

## VIII—18.00– Policy on Unrestricted Fund Balances

(Approved by the Board of Regents April 20, 2016) associated with state supported activities, and addresses parameters for annual reporting to the General Assembly

relating to changes in unrestricted fund balances and plans for their use.

Unrestricted fund balances are accounted for and their use managed by each institution of the University System of Maryland. The only constraints on an institution's ability to use unrestricted fund balances are the fund balance goal set annually regarding the use or increase in unrestricted fund balances and required approvals of the Board of Regents, Chancellor and Board of Public Works, as appropriate.

The University System of Maryland facilitates access to funding by encouraging institutions and their units and departments to accumulate resources needed for future spending needs, initiatives and opportunities. The accumulation of resources ensures that funds are available for institutional departmental needs when required, and provides a source of liquidity and surety to holders of University System of Maryland debt. University System of Maryland financial planning strives to ensure that unrestricted fund balances are maintained at a level appropriate and proportionate to other public universities and

This policy provides guidance and establishes a process for institutions' use of accumulated resources within a planning and control structure that enables the Chancellor and staff to have up to date information on

commitments, claims and likely obligations that need to be considered in evaluating spending proposals outside of planning parameters, such as expectations that institutions manage their resources to ensure a particular change in unrestricted fund balances.

### II. Definitions

- (1) Fund balances– the difference between assets, deferred outflows, and liabilities and deferred inflows. Also referred to as net position or reserves.
- (2) Unrestricted– the difference between



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- (2) Cash spending for capital projects or other spending initiatives greater than \$1 million and less than \$5 million approved by the Chancellor or designee.
- (3) Cash spending for capital projects or other spending initiatives \$5 million or greater approved by the Board of Regents.
- (4) Collections of pledged amounts of donor funding that support the temporary use of fund balance for a Board of Regents or Chancellor approved project or initiative, or
- (5) Cash use in arrangements agreed to (or imposed by the state) as part of a budget reduction outside of the normal budget approval cycle.

The status of spending of cash on capital projects or other spending initiatives that are outside of the fund balance goal assessments are to be surveyed as of June 30 and December 31 annually, so that a current and updated status of spending can be used in conjunction with audited year-end financial statements or mid-year internal financial statements for financial planning purposes.

Institutions can request that the Board of Regents review any decision by the Chancellor or designee rejecting a spending proposal request at its next regularly scheduled meeting.

#### IV. Fund balance change goals

Annually, in advance of the annual capital budget workshop, a goal for the expenditure of the fund balance for the fiscal year shall be established. The goal shall be based on the current year's budget and the projected revenue for the next fiscal year. The goal shall be established by the Board of Regents at its meeting in June of each year.

## USM Bylaws, Policies and Procedures of the Board of Regents

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The benchmark level of unrestricted fund balances is the institutions' unrestricted fund balances as reported at June 30, 2017, increased by each succeeding fiscal year's final, adjusted fund balance goal, and reduced by spending on Board or System Office approved capital project spending and other spending agreed to be outside of the fund balance goal (for example, transfers of state supported fund balances back to the state government as part of ~~the~~ supported