

Carry-forward Fund Policy

General Policy Statement

Operating Trust Fund balances provide stability, are allowable and encouraged, and may be required to meet on-going working capital and other temporary funding requirements of the University. Operating Trust Fund balances are defined as a portion of the Unrestricted Net Assets reported in each campus' audited Annual Financial Statement. Operating Trust Fund balances must be reviewed and certified annually by each campus chief financial officer. Operating Trust Fund balances that exceed the following carry-forward fund policy guidelines, as determined by the Chancellor's Office, shall be subject to reallocation.

Annual revenue flows, the operating activities supported by fund sources, and the business needs for working capital and accumulation of cash balances will differ by fund source, and policies defining the necessity for and amounts of their carry-forward balances should differ. For instance, Support-budget Operating funds are predictable (particularly under the Compact for Higher Education) and are renewed annually through the State operating budget process and from revenues generated from student enrollment, and the uses of the fund can be readily controlled by campuses, all resulting in a requirement for lower carry-forward balances. Other fund activities, such as CERF or Student Housing, operate as self-supporting business units within a campus, and operating cycle fluctuations as well as the needs for self-funding of operating and capital improvements work toward justifying a need for greater operating carry-forward balance flexibility.

Operating Trust Fund Carry-forward Guidelines

Support-budget Operating Revenues

To serve as working capital available to smooth fluctuations in State support and student enrollment, campuses may carry forward Support-budget Operating balances from one fiscal year to the next. The carry-forward amount shall be no more than 3% of actual Support-budget operating fund revenues (General Fund plus student fees). Support-budget Operating Fund balances in excess of the 3% threshold must be incorporated into an expenditure plan, subject to review by the Chancellor's Office. These balances may not be pledged toward capital programs or used for purposes except those consistent with support of the mission of the CSU; however, interest earned on Support-budget Operating Fund balances should be accounted for separately and may be used for capital programs.

Lottery Funds

Campuses are expected to spend all Lottery Funds during the fiscal year in which they are allocated. If a campus does carry forward Lottery Funds from one fiscal year to the next, the carry-forward amount is limited to no more than 80% of that fiscal year's allocation. Excess funds are subject to de-allocation by the Chancellor's Office. Lottery

Funds carried forward from one year to the next must be expended for purposes consistent with the original purpose of the allocation and shall be used exclusively for instructionally-related activities, and no funds may be spent for acquisition of real property, construction of facilities, financing of research, or any other non-instructional purpose.

Continuing Education Revenue Fund

To serve as working capital and to smooth fluctuations in operations, Continuing Education Revenue Fund (CERF) balances may be carried forward from one fiscal year to the next. The carry-forward amount shall be no more than six months of actual CERF operating expenditures. A campus wishing to maintain a balance in excess of this amount must have a business plan approved by the campus President, subject to review and written approval of the Executive Vice Chancellor/Chief Financial Officer or his designee, explaining why a carry-forward balance in excess of working capital is required (i.e., planned capital improvements, programmatic changes requiring start-up capital).

If no business plan is approved, those carry-forward balances may be declared excess by the campus President and made available for use by other campus programs participating in the Systemwide Revenue Bonds. Additionally, any campus CERF balances that are consistently in excess of six months of operating expenditures and without an approved business plan will be subject to review and written approval of the Executive Vice Chancellor/Chief Financial Officer or his designee.

Because CERF is a self-supporting activity, deficit carry-forward balances are not permitted. Rates for CERF activities are expected to be set at levels sufficient to meet operating demands, and in the event a campus does have a year-end overall deficit balance in CERF, then a loan from another self-supporting activity on the campus (i.e. Parking) must be made to CERF to eliminate the deficit balance.

Other Self-Support Activities, Enterprise Funds, and Special Projects Funds *(Guidelines still in development)*

- Housing
- Parking
- Student Unions
- Health Facilities
- Other Special Funds

Reporting

Campuses will be required to generate a supplemental report each year as part of the Financial Reporting package. This supplemental report is called the "Operating Trust Fund Carry-forward Report", and is based on GAAP. It will contain estimates of beginning-year balances, operating revenues, operating expenditures, and year-end

balances for all trust funds. Additionally, campuses will be required to generate reports each year of actual "legal" basis balances, by fund.