

Institutional Reserves and Commitments Policy

Part 1. Policy

- a. The goal of UW Tacoma planning and budgeting actions is to maximize the use of resources and to allocate those resources to align with the campus strategic mission. The purpose of this policy is to establish a consistent and transparent process for the close of budgets at the end of each fiscal year to enable strategic resource management of reserves and carry-forward commitments.
- b. This policy applies to the General Operating Fund (GOF), which is funded from student tuition and state allocations and the Designated Operating Fund (DOF) which consists of summer quarter revenue, administrative overhead, interest income, and miscellaneous fees. Indirect Cost Recovery (ICR) funds are not swept and are carried forward in accordance with the [UW Tacoma ICR policy](#) and unit ICR policies.
- c. To mitigate the risk of a potential tuition shortfall due to an unanticipated enrollment decline or the risk of a decline in state support, UW Tacoma maintains reasonable institutional reserves. The UW Tacoma target for the uncommitted reserve balance is an amount equal to a minimum of 10% of the campus operating budget. To ensure funding for improvement projects and commitments, the target for the total reserve balance at the beginning of each fiscal year is an amount equal to 20% of the campus operating budget.

Part 2. Procedures

- a. Fiscal year-end budget close and sweeps
 1. For appropriate accounting, expenses are recorded in the fiscal year in which the obligation for payment occurs. For example, expenses for goods **received** and services **performed** during fiscal year 2020-21 must be recorded in the fiscal year ending June 30, 2021. Expenses for goods received and services performed after June 30, 2021 will be recorded in the fiscal year which starts July 1, 2021 even if the goods were ordered prior to June 30, 2021. Purchase requests must be submitted and approved in sufficient time to be recorded correctly. All unit expenses and adjustments attributable to the ending fiscal year, must be posted by July 6th to enable the recording of final closing entries by the Finance and Administration Division.
 2. At the end of the fiscal year-end close activities, all unspent budgets in the GOF and DOF funds are swept to the central reserves to be allocated for one-time expenditures such as capital projects, campus strategic initiatives, approved carry-forward commitments, and for use as an emergency contingency (uncommitted reserve).
 3. The GOF portion of the reserve can be used for any expense that is allowable on state or tuition funds. If approved by the Provost, the GOF portion can be used for major capital projects related to instruction only, specifically labs and classrooms.

4. The DOF portion can be used for capital projects and other initiatives and commitments as recommended by the Executive Budget Council (EBC) to the Chancellor. These projects are managed through Facilities Services and Information Technology. Examples of projects supported by reserve funds include:
 - i. renovations to maintain classroom and lab function and aesthetics;
 - ii. purchase of computer/media technology;
 - iii. refreshes to general spaces;
 - iv. renovations to repurpose spaces to best use;
 - v. renovations to expand and relocate programs;
 - vi. acquisitions of land for future campus expansion, and;
 - vii. building maintenance projects such as roofing, carpeting, and tuckpointing.
 - viii. major equipment repair or replacement (e.g. boilers)

b. Carry-forward commitments

1. In the event the Campus finishes a fiscal year with a deficit due to tuition revenue shortfalls or excess unavoidable expenses, any carry-forward balances will be reserved centrally before division allocations are approved.
2. Individual carry-forward commitment requests must be associated with expenses that exceed \$5,000 and that have been incurred or legally obligated but not yet paid by the end of the fiscal year. The requests must be approved by the appropriate vice chancellor responsible for the unit prior to review by the Executive Budget Committee. Final approval rests with the Chancellor.
3. Carry-forward funds may not be used to hire permanent personnel or for other permanent expenditures. The intended purpose of the commitment process is to commit funds for purchases, that due to unforeseen circumstances, were not completed in the fiscal year in which they were authorized.
4. With the approval of the Chancellor, an unrestricted carry-forward allocation up to \$50,000 may be allocated to each school for special projects as designated by the deans. The allocation amount will be determined by the amount of available unspent funds that remain in the campus budgets and in the school budgets at fiscal year-end.
5. In addition, units may request carryforward funds for approved obligations such as faculty startup costs, for up to 2 years or the time limit specified in the new hire letter of appointment. Carryforward funds, other than school unrestricted reserves (see #4), may only be used for the obligations for which they were allocated.
6. Each unit that has been allocated carry-forward funds is required to submit a report detailing each commitment and the actual use of the commitment along with the planned use of new carry-forward funds. The report is due to the respective vice chancellor by the third week of June each year. The report is to include the relationship of the use of funds to strategic priorities within the unit.

c. Accountability for deficit spending

1. Units heads are accountable to monitor their allocated budgets and avoid overspending. If a unit ends the fiscal year with a deficit balance, the EBC, upon the

recommendation of the Chancellor or respective vice chancellor, may approve a temporary reduction of the unit's budget in following year(s) to repay the amount that was overspent. This is in adherence with [UW APS 37.1](#).

2. To avoid budget deficits, unit heads are encouraged to work with the appropriate vice chancellor to secure additional funding for necessary expenses that were not anticipated or budgeted at the beginning of the fiscal year.

Date: June 28, 2021

Authorization: Chancellor