



UNIVERSITY OF CENTRAL FLORIDA

**Office of the President**

<b>SUBJECT:</b> Allocation and Use of Education and General Carry Forward Funds	<b>Effective Date:</b> 7/23/2021	<b>Policy Number:</b> 3-212
	<b>Supersedes:</b>	<b>Page</b> <b>Of</b> 1                      5
	<b>Responsible Authority:</b> Senior Vice President and Chief Financial Officer	

**APPLICABILITY/ACCOUNTABILITY**

This policy applies to all university employees involved in the creation, approval, or management of Education and General budgets or financial transactions on behalf of the University of Central Florida.

**BACKGROUND INFORMATION**

Education and General (E&G) funds consist of State appropriated General Revenue, Educational Enhancement (Lottery) funding, and Student Tuition and Matriculation payments. E&G funds are used for general instruction, research, public service, plant operations and maintenance as defined in Board of Governors guidelines, furniture, fixtures, and equipment, student services, libraries, administrative support, minor capital projects not to exceed \$1 million per individual project, and other enrollment-related and stand-alone operations of the university.

Pursuant to s. 1011.45, Florida Statutes, unspent E&G funds may be carried forward and included in the operating budget for the following fiscal year; however, E&G carry forward funds must only be used for nonrecurring expenditures, unless authorized in advance by the Florida Board of Governors (BOG) or the Legislature.

## **POLICY STATEMENT**

University budgets, including E&G carry forward budgets, are developed in accordance with the laws of Florida and Florida Board of Governors' regulations. The goal of the university's budget planning process is to achieve a balanced budget while optimizing resources and allocating those resources to align with the university's strategic priorities.

Expenditures of university funds, including E&G carry forward funds, must be in compliance with applicable laws, regulations, and university policies and procedures, including Finance and Accounting's Expenditure Guidelines.

Non-revenue-generating units are not expected to be self-sustaining and are not permitted to retain any of their E&G carry forward funds except as explained in the procedures below; these funds will revert to the university for targeted reallocation.

Exceptions to this policy may be approved by the President or by joint approval of the Provost and Chief Financial Officer.

### **Reporting of E&G Carry Forward Funds**

Section 1011.45, Florida Statutes provides that if a university fails to maintain a seven percent balance in state operating funds, the university must submit a plan to the Board of Governors to attain the seven percent balance of state operating funds within the next fiscal year.

When the carry forward balance is in excess of seven percent of state operating funds, the university is required to include in its operating budget an E&G carry forward spending plan, consisting of unexpended balances from all prior-period E&G appropriations. The spending plan must include the estimated cost per planned expenditure and a timeline for completion of the expenditure. The spending plan must be approved by the Board of Trustees and submitted to the Board of Governors for approval in accordance with Board of Governors' instructions each year.

Authorized expenditures in a carry forward spending plan may include:

- Commitment of funds to a public education capital outlay project for which an appropriation has previously been provided that requires additional funds for completion and which is included in the list required by s. 1001.706(12)(d);
- Completion of a renovation, repair, or maintenance project that is consistent with the provisions of s. 1013.64(1), up to \$5 million per project and replacement of a minor facility that does not exceed 10,000 gross square feet in size up to \$2 million;
- Completion of a remodeling or infrastructure project, including a project for a developmental research school, up to \$10 million per project, if such project is survey recommended pursuant to s. 1013.31;
- Completion of a repair or replacement project necessary due to damage caused by a natural disaster for buildings included in the inventory required pursuant to s. 1013.31;

- Operating expenditures that support the university mission and that are non-recurring;
- Any purpose specified by the board or in the General Appropriations Act; and
- A commitment of funds to a contingency reserve for expenses incurred as a result of a state of emergency declared by the Governor pursuant to s. 252.36.

## DEFINITIONS

**Education and General Funds.** General Revenue funds and Educational Enhancement funds (from the Florida Lottery) appropriated by the Legislature, student tuition and matriculation payments, and certain collected student fees (e.g. out-of-state fees). State-appropriated funding is no longer tied to enrollments. E&G funds may be used for general instruction, research, public service, plant operations and maintenance, furniture, fixtures, equipment, student services, libraries, administrative support, and other enrollment-related and stand-alone operations of the university.

