UAS Unreserved Fund Balance (UFB) Principles and Practices

### Background

An Unreserved Fund Balance (UFB) is defined as revenues in excess of expenditures from the prior fiscal year which may be expended in the current fiscal year. The purpose of this document is to articulate principles and practices relating to unreserved fund balances, how balances are calculated, and how UFB may be used to achieve unit and university goals and priorities. The goals of this strategy are to:

* improve the accuracy of budget projections,
* foster prudent stewardship of resources, and
* provide some UFB management discretion to the major organization areas while retaining flexibility for the Chancellor.

### UFB Investment Strategies

Investments of UFB revenue should be tied to our UAS mission and core themes and to *Shaping Alaska’s Future* themes and effects. UFB revenue should only be used for investments that are one-time in nature such as:

1. Equipment/materials
2. Bridge Funding prior to Base Reduction or Reallocation
3. Faculty Startups
4. Facility Upgrades for Program Needs, Campus Infrastructure & Appearance, Space Moves
5. Special One-Time Program Support

### UFB Monitoring and Management

UAS is required to report on anticipated UFB amounts and plans at the annual spring budget meeting. Each executive will submit a report to the Budget Office with the March close projections on the use of current year UFB and a plan for the projected UFB.

### Distribution of UFB

#### Personnel Funds

All unexpended personnel funds are governed by the UAS Personnel Budget Procedures and Practices. Organizational units are budgeted with the expectation that salary savings will be generated. Any greater than anticipated savings are collected centrally throughout the fiscal year and are reallocated by the Chancellor to address one-time, non-recurring priorities. Any personnel funds remaining at the end of the fiscal year are pooled for the Chancellor.

#### Non-Personnel Funds

These funds are pooled and managed by the unit’s highest executive (Provost or Vice Chancellor), subject to the conditions outlined below.

### UFB Targets

**Note: All UFB targets are expressed as percentages of non-personnel budgets funded through unrestricted funding sources.**

**1% Minimum UFB** – All units are expected to end the fiscal year with a positive balance. Units must inform the Budget Office of any projected deficits as soon as they are identified. Each unit will strive to have a minimum of amount of UFB equivalent to **1% of the non-personnel budget**.

**5% Maximum UFB** – Excessive UFB suggests a failure to invest available resources in expected program outcomes and enhancements. To encourage effective use of current year operating funds, the maximum UFB guidelines are set at **5% of the non-personnel budget**.

**2% Projection Accuracy** – The University has an obligation to appropriately manage its financial resources. Applying this obligation to the management of UFB requires that it be accurately projected so that reasonable and prudent plans can be made for its expenditure. Doing so will help ensure that funds are properly expended in the succeeding fiscal year. To assess accuracy, the budget office compares the actual overall balance at the end of the year to the projected ending overall balance after March close. While some variance between projected and actual is to be expected, the deviation at year end from March close is expected to be within 2% the adjusted non-personnel budget.

* For units meeting the projection accuracy target: All funds under the maximum UFB target and 20% of any funds over that target are pooled for management by the senior executive.
* For units failing to meet the accuracy target: Only funds under the minimum UFB target are pooled.

All other UFB funds are managed centrally by the Chancellor.

#### Exceptions to UFB Principles

Units purposely managing to an identified resource level for extraordinary expenses may submit a request for exception to the budget office through the senior executive by March 1st. The Vice Chancellor for Administrative Services will review the requests and make recommendations to the Chancellor by March 15th.

### UFB Facts:

* UFB is calculated at the SW Fund Accounting Office, at the allocation level (campus).
* UFB is classified as a university receipt – revenue type.
* UAS reports original allocations, by org code, to SW.
* UFB must be fully expended in the current year.
* UFB is usually available in early October and is recorded in account code 9890.
* UA policy does not require campuses to target a specific UFB amount; however, UAS has determined that a prudent UFB is in the range of 2%-5% of the operating budget.

UA Fund account reverses the revenue booked in 9890 at the close of the fiscal year. For this reason, the budget office puts budget in the 9890 line in each org code that utilizes UFB. This assists in data retrieval in future years. The budgeted amount will equal the actual revenue booked (rounded to the nearest $100).