UW Tacoma Reserve Policy

Effective: July 1, 2019
Authorization: Office of the Chancellor
Information Contact: Finance & Administration

BACKGROUND
UWT has allowed units to keep unspent funds each year for the past decade. Allowing units to keep unspent funds (also known as reserves or carryforwards) made sense at the time but is an unsustainable practice for several reasons: the practice limits the institution's ability to address important improvement projects and UWT units themselves are not authorized to approve improvement projects. Improvement projects include the renovations to maintain classroom function and aesthetic, the repurpose of a space for a different function, the expansion and relocation of program space, the creation of a new parking lot, etc.

In addition, the practice of allowing reserve spending by units introduces additional uncertainty for institutional results. To the extent that units spend reserves, we must anticipate that spending and reduce budgets accordingly to avoid a net income loss in any given year. Furthermore, in an era of thin margins, if institutional units are allowed to keep unspent funds, then unit budgets must be reduced in order to increase the net income necessary to support critical improvement projects that are funded from reserves.

An obvious response to growing unit reserves is to cut the unit budget back so that all budgeted funds are spent at the end of the year. Another way to manage the challenge of units having large reserves is to “sweep” all excess funds at the end of a year to a central account. This latter approach is a better practice since it supports some level of contingency in the budget during the year rather than having an overly tight budget. However, the “sweep” approach also incentivizes a “spend it or lose it” mentality—not a best practice for budget management.

To incentivize schools and colleges at UWT towards better budget management and to also provide a better institutional approach to unspent budgets, the following policy regarding reserve funds has been approved.

POLICY
All unspent operating funds (DOF and GOF) will be swept to an institutional reserve fund at the end of each fiscal year. All units will be authorized to access reserves based on existing commitments (e.g. start-up funds or “innovation” projects) as authorized by the Chancellor or a vice chancellor and managed based on the procedure below.
In addition, faculty units will be authorized to spend reserves up to a maximum of $50,000 each year, to the extent that savings are realized from the prior year budget.

Institutional reserve funds will be allocated to projects or capital purchases through a capital planning process as determined by the Executive Budget Committee (EBC). Institutional reserves will support renovations to maintain classroom function and aesthetic, the repurpose of spaces to best use, the expansion and relocation of programs, land acquisitions, small infrastructure projects, etc.

**PROCEDURE**

Colleges and schools may carryforward a maximum of $50,000 in reserves into each year (to the extent that there are budget savings from the prior year unit annual budget) plus an amount equal to any commitments (e.g. start-up funds) approved by the EVCAA. This reserve is available to the dean to spend, without additional approval required but within established UW policies, as she or he deems appropriate to improve student success or meet defined commitments.

Teaching units will use “74-“ budgets to manage all reserves. All other units will request a transfer from the institutional reserve fund from Accounting and Budgeting to the appropriate budget.

Reserves for each unit will be tracked in a commitment database that will be reconciled each year.