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[University Budget](#)

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Reserve Policy Operating Funds: General IFR, SUTRA and Stabilization Funds

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Summary

Since the beginning of New York State's current fiscal crisis in 2008, questions and concerns have been raised repeatedly about the level of fund reserves (or "cash balances") held by SUNY state operated campuses. Maintaining adequate reserves is essential to establishing financial stability at Colleges and Universities. Indeed, the level of current unrestricted net assets is reviewed by the Middle States Commission on Accreditation as part of the fiscal component of the accreditation process. However, while it is critical that a campus maintain adequate fund balances "to ensure the long-term viability of the campus and the sustainability of the programs it provides", maintaining excessive reserves for "future needs" without having a specific plan for those funds can "damage an organization's reputation" and make it very difficult – in SUNY's case – to make a strong argument that the University cannot sustain additional cuts to State financial support.

Within SUNY, the ability to generate reserves varies, making the application of a blanket reserve policy significantly challenging. The reserve policy outlined below is based on a comprehensive review of guidelines, policies and procedures from other educational and business sources, including NACUBO (National Association of College and University Business Officers) and GFOA (Government Financial Officers Association).

The basis for determining an adequate reserve level that is commonly used is the "Primary Reserve Ratio", which is the level of expendable net assets divided by total expenses using audited financial statement information. The ratio can be used to determine the number of months a campus could operate if it brought in no additional revenue but maintained its expenses by using expendable reserves to pay its bills. Because of the reporting complexities associated with SUNY's financial statements, a more meaningful and practical measure will be used for this policy. SUNY will calculate an unrestricted operating reserve ratio using the unrestricted cash balance divided by the annual disbursements, as of and for the year ended June 30, for operating activity in the accounting system. Campuses will have the ability in the accounting system to designate income fund reimbursable accounts that are restricted and the cash in the restricted accounts would be excluded from the unrestricted operating reserve calculation. A review will be

done by System Administration to make sure that restricted accounts are appropriately designated.

Policy

Reserve Policy *Operating Funds: General IFR, SUTRA and Stabilization Funds*

This policy applies to cash available in the General IFR, SUTRA, and Stabilization funds (to be referred to as the “*operating funds*”)

- **Unrestricted Operating Reserves:** On an ongoing basis, campuses should work to establish and maintain an unrestricted operating reserves (cash available within the operating funds) of up to 25 percent of operating disbursements [disbursements in the General IFR, SUTRA, Stabilization and Core Operations (i.e. state tax support plus income offset) funds], or the equivalent of three months of disbursements. Especially during the State’s current fiscal crisis, the level of unpredictability and high potential for mid-year budget reductions requires that campuses be as prepared as possible to maintain academic operations.
- **Strategic Investment Reserves:** Beyond the unrestricted operating reserve, which is intended to maintain financial stability, campuses are encouraged to create and maintain strategic investment reserves. These reserves are critical to a campus’ ability to ensure the long-term financial stability of programs. These reserves may be established for (1) Reserve for Equipment Replacement and Repairs; (2) Reserve for Facilities Rehabilitation and Renovation; (3) Reserve for Program Stabilization; (4) Scholarships; (5) Campus Program Initiatives; and (6) Research Investment. A campus plan for the establishment and management of strategic investment reserves must be completed and maintained on file by the campus. This plan will be submitted to System Administration as part of the annual budget development and Campus Financial Management Strategy process, and will include:
 - A detailed description of the project, initiative, or items for which the reserve is being established, and the relationship to the campus mission and the reimbursable program.
 - The desired estimated value of the reserve as well as the periodic payments anticipated to be committed to the reserve.
 - A disbursement plan and timeline describing when and how the expenditures will be made from each reserve fund.

System Administration will monitor actual activity in the strategic investment reserves compared to plan; campuses will be asked to explain large discrepancies in the actual versus planned amounts.

- **Low Reserves:** Any campus with less than 10 percent in Unrestricted Operating Reserves will be contacted and put on a watch list. Balances will be monitored by System Administration until the campus achieves 10 percent reserve level in accordance with this policy. During a period of extreme fiscal crisis, the Chancellor, or designee, may choose to suspend this requirement for a specified time period.
- **Excess Unrestricted Operating Reserves:** Any campus with Unrestricted Operating Reserves in excess of 25 percent at the end of the SUNY fiscal year (June 30) will demonstrate the reason behind the excess, and submit a plan to reduce the Unrestricted Operating Reserves to 25% by the end of the next fiscal year. If the Unrestricted Operating Reserves remains above 25% at the end of the next year, the reserve will be subject to a System charge. A portion of the excess reserve will be deposited into a University-wide pool to fund investment in the SUNY Strategic Plan. Spending from this pool will be based on campus proposals submitted in support of the Strategic Plan. The charge will be 50 percent of the year-end excess at the end of the first quarter of the following fiscal year, 25 percent of the excess at the end of the second quarter and 25 percent of the excess at the end of the third quarter.
- **Excess Strategic Investment Reserves:** Strategic Investment Reserve plans will be updated annually as part of the annual budget development and Campus Financial Management Strategy process. Campuses that do not

expend at least 75% of the projected plan during the fiscal year will be given the opportunity to explain the reasons for the discrepancy, and will be asked to submit a revised spending plan. If after a second year, the disbursements remain below 75% of the plan, a System charge will be assessed, with a portion of Strategic Reserves deposited into the same University-wide pool to fund SUNY Strategic Plan projects.

Definitions

There are no definitions relevant to this policy.

Other Related Information

There is no related information relevant to this policy.

Procedures

There are no procedures relevant to this policy.

Forms

There are no forms relevant to this policy.

Authority

There is no authority relevant to this policy.

History

Presented at the March 22, 2011 Board of Trustees Finance Committee.

Appendices

There are no appendices relevant to this policy.