**Reserves, Carry-Forwards, and UPPS No. 03.02.01**

**Over-Expenditures Issue No. 8**

**Revised Date: 08/26/2022**

**Effective Date: 10/09/2019
Next Review Date: 08/01/2024 (E5Y)**

**Sr. Reviewer:** **Associate Vice**

**President for Budget and Planning**

**POLICY STATEMENT**

Texas State University is committed to promoting proper financial stewardship of funds.

1. **SCOPE**
	1. This policy:

a. explains fund accounting and defines available reserves and what constitutes the primary fund group;

b. outlines procedures for budget carry-forwards, especially for the primary fund group accounts;

c. outlines procedures for use of available reserves by funds that are not part of the primary fund group;

d. prescribes treatment for over-expended accounts and deficit fund balances; and

e. specifies and explains Texas State University’s available funds targets.

**02. FUND ACCOUNTING, AVAILABLE RESERVES, AND THE PRIMARY FUND GROUP**

02.01 Texas State, like most universities, uses fund accounting to properly account for all financial resources received and used. Fund accounting classifies all resources into funds according to specific limitations placed on their use by the resource providers.

Each fund is a self-balancing set of accounts. Each fund has its own revenues and other additions, expenditures and other deductions, assets, liabilities, and a fund balance.

A change in fund balance represents the difference between fund additions and deductions. A fund balance is the sum of previous changes in fund balance for that fund. A fund balance equals the net difference between a fund’s assets and liabilities.

Not all of a fund balance may be available for budgeting or spending. Some part of it may be reserved to offset non-liquid assets such as inventories or accounts receivable or to offset encumbrances. Available reserves equal fund balances less reserves for non-liquid assets and encumbrances.

02.02 The primary fund group is Texas State’s name for a fund group (that is, a group of funds consisting of accounts) funded by general appropriations, interest, and tuition (both statutory and designated) that have the same characteristics in regard to treatment for institutional processes. The primary fund group does not include accounts that are funded by fees, income generated from sales and services, gifts, or grants.

The primary fund group includes many state or educational and general (E&G) funds, as well as the Designated Method fund 20000110XX and the Auxiliary Method fund 30204310XX.

**\*03. PROCEDURES FOR BUDGET CARRY-FORWARDS AND USE OF AVAILABLE RESERVES**

03.01 Certain primary fund group accounts that are permanently funded will typically carry forward 100 percent of their operating (non-personnel) budget from one fiscal year to the next with annual approval by the VPFSS. Those accounts are standing program accounts and exclude projects, utilities, benefits, and reserves. These carry-forwards will be processed on or about October 16, after final balances are obtained from the General Accounting Office.

 Unexpended budgets for temporarily funded accounts within the primary fund group will typically be carried forward on or about September 10 of each year. If the account resides in a funded program the end-date must be valid for the account to carry-forward

03.02 The budgets for income-generating and fee-based accounts are not typically carried forward. Instead, unexpended revenues collapse to available reserves. Fund managers can draw on their available reserves by sending a request to the Office of Budgeting, Financial Planning, and Analysis at budget@txst.edu. The request should specify the amount and the reason.

03.03 Exceptions to policy for carry-forwards and use of available reserves may be approved by the associate vice president for Budget and Planning.

**04. PROCEDURES FOR OVER-EXPENDITURES AND DEFICITS**

04.01 Account managers are responsible for maintaining budgetary control. For income-generating accounts, account managers should spend less than the funding available (actual income plus available reserves).

Account managers are expected to make as many mid-year adjustments to expenditure budgets within their purview and as allowable in order to balance the account or secure approval for alternate funding sources via the respective vice president.

If account managers require adjustments to estimated income or need to use reserves, those requests must be made via email to the Office of Budgeting, Financial Planning, and Analysis at budget@txst.edu.

\*04.02 The associate vice president for Budget and Planning will reduce a primary fund group account's current year budget for the over-expenditure of the budget in the prior year unless the deficit is otherwise funded by the divisional vice president or waived by President's Cabinet. Before a waiver is granted, another source of funds must be identified to cover the deficit.

\*04.03 A deficit fund balance constitutes unauthorized borrowing from the university’s primary fund group, which is funded by appropriations and tuition. The associate vice president for Budget and Planning will work with management to resolve the deficit. The divisional vice president will fund any deficit fund balance unless waived by the President's Cabinet. Before granting a waiver, the President's Cabinet must identify a source of funds to cover the deficit.

**05. AVAILABLE RESERVE TARGETS**

05.01 Adequate expendable reserves are necessary in the event of revenue or expenditure fluctuations. The adequacy of available reserves is measured by the available funds ratio which is calculated as follows:

\_\_\_available reserves\_\_\_

budgeted expenditures and transfers

Available reserves include those defined in Section 03.02, plus relevant unrestricted and uncommitted quasi-endowments. Reserves committed for major expenditures should be excluded from available reserves in the calculation of the available funds’ ratio.

05.02 According to Financial Self-Assessment, published by the National Association of College and University Business Officers: “Available funds ratios between .2 and .5 indicate a good financial cushion to absorb shocks from revenue or expenditure fluctuations.” Texas State has targeted an available funds ratio of at least .25 for the primary fund group, as well as all current unrestricted funds combined.

\*05.03 Fund managers should target available funds ratios for their individual funds based on the potential volatility of revenues and expenditures of those funds. Fund managers should consult with the associate vice president for Budget and Planning on the appropriate financial cushion. An available funds ratio of less than .25 may be targeted if volatility is low.

**06. REVIEWER OF THIS UPPS**

06.01 Reviewer of this UPPS includes the following:

Position Date

Associate Vice President for Budget August 1 E5Y

 and Planning

**07. CERTIFICATION STATEMENT**

This UPPS has been approved by the following individuals in their official capacities and represents Texas State policy and procedure from the date of this document until superseded.

Associate Vice President for Budget and Planning

Vice President for Finance and Support Services

President