

UCLA Campus Guidance on Operating Budget Reserves

Reserves and unrestricted ending balance carryforward funds are critical sources of support since they allow campus units to weather disruptions in funding. They also provide flexible, one-time funds to invest in initiatives that advance our mission and strengthen and diversify our financial resources. At the same time, we need to be careful stewards of our limited resources in order to maximize the quality and quantity of teaching, research, and service. These guidelines build on recent efforts to strengthen the campus budget process and look to balance conservative financial management and ensuring proper use of available resources. These guidelines focus on major unrestricted funds.

Definitions:

Allowable department net carryforward funds: Funds that are saved by organizations to meet future commitments and for other discretionary purposes. “Net” refers to amount in excess of commitments.

Centrally-managed reserve: Central funds set aside to support campus wide operations in the event of an unanticipated disruption in funding. It is the job of the VC/CFO, not campus units, to maintain this reserve of unrestricted liquid assets.

Commitments: Future obligations backed by one of the following: (1) ledger encumbrance; (2) faculty recruitment/retention memo; or (3) VC/CFO signed approval memo for a carryforward request made during the budget process.

Excluded funds: Funds earmarked for specific purposes that are not generally available to support core operations. These include externally restricted funds, plant funds, auxiliary income, and medical center and clinical revenues.

Included funds: Major unrestricted funds that support core operations. These include State general funds, tuition and fees, indirect cost recovery, patent income, investment income, and certain sales and service funds.

Operating Expenses (OPEX): An expense a unit incurs through its normal operations.

Reserve Guidance:

Type	Reserve ¹
Centrally-managed reserve:	
Amount set aside in annual budget process	3%
Supplemental amount available in liquid investment sources	14%
Allowable department net carryforward funds:	
Units with a significant % of their support raised annually	17%-33%
Academic units funded primarily by recurring appropriations	8% - 17%
Administrative units funded primarily by recurring appropriations ²	0% - 8%

¹ Reserve percentage test is based on an average of the most recent 3-years of operating expenditures:

$$\text{Reserve \% in FY20} = \frac{\text{FY19 ending balance (net of commitments)}}{(\text{FY17 OPEX} + \text{FY18 OPEX} + \text{FY19 OPEX})/3}$$

² For administrative units, it is desirable to get to near 0% carryforward each year so that the maximum amount is available to the Chancellor and EVCP to reinvest in campus strategic priorities.

Process and responsible party:

Task	Responsible Party
Centrally-managed reserve	
1. Establish reserve and review balance on an annual basis	AVC for Academic Planning and Budget
2. Review reserve targets, funding level and funding mechanism on an annual basis	VC/Chief Financial Officer
3. Approve reserve targets and uses	Chancellor and EVCP
Allowable department net carryforward funds	
4. As part of the annual campus budget process, complete a schedule that provides details of commitments and planned uses of unrestricted carryforward funds	Unit CFOs
5. Approves unit carryforward plans and determines actions for any unit that is materially above/below the reserve guidance target percentage	VC/Chief Financial Officer