**E&G Carry Forward Funds (also known as E&G Reserve in the new budget model).** Unexpended E&G funds that roll forward for spending in the following fiscal year in support of operating activities. Interest or investment earnings on carryforward funds are also considered E&G and must only be used for operating activities. Each university is required to retain a carryforward reserve equal to seven percent of its operating budget..

**Non-revenue-generating Unit.** A central support or other unit that supports the core functions of the institution and does not generate sufficient revenue to be a self-supporting unit (e.g., Human Resources, Procurement Services, Facilities, or the UCF Police Department).

**Revenue-generating Unit.** An academic college that generates sufficient revenue to self-sustain prior to the allocation of indirect costs from central support units.

## PROCEDURES

### Allocation of E&G Carry Forward Funds

To ensure optimal deployment of university resources, E&G carry forward funds will be allocated as follows:

1. Revenue-generating units are permitted to retain some of their E&G carry forward funds to create a reserve as self-insurance against enrollment or revenue shortfalls. The reserve may be no larger than five percent of their E&G expenditure budget for the prior fiscal year. Funds in excess of the five percent cap will revert to the university for targeted reallocation.

2. Prior to reverting any unused E&G carry forward funds, a review of contractual obligations will be completed by the University Budget Office and the Academic Affairs Budget, Planning, and Administration Office. Any encumbered or obligated funds (e.g., faculty start-up, faculty awards, or incentives) will not be counted towards the carry forward reserve limit and will therefore not be included for reallocation. Additionally, once a plan for funding maintenance, repair, renovation, remodeling, or demolition of facilities or for new campus infrastructure has been approved by the Board of Trustees, these funds will not be reverted for reallocation, recognizing that these plans often span more than a single fiscal year.
3. Each unit that retains E&G reserves will be required to develop spending plan for those reserves.
4. The Provost and the Chief Financial Officer will establish a process by which they will ensure optimal use of the university's E&G reserves.

## **RELATED INFORMATION**

University of Central Florida Board Policy – University Budgets

<https://bot.ucf.edu/files/2020/06/BOT-Budget-Policy-FINAL-June2020.pdf>

UCF Regulation 4.013 Budgets of University of Central Florida

[https://regulations.ucf.edu/docs/notices/4.013BudgetsofUniversityofCentralFlorida\\_final\\_May09\\_000.pdf](https://regulations.ucf.edu/docs/notices/4.013BudgetsofUniversityofCentralFlorida_final_May09_000.pdf)

BOG Regulation 9.007, State University Operating Budgets

[https://www.flbog.edu/wp-content/uploads/9.007\\_Final.pdf](https://www.flbog.edu/wp-content/uploads/9.007_Final.pdf)

Chapter 1011, Florida Statutes, Planning and Budgeting

<https://www.flsenate.gov/Laws/Statutes/2019/Chapter1011/All>

UCF Policy 3-210 Expenditure of University Funds

<https://www.policies.ucf.edu/documents/3-210.pdf>

UCF Policy 3-211 University Budget Process

<https://policies.ucf.edu/documents/3-211.pdf>

## **CONTACTS**

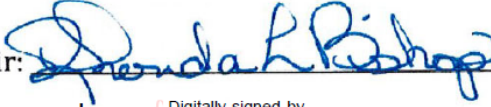
UCF Budget Office

Budget@ucf.edu

<https://fa.ucf.edu/budget-about/>

407-882-1000

**INITIATING AUTHORITY Senior Vice President and Chief Financial Officer**

<b>POLICY APPROVAL</b> <b>(For use by the Office of the President)</b>	
Policy Number: 3-212	
Initiating Authority: 	Date: <u>07/08/21</u>
University Policies and Procedures Committee Chair: 	Date: <u>6/30/21</u>
President or Designee: Alexander Cartwright	Date: <u>7/23/2021</u>
	<small>Digitally signed by Alexander Cartwright Date: 2021.07.23 11:24:43 -04'00'</small>