

## **Background**

Establishing a State Operating Fund Reserve Policy will help guide the University Resources and Planning Committee (URPC) in maintaining an appropriate level of Fund Balance as they develop the annual budget recommendation to the President. This policy addresses Fund Balance as a combination of Undesignated (Unbudgeted) Reserves and the portion of General University Roll Forward that is not dedicated for a specific purpose. Undesignated Reserves are a multi-year accumulation of actual revenue over budgeted revenue. For example, if the State Tuition Fee revenue budget is \$40 million, but we actually generate \$41 million, Undesignated Reserves would increase by \$1 million.

## **Purpose of Fund Balance**

Fund Balance may be called upon in cases where other reasonable methods have been insufficient to maintain a balanced budget. Generally, there are three primary purposes for reserves:

- 1) To protect the University in cases of sudden shortfalls in revenue (unforeseen shortfall in enrollment or a reduction in state appropriation);
- 2) To cover unanticipated expenses (major disasters, equipment failures, unanticipated cost increases); and
- 3) To provide one-time funding for campus initiatives.

## **Level of Fund Balance**

The State Operating Fund shall maintain a Fund Balance of no less than 4%, and no more than 10%, of the Operating Fund Base Expenditure Budget. In the event that the Fund Balance falls below 4% or exceeds 10%, the URPC must submit a plan to the President for review.

## **Use of Fund Balance**

Prior to using Fund Balance, analysis should be done regarding the availability of other sources of funding and the reason behind the shortfall and/or the intended outcome of the funding request. Potential uses of fund balance include:

- 1) To provide one-time funding for campus initiatives, such as retention and recruitment initiatives and building maintenance and improvement projects
- 2) If budgeted revenue exceeds actual revenue generated
- 3) Equipment failures such as transmitters and boilers, which can be very expensive to replace
- 4) Emergencies and disasters

## **Reporting**

The University Budget Office will report annually to the URPC regarding the uses of Fund Balance.