



POLICY & PROCEDURE DOCUMENT

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DIVISION: Strategy, Operations and Finance

TITLE: Carry Forward of Year-End Funds Policy

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Authorized by: Robert Fischer, Provost & Vice President for Academic Affairs
Susan Howarth, Executive Vice President for Strategy, Operations and Finance

I. Purpose and Scope

The Carry Forward of Year-End Funds Policy is designed to accommodate greater empowerment at the appropriate organizational level and encourage thoughtful expenditure of nonrecurring funds. The policy provides additional fiscal flexibility and rewards good management by allocating year-end unrestricted Educational and General revenue and expenditure balances back to divisions generating the balances. The Carry Forward of Year-end Funds Policy will ensure that the University has capacity to invest in strategic priorities and divisions can allocate resources based on long-term priorities. The policy applies to any unrestricted Educational and General funds.

II. Policy

A. Definitions

1. Academic Primary Unit – Any unrestricted E&G funded unit that either generates, or is organizationally tied to, a unit that generates student credit hours.
2. Administrative Support Unit – Any unrestricted E&G funded unit that does not generate Student Credit Hours.
3. Auxiliary – A University-level index that generates sufficient revenue to self-support the entirety of its direct expenditures. Examples include housing (reimbursed costs from the Student Life Foundation) and the WKU restaurant group.
4. Carry Forward – Unrestricted E&G Funds remaining in indexes as of June 30 (as confirmed by external auditors).

5. Direct State Appropriations – Units supported by a direct allocation of appropriations from the state. Examples includes the Kentucky Mesonet and the Gatton Academy of Math and Science in Kentucky.
6. Unrestricted Educational & General (E&G) – Unrestricted revenue provided either by the state (via general appropriations) or by tuition / mandatory student fees.
7. Facilities & Administrative (F&A) – Indexes that contain funds considered to be reimbursement for indirect costs that are necessary to support research and other sponsored projects.
8. Course / Program / College Fees – Non-mandatory student fees that are generated to support specific, consumable expenses related to courses, programs or Colleges.
9. Faculty Undergraduate Student Engagement (FUSE) Grants – Internal grants supporting undergraduate students' intellectual development by fostering active engagement in the areas of research, creative and scholarly activities and/or artistic performances.
10. Professorships – An index established to track expenses that are directly reimbursable by external funds that have been provided by a donor to either recognize or support academic excellence.
11. Research & Creative Activities Program (RCAP) Grants – Internal grants encouraging eligible full-time faculty and instructors to develop individual projects leading to the pursuit of external funding sources, and the promotion of research, scholarly, and creative activities.
12. Reserves – Unrestricted E&G funds, identified by a unit for a specific purpose, which are not needed for immediate use but are available upon request (as needed).
13. Revenue Dependent (RD) – A type of unit-level index that is required to generate sufficient revenue to cover 100% of the respective programs' direct expenditures. Workshop indexes are included in this category.
14. Terminal Degree Programs– Any index established to track the revenue / expense incurred by an academic program identified as the highest degree available in any given discipline.

B. General

1. For purposes of this policy, a unit is defined as an individual expenditure index within the financial reporting system.
2. The following policy applies to the treatment of year-end balances for unrestricted Educational and General expenditure indexes
 - a. Exemptions: The following categories of indexes will receive 100% of their carry forward funds (including all benefit funds) subject to the limits (or assessments) shown below: Auxiliaries, Direct State Appropriations, F&A, Course / Program / College Fees RCAP grants, Graduate Research Grants and FUSE grants.
 - i. Exempt Unit Deficits – Any year-end deficit generated by an exempt unit may be carried forward into the next fiscal year (for one-year only), thereby reducing the subsequent year's budget on a one-time basis. In doing so, however, a remediation and/or repayment plan must be developed by the unit leader and submitted for review / approval to the appropriate College / Area and/or Divisional leader.
 - ii. One-time Additional Exemption – The indexes associated with Winter Term, On Demand, Dual Credit, and instructional contract learning (formally DELO) will receive a one-time exemption to year-end FY23 carry forward

balances. Beginning with FY24, year-end carry forward balances for these indexes will be disbursed per policy.

- b. All other unrestricted E&G indexes will receive their carry forward as follows. Year-end balances, excluding employee benefits of health insurance and workers compensation, will be allocated as follows: 75 percent to each division and 25 percent to the President's Strategic Investment Fund. In the Academic Affairs division, carry forward will be allocated as follows: 75 percent to each College and 25 percent to the Provost office. In times of an unbalanced budget, refer to II. B. 2. j. below.
- c. Each Academic Primary Unit will have discretion in how it administers its carry forward funds, which will allow additional flexibility to fund multi-year commitments and contingency planning.
- d. Each Administrative Support Unit can submit a plan after the end of the fiscal year to request carry forward and approval will be evaluated by senior leadership based on amount and use of funds.
- e. The Academic Primary Units and Administrative Support Units may request the allocation of funds to a Reserve as part of the carry forward process to support specific and / or strategic, long-term priorities. See the Reserve policy for additional information.
 - i. A one-time transfer of 2% of FY22 carry forward will occur during FY23 to establish reserve accounts for each respective unit.
- f. Carry forward allocations may be lowered by any deficits in health insurance and workers compensation account codes within the respective non-exempt Academic Primary / Administrative Support Units.
- g. Carry forward funds may not be used to create permanent positions or hire permanent personnel without written approval from the division head.
- h. Any year-end deficit generated by a unit, College / Area, and/or Division must be addressed by the organizational area responsible for that unit. In addition, a remediation and/or repayment plan must be developed by the appropriate leader and submitted for review / approval to the appropriate organizational area (as follows)
 - i. Non-exempt Unit → College / Area → Divisional Leader
 - ii. College / Area → Divisional Leader
 - iii. Division → Senior Leadership
- i. If the University budget will be unbalanced, generated carry forward may be used to achieve a balanced budget. In this case, senior leadership, in partnership with the Divisions, will designate portions of carry forward, outside the exemptions listed in this policy, to be held centrally to balance the budget. Remaining amounts of carry forward will be disbursed per policy.
- j. In cases where carry forward is utilized to balance the University-wide budget, this balancing strategy cannot be used in perpetuity. Instead, in accordance with this policy, the amount of carry forward utilized for budget balancing must not increase in

the subsequent year and must be phased out over a period not to exceed three-five academic years.

3. Outstanding encumbrances for goods ordered but not received by June 30, will carry forward into the next fiscal year in the respective expenditure accounts. Funds will carry forward to respective expenditure accounts if sufficient funds remain in the accounts to make the encumbrance payments.

III. Procedure

- A. Carry forward allocation calculations will be sent to each unit after the completion of the annual university financial audit. A final carry forward allocation will be confirmed upon resolution of any questions.
- B. The entirety of the carry forward allocations will be made as soon as approval is provided by the Board of Regents as appropriate.