University's fiscal year.

Note: Fund balances exist across numerous University funds, including grants and contracts, IDC funds, materials and course fee funds, special funds (e.g., Lottery, IRA funds), auxiliary enterprise funds (e.g., Housing, Parking funds), and smaller funds for specific campus revenues, expenses, and activities.

300 Policy Statement

300.1 Campus Approach

300.1.1 Designated balances and reserves

Designated balances and reserves must be recorded and reported on an annual basis. Annually, the Vice President and Chief Financial Officer, in concurrence with the University's President and Vice Presidents, must certify the amounts and purposes of campus designated balances and reserves are in accord with CSU policy.

As a good practice, campus leadership should set a campus reserve target of **10%** of the campus' operating budget (for good years, it can be set at a higher percentage target) associated with a long-range strategic financial campus plan. The campus reserve will be set aside for economic uncertainty (e.g., economic downturns, reduced state funding, reduced tuition and fees, catastrophic emergencies, and other anticipated costs).

300.1.2 Carryforwards

Current Year Carryforwards must be recorded and reported on an annual basis. Divisions and departments must report, with the appropriate Vice President's approval:

- Carryforwards designated for encumbrances as recorded in the University's financial system.
- Carryforwards earmarked, other than encumbrances, for purposes consistent with the University's mission, up to **3%** of the division's prior year actual expenditures, as approved by the division's Vice President.
- As approved by the appropriate Vice President, divisions may retain up to **1%** of the division's or college's prior year actual expenditures for unanticipated costs.
- Remaining carryforwards revert to a central fund administered by the division's Vice President.

In positive budget cycles when the state appropriation and revenues increase year over year, divisions may expect to retain up to the full **3%** of carryforward and the **1%** for unanticipated costs with fewer restrictions. In negative budget cycles when the state appropriation and revenues are flat or declining year over year, divisions should expect to retain the **1%** (or less) for unanticipated costs with greater restrictions.

Annually, Vice Presidents must approve spending plans for the use of cabinet-divisional carryforwards. Annual spending plans must be updated periodically (at least annually) to reflect the status of designated carryforwards. If a division's carryforwards are not appropriately expended, unexpended balances may revert to a central fund administered by the division's Vice President.

Carryforward funds may not be used to create permanent positions, hire permanent personnel, or undertake costs that exceed the actual carryforwards amount.

300.1.3 Fund balances

Year-end fund balances, without donor, sponsor, or other restrictions, exceeding \$100,000 at the division level must be reported on an annual basis to the appropriate Vice President for division-specific funds and to the President and Vice Presidents for campus-wide funds. The campus CFO, in concurrence with the President and other Vice Presidents, will review the following to ensure fund balances are administered appropriately:

- Fund balances earmarked, other than encumbrances, for purposes consistent with the University's mission and approved by the division's Vice President.
- Fund balances, as allowable, that can revert to a central fund administered by the division's Vice President or the University's central reserve.

Fund balances attributable to an individual's, division's, or department's efforts to generate university-wide or discipline-specific revenue, including recovered indirect costs (IDC), will not revert to a central fund administered by the relevant Vice President or the University's central reserve.

300.1.4 Collective, University-wide Efforts

The campus' Vice Presidents, in concurrence with the President, may determine that carryforwards and fund balances must be used to support collective, university-wide efforts exclusive of purposes set forth by divisional leadership. In this case, the priority for recalling carryforwards and fund balances to support collective, campus-wide efforts will adhere to the following order of precedence:

- As approved by the division's Vice President, up to a 1% retention for the division's or college's current year actual expenditures for unanticipated costs.
- Carryforwards earmarked, other than encumbrances, for purposes consistent with the University's mission.
- Fund balances, as allowable, that can revert to a central fund administered by the division's or college's Vice President or the University's central reserve.
- Fund balances earmarked, other than encumbrances, for purposes consistent with the University's mission and approved by the division's or college's Vice President.

Vice Presidents will only recall carryforwards and fund balances after diligent efforts are made to address the concern that requires such action. In any case, Vice Presidents will provide:

- Reasons and circumstances for recalling carryforwards and fund balances
- Plan for reinstating recalled resources when resources are available
- Any available resources to support emergency needs as a result of recalling carryforwards and fund balances
- Appropriate consultation with divisional leadership

300.1.5 Authority and responsibility

The University's President is ultimately responsible for the University and the deployment of its financial resources to achieve the University's mission. The President has delegated authority to Vice Presidents for the financial administration of their respective divisions.

300.2 Recording and Reporting Reserves

300.2.1 CSU Compliance

The campus adopts CSU Policy #7021890, *Designated Balances and Reserves*:

“Each California State University (CSU) campus chief financial officer (CFO) and the Executive Vice Chancellor (EVC)/CFO of the Chancellor's Office must direct the distribution and designation of fund balances and reserve amounts for purposes described in this policy.

The CFO of the campus and the EVC/CFO of the Chancellor's Office shall establish designated balances and reserves for each of the university and enterprise operating funds listed in Table 1 using the accounts and descriptions listed in Table 2, consistent with campus and systemwide plans, needs, and statutory restrictions. Designated balances and reserves may be established in other funds as determined by the campus.

