

PM 2022-03

President Thomas A. Parham

April 18, 2022

UNIVERSITY OPERATING FUND CARRYFORWARD

I. PURPOSE

This policy establishes procedures for handling year-end surpluses, also known as “carryforward balances”, incurred at the divisional level within the CSU Dominguez Hills Operating Fund.

II. DEFINITIONS

Operating Fund: The set of funds used to report revenues, expense and net assets related to state-supported instruction, related programs and operations. All campus Operating Funds fall under CSU Fund 485.

Surplus: An annual accumulated excess of revenues over expenditures.

Carryforward: Funds retained or carried over from one fiscal year to subsequent fiscal years.

Base Budget: Revenues and expenditures which are annually recurring.

Reserve: An accumulation of unrestricted funds set aside for economic uncertainties, unexpected expenses, losses, cash flow shortages, large repair or renovation projects, the acquisition and development of new facilities, and/or for future planning purposes. Reserves are a one-time source of funding. Once reserves are spent, they are gone, unless replenished from an alternate funding source.

III. CARRYFORWARD POLICY PRINCIPLES

It is the policy of CSU Dominguez Hills to maintain responsible financial management across the organization, while allowing divisions some fiscal flexibility.

- Carryforward funds encourages thoughtful expenditure of non-recurring funds.
- Strategic budgeting of base resources mitigates the need for carryforward balances. Annually recurring expenses should be considered base and budgeted appropriately.
- While it is appropriate to use carryforward balances to resolve timing issues, they should only be used to provide a bridge to a solution rather than as a means to delay addressing a structural issue.

IV. **CARRYFORWARD POLICY GUIDELINES**

A. Maximum Carryforward Amount

The Carryforward balance is intended to address non-recurring expenses that may take place within a division. On average, divisions utilize their carryforward balance in an amount equal to approximately two percent of their Operating Fund budget. However, when there are unanticipated additional expenses, the 2% may be exceeded. In order to accommodate non-recurring expenses, divisions will be permitted to maintain a carryforward balance equal to **ten percent** of their prior year Operating Fund budget.

B. Process

Upon the close of each fiscal year the Budget Planning & Administration Office will calculate maximum carryforward balances for each division based on the prior year's Operating Fund budget and year-end encumbrances. If a division is carrying a balance greater than the maximum allowable amount, the Budget Planning & Administration Office will transfer the additional amount to the Operating Fund Reserve. Once transferred, funds will be utilized consistent with the University Operating Fund Reserve Policy.

C. Allowable Uses


Allowable uses of the division carryforward balances must be consistent with Operating Fund expenditure guidelines. These funds are one-time in nature and may not be used for annually occurring expenses such as compensation.

V. **REPORTING, RECALIBRATION, AND ADDITIONAL SOURCES**

The Budget Planning & Administration Office will report annually to the President, Executive leadership, and the University Budget Committee regarding carryforward balances and any transfers to the Operating Fund Reserve. Due to fluctuating budgets and encumbrances, the maximum allowable carryforward balance should be recalculated on an annual basis. If a division has a need exceeding their carryforward balance, a request to utilize reserves should be submitted to the Budget Planning & Administration Office.

VI. **REFERENCES**

CSUDH Operating Fund Reserve Policy (PM 2022-02)

Approved: 

Thomas A. Parham, Ph.D.
President

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