

# Connecticut State University System

39 Woodland Street ■ Hartford, CT 06105-2337 ■ 860-493-0000 ■ www.ctstateu.edu

## RESOLUTION

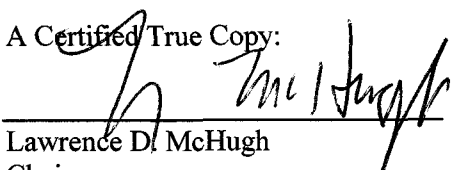
concerning

### FUND BALANCE GUIDELINES

May 15, 2008

- WHEREAS, The Board of Trustees under the provisions of Section 10a-89(a)(1) of the Connecticut General Statutes shall "...Make rules for the government of the Connecticut State University system and shall determine the general policies of the university system, including...the expenditure of the funds of institutions under its jurisdiction within the amounts available;" and
- WHEREAS, Positive fund balances are essential to ensure the operational continuity of the universities, and
- WHEREAS, The Board of Trustees has established fund balance guidelines to ensure the maintenance of reasonable positive fund balances by the universities and the system office, and
- WHEREAS, The established fund balance guidelines permit the designation, within the Systemwide unrestricted fund balance, of three hundred thousand (\$300,000) dollars annually to provide for ongoing telecommunication equipment replacement and upgrade, and
- WHEREAS, From time to time it may be in the best interest of the System to use these designated funds for Systemwide commitments and projects of an Information Technology nature beyond telecommunication equipment replacement and upgrade, and
- WHEREAS, There may be times when there is an urgent need to use fund balances to address a situation where time is of the essence, and
- WHEREAS, In those situations, it may not be possible to call together a quorum of Executive Committee members in a timely fashion, and
- WHEREAS, Flexibility and ability to act in the best interest of the System is paramount in these situations, therefore be it
- RESOLVED, That BR#07-53 is rescinded, and be it further
- RESOLVED, That the revised fund balance guidelines shown in the addendum to this resolution are approved effective this date, and be it further
- RESOLVED, That the fund balance guidelines be reviewed at least every five years to determine their adequacy and revised as determined appropriate.

A Certified True Copy:

  
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Lawrence D. McHugh  
Chairman

## Addendum

### FUND BALANCE GUIDELINES

#### **Operating Fund**

The operating fund from a funds accounting perspective is known as the current fund, and accounts for those economic resources which are expendable for carrying out the primary purpose or general operation of the university: instruction, research, and public service. The current fund consists of two subgroups - unrestricted current funds and restricted current funds.

*Current unrestricted funds* are resources received by a university that have no limitations or stipulations placed on their use by external agencies or donors. These funds are often deemed the most desirable resources for an institution, since they offer the widest range of flexibility concerning how monies can be spent. Tuition, fees, and legislative appropriations are typical examples of revenue sources received as unrestricted current funds.

*Current restricted funds* are resources provided to a university that have externally established limitations or stipulations placed on their use. Such restriction can be broad or very specific.

*Designated funds* result from internal designations placed on resources by the governing board or institutional management and constitute an allocation of current unrestricted funds. These designations can change at any time. Any unrestricted resources designated to specific fund groups (plant, loan, or quasi-endowment) are included in such fund groups by a transfer, which can be either mandatory or non-mandatory, depending on the circumstances.

Within the Connecticut State University System, the Board of Trustees, the Chancellor, and the University Presidents are authorized to designate funds for certain purposes such as major expenditures that may require more funds than would be available for the specific purpose in a single year or for a future project. The designated funds will be accounted for within the accounting system.

In general, fund balances must be sufficient to

- a) finance open commitments including multi-year projects not structured on a fiscal year basis, such as implementation of large information systems;
- b) provide funds designated for major expenditures that may require more funds than would be available for the specific purpose in a single year or for a future project;
- c) provide sufficient funds to ensure financial stability in the event of unfavorable economic conditions and/or permit operation of the University/System for a reasonable length of time in case of emergency. NOTE: Except in case of extreme emergency, undesignated current fund balances shall not be used to subsidize ongoing current operations.

#### **Required Unrestricted Funds – University**

Each University shall provide for an unrestricted fund balance without deduction for the reserve for accrued compensated absences as well as the impact of all assets due from the State of Connecticut and all liabilities due to the State of Connecticut, and including required and permitted plant fund transfers (“adjusted unrestricted fund balance”), as follows:

- Five (5) to seven (7) percent of the University’s total budgeted *educational and general expenditures and auxiliary services expenditures* for the current fiscal year; plus
- Current portion of the University’s accrued compensated absences from the prior year financial statements, since this is the amount that is estimated to materialize in the current fiscal year; plus

- Two (2) to five (5) percent of *housing and food service fee revenues* annually for the purpose of meeting the annual refurbishing and equipment replacement/acquisition requirements of these activities, with the proviso that if any of these particular funds remain unspent in the current year, they may be carried over into subsequent years to be used for the same purpose; plus
- Funds designated due to Student or other non-debt-service commitments (must be pre-approved by the Chancellor and the Board of Trustees); plus
- Unrestricted funds set aside for debt service funding/pre-funding on student housing or student parking garages

### **Project Fund**

Should a University's adjusted unrestricted fund balance exceed the above level, the excess shall be transferred to a Systemwide Project Fund, which shall be used to fund University and Systemwide projects on a request basis, based on the merits of the request according to established criteria. The Project Fund shall be overseen by the Council of Presidents and the Chancellor, who shall develop the aforementioned criteria to determine the circumstances and guidelines under which the Project Fund may be used. Proposals to use the Project Fund shall be made to the Council of Presidents, who will determine the acceptability of each proposal and provide their recommendation(s) for use to the Chancellor by way of written justification. The Chancellor shall not be bound to accept the recommendation(s) of the Council of Presidents, but will take them under advisement. Should the Chancellor choose to advance any proposal(s), he shall provide his final recommendation(s) to the Executive Committee of the Board of Trustees for discussion and action within 60 days of the Council of Presidents' recommendation(s).