Specific reserves for economic uncertainty shall be established in each CSU operating fund to help manage the consequences of cyclical state recessions and to support year-to-year consistency in the university's operations. Over time, reserves for economic uncertainty should accumulate a minimum of three months and a maximum of six months of the annual operating budget in each CSU operating activity fund.”

300.2.2 Procedures

Designated balances and reserves shall be identified in each of the CSU operating funds listed in Table 1 and consistent with the underlying fund requirements and statutory restrictions.

Table 1: University and Enterprise Operating Funds

CSU Fund	Description
441	TF-Professional and Continuing Education
444	TF-Campus Partners
452	TF-Facility Revenue Fund-Health Facilities Fees
463	TF-Instructionally Related Activities Trust
464	TF-International Programs Trust
471	TF-Parking Revenue Fund-Fines and Forfeitures
472	TF-Parking Revenue Fund-Parking Fees
481	TF-Lottery Education Fund
485	TF-CSU Operating Fund
531	TF-Housing-Operations and Revenue
534	TF-Campus Union-Operations and Revenue

The campus CFO and the EVC/CFO shall annually designate balances and reserves using the appropriate Financial Information Recording Management System (FIRMS) summary object codes listed in Table 2. Campuses may establish more detailed object codes within the summary codes listed.

Table 2: Object Codes

Object Code	Description
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
304023	Designated for PaCE Campus Partners
	<i>Object Codes for Reserves</i>
304022	Reserve for Economic Uncertainty

302.2.3 Object Code Definitions

303.2.3.1 Designated Reserves for Economic Uncertainty

304022 - Reserve for Economic Uncertainty

Used to accumulate a minimum of three months and a maximum of six months of the annual operating budget in each of the CSU funds for which the reserve is established.

303.2.3.2 Designated Balances for Short-Term Obligations

304012 - Designated for Program Development

Used to designate funds for future program development activities for potential academic and support programs and other initiatives to assist in offering a portfolio of compelling academic programs and student services. These activities include assessing student interest, labor market demands, and potential hurdles to implementation, among others.

304013 - Designated for Future Debt Service

Used to designate funds for future debt service payments, typically in an amount equal to payment for one to two years based on debt service schedules.

304016 - Designated for Outstanding Commitments

Used to designate funds for commitments that are not obligated by a purchase order, service agreement, or other contractual agreement. Examples include outstanding summer faculty compensation, up to two years of future lease payments on a ten-year lease, or balances allocated for a specific program or service.

304018 - Designated for Encumbrances

Used to designate funds for commitments obligated by a purchase order, service agreement, or other contractual agreement.

304021 - Designated for Financial Aid

Used to designate funds for unspent financial aid. This is typically used by campuses that treat summer term as a trailer session for their designated academic year or to set aside state university grant or other institutional aid that has not yet been disbursed.

304021 - Designated for PaCE Campus Partners

Used to designate funds for PaCE Campus Partners. This includes academic college/department funds from various PaCE program agreements.

303.2.3.3 Designated Balances for Catastrophic Events

304017 - Designated for Catastrophic Events

Used to designate funds to be used in the event of a natural disaster or other catastrophic event, including annual insurance premiums or self-insured retentions.

303.2.3.4 Designated Balances for Capital Projects

304010 - Designated for Capital Improvements/Construction

Used to designate funds for future capital needs, including new construction or improvements to existing facilities.

304011 - Designated for Equipment Acquisition

Used to designate funds for future equipment acquisitions.

304014 - Designated for Facilities Maintenance and Repairs

Used to designate funds for future facility and infrastructure maintenance and repair costs based on long-term maintenance schedules, applicable costs identified by routine facility condition surveys, and planned maintenance and repair projects.

302.2.4 Campus procedures

For recording and classifying reserves as prescribed by the CSU policy, campus units with fund balances in the required CSU funds are best qualified to indicate the designation for the appropriate reserve object codes. On or near the end of the fiscal year, the campus CFO will require campus divisions with fund balances to allocate their balances according to the object codes provided by the CSU policy, and as approved by their appropriate Vice President. Campus designations must be approved by the campus President and CFO.

300.3 Recording and Reporting Carryforwards

Recording and reporting carryforwards are subject to CSU policy to the extent they are included in the recording and reporting of carryforwards as described in [§300.1](#).

300.3.1 Campus Approach

Per the requirements of the campus' financial reporting system, carryforward will be recorded at the fund, department, account code and project ID. Budget Administration and Operations, on an annual basis, will provide the account codes available for use to the colleges and divisions to record carryforward and the instructions for recording carryforwards.

The recording and reporting of carryforwards are subject to §300.1.2 of this policy. Generally, the units with carryforward balances must demonstrate through the assignment of account codes a spending plan for carryforward balances. This will allow the campus and units to monitor how carryforwards are spent.

300.4 Recording and Reporting Fund Balances

Recording and reporting fund balances are subject to CSU policy to the extent they are included in the recording and reporting of reserves as described in §300.1.

300.4.1 Campus Approach

Per the requirements of the campus' financial reporting system, ending fund balances for one year should equal beginning fund balances for the next year. If this is not the case, the campus CFO must approve reconciled differences.