End of Year Carryforwards and Sweeping of Balances

End of year cost center balances and whether departments can carry over fund balances from the current fiscal year to the next is dependent on the funding source of each individual cost center.

Generally, cost centers that are funded from state appropriations and tuition are considered centrally funded and as such, end of year balances are lapsed to the original funding source. A few exceptions are made for specific allocations, such as faculty start-up funds or funds for equipment purchases.

This document does not provide guidance related to managing carry-forward balances associated with sponsored awards or plant fund accounts. These balances are managed according to established University accounting policies, generally accepted accounting practices, and/or specific contractual terms. It also does not provide guidance related to balance sheet accounts, which are not budgeted and represent non-discretionary, future obligations.

The following are examples of cost centers that may roll over balances to the ensuing year and is not meant to be a comprehensive list: 1) Indirect Cost Recovery funds, 2) revenue generating departments, 3) gifts/donations (unless specified by donor), and 4) incidental fee balances within allowed parameters.

Discretionary funds are allocations that can be utilized for non-funded initiatives that support students, faculty, and staff, but any unexpended balances will not roll over.

Questions related to the types of cost centers and roll over balances should be directed to the Office of Budget & Fiscal Management.

Salary Savings from Vacancies

Realized A&P and Classified salary savings will be swept each month, starting with the October close. These funds will still be available to departments for new hires. Permanent reductions can be made to budgeted, vacant positions in order to fund salary adjustments, but the position’s salary cannot be left below the job code minimum. The use of salary savings requires approval from the Vice President for Business Affairs, does not constitute a permanent adjustment to the budget, and will not roll over to the next fiscal year.

Incidental Fee Balances

The Office of Budget & Fiscal Management shall monitor incidental unexpended balances on an annual basis.

Incidental Fees are authorized by TEC Section 54.504 which states "The rate of an incidental fee must reasonably reflect the actual cost to the university of the materials or services for which the fee is collected." Therefore, incidental fee revenue cost centers should not accumulate large balances.

## Monitoring Process

The responsibility for monitoring incidental fee balances resides with the cost center managers and college/division budget contacts.

As a rule-of-thumb, balances should not be allowed to accumulate to greater than 20% of the annual fee revenue. However, if well-documented, balances may be allowed to fund large cyclical purchases.

The Office of Budget & Fiscal Management will provide a monthly balance listing to college and divisional budget contacts for all cost centers, including fees, as a tool for monitoring balances.

At the close of each fiscal year, fee cost center balances shall be assessed and, in cases where a balance exceeds 20% of the annual revenue, a justification/action plan will be required no later than September 15th of each fiscal year.

The Office of Budget & Fiscal Management is available to assist with any questions which arise during annual monitoring of incidental fee balances. Documentation of the fee balance assessment and justification/action plans for large balances shall be maintained on file by the Office of Budget & Fiscal Management in accordance with records retention policies.