Should a University's adjusted unrestricted fund balance fall below the required level, the University President may request of the Council of Presidents and the Chancellor that the University's adjusted unrestricted fund balance be replenished through the use of the Project Fund. The request shall be in writing, and shall detail why the University believes that it would be unable to restore its adjusted unrestricted fund balance to the required level within two years, and why the infusion of Project Funds is necessary. The University shall further detail measures that it will put in place to restore its adjusted unrestricted fund balance and replenish the Project Fund within five years following the infusion.

### **Required Unrestricted Funds – System Office**

The System Office shall maintain a System Office unrestricted fund balance without deduction for the reserve for accrued compensated absences as well as the impact of all assets due from the State of Connecticut and all liabilities due to the State of Connecticut ("adjusted unrestricted fund balance"), of an amount not to exceed five (5) percent of the System Office's total budgeted *educational and general expenditures and auxiliary services expenditures* for the current fiscal year; plus the current portion of accrued compensated absences from the prior year financial statements attributable to personnel charged to the System Office, since this is the amount that is estimated to materialize in the current fiscal year.

### **Required Unrestricted Funds – Systemwide**

The System Office shall maintain a Systemwide unrestricted fund balance without deduction for the reserve for accrued compensated absences as well as the impact of all assets due from the State of Connecticut and all liabilities due to the State of Connecticut ("adjusted unrestricted fund balance"), as follows:

- One and one-half (1 1/2) percent of the System's total budgeted *educational and general expenditures* of the current fiscal year; plus
- Current portion of accrued compensated absences from the prior year financial statements attributable to personnel charged to Systemwide Operations, since this is the amount that is estimated to materialize in the current fiscal year; plus

- Three hundred thousand (\$300,000) dollars annually, if needed, to provide for the advancement of Systemwide projects and/or equipment in the area of Information Technology, including Telecommunications; with the proviso that if any of these particular funds remain unspent in the current year, they may be carried over into subsequent years to be used for the same purpose; plus
- Funds designated due to Student or other non-debt-service commitments (must be pre-approved by the Chancellor and the Board of Trustees)

Should the Systemwide adjusted unrestricted fund balance exceed the above level after required transfers to plant fund, the excess shall be transferred to the Project Fund.

Should the System Office or Systemwide unrestricted fund balance fall below the required level, the Chancellor will develop an action plan to restore the adjusted fund balance to the designated level within a reasonable time, including possible infusion from the Project Fund. This action plan shall be presented to and receive the concurrence of the Executive Committee of the Board of Trustees. The Chancellor shall notify the Council of Presidents of any approved infusion of funds from the Project Fund to the System Office or Systemwide fund balance.

### **Plant Fund**

Plant fund purposes consist of the following: plant construction or acquisition; payment of interest and/or principal on plant-related debt; and renewal and replacement of facilities (including maintenance of plant). Funds received from outside providers for capital projects may not be used for other purposes unless approved by the provider.

#### **1. Debt Service**

Fund balances maintained in the plant fund for debt service are transferred to this account from the current fund to meet statutory requirements to pay for University self-supporting construction projects. Interest earned on these funds is unrestricted, but is designated for debt service purposes in order to minimize student fee charges.

#### **2. Transfers to Plant Fund**

Annually, each University shall provide to the Board of Trustees a report listing the designated purpose(s) and amount(s) of all unrestricted current operating funds transferred or intended to be transferred into the plant fund in that year. This report is to be provided to the Finance and Administration Committee as part of each University's spending plan submission. Any transfers or intended transfers from the unrestricted current fund to the plant fund made by the Universities, other than the required amount for annual refurbishing and equipment replacement/acquisition for housing and food service, must be approved by the Chancellor and the Board of Trustees in advance.

### **Other Funds**

Unrestricted, self-supporting funds, such as those resulting from entrepreneurial activities or university self-supporting units, may also have unrestricted fund balances. Fund balances for these types of activities will vary depending upon the scope of the activity and will remain with the activity or unit during its lifetime. Should an activity find its fiscal viability threatened, the University President will make a determination as to the continued existence of the activity.

Unrestricted revenues of other funds such as the endowment fund group, loan fund group, annuity/life income fund group and the research fund, if realized, may be designated for certain purposes by the appropriate authority(s) enumerated above.

## **Use of Fund Balances**

Any use of current fund or plant fund balances must be approved by the Chancellor and, if the amount to be used is \$250,000 or greater, by the Board of Trustees. Ordinarily this approval will take place at a regularly scheduled meeting of the Board of Trustees; however, in urgent cases, the Chancellor may approve the use of fund balances of \$250,000 or greater. In these instances, the action will be brought to the next scheduled meeting of the Executive Committee for ratification, followed by ratification by the Board of Trustees at their next scheduled meeting.