

## Carryforward Limit Policy: Academic Units

Effective April 2020, UTM Dean's Office will be implementing a Carryforward Limit Policy for all Academic Units to plan for the incoming institutional policy on carryforwards.

For the purposes of this document, Carryforward<sup>1</sup> is defined as the total of Free Balance and Manual Reserves at fiscal year-end. The Accumulated Carryforward limit at the end of any fiscal year will be 3% of the Unit's Base Budget. The Base Budget for the Unit's current fiscal year will be used for the calculation. Where the Carryforward exceeds 3% of the Base Budget, the overage amount will be transferred from the Unit to a newly created Academic account before the fiscal year end. Budget, Planning & Finance will communicate the overage to the Unit, and will also notify the Unit of any manual reserves that need to be released in order to allow the transfer to be processed.

The Unit will be expected to submit a plan (single or multiyear) by the 1<sup>st</sup> Business day of November of each year to the Dean's Office outlining how the overage amount will be spent. Following submission of the plan, Dean's Office will provide decision to the Unit within 15 business days. Upon approval of the plan, funds will be transferred back to the Unit. A template for the overage planning will be provided to the Units, and the Dean's Office can be contacted if the Unit requires assistance in preparing, reviewing and revising the plan. Where a Unit's final plan is not approved or if a Unit fails to submit a plan by the 1<sup>st</sup> Business day of November, the Unit will no longer have access to the funds and the Dean's Office will utilize it towards other Academic priorities.

| <b><u>Unit XYZ - Within Limit</u></b>      |                |
|--|----------------|
| 19/20 Base Budget                          | 3,850,000      |
| 3% Carryforward Limit                      | <b>115,500</b> |
| <u>April 2020 Carryforward at Year End</u> |                |
| Free Balance                               | 88,000         |
| Manual Reserve                             | 10,000         |
|  | <b>98,000</b>  |
| % of 19/20 Base Budget                     | <b>2.55%</b>   |
| <b>Funds to be transferred</b>             | <b>-</b>       |

| <b><u>Unit ABC - Exceeding Limit</u></b>   |               |
|--|---------------|
| 19/20 Base Budget                          | 2,250,000     |
| 3% Carryforward Limit                      | <b>67,500</b> |
| <u>April 2020 Carryforward at Year End</u> |               |
| Free Balance                               | 62,100        |
| Manual Reserve                             | 27,600        |
|  | <b>89,700</b> |
| % of 19/20 Base Budget                     | <b>3.99%</b>  |
| <b>Funds to be transferred</b>             | <b>22,200</b> |

In the examples above, Unit ABC has exceeded the 3% Carryforward limit, and will have funds transferred to the new Academic account whereas Unit XYZ has not exceeded the 3% limit, and therefore, no transfers will be processed. Unit ABC's carryforward percentage of base budget is 3.99%. The percentage is calculated by dividing the Carryforward [\$89,700] (Sum of Free Balance and Manual Reserve) as of April 2020 fiscal year end by the 2019-20 Base Budget [\$2,250,000]. The overage of \$22,200 (0.99% of Base Budget) will be transferred from the Unit to the newly created Academic account. The funds will be held there pending approval of the Unit's plan submission to the Dean's Office.

<sup>1</sup> Carryforward on this policy refers to the sum of Free Balance and any Manual Reserve at Fiscal Year End. All Purchase Order commitments will be excluded in Carryforward Limit calculations.