

UNIVERSITY OF MARYLAND, BALTIMORE COUNTY ACADEMIC AFFAIRS GUIDELINES ON FUND BALANCE MANAGEMENT

Section: Finance

Responsible Administrator: Provost and Senior Vice President for Academic Affairs,
Associate Provost for Financial Management

Responsible Office: Office of the Provost

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I. Summary

The University maintains Fund Balance to ensure long-term institutional resilience, protect against unforeseen economic downturns, and provide a source of internal financing for strategic, one-time investments. These funds are not intended to indefinitely supplement annual operating budget deficits or fund recurring expenses. The management of these funds is governed by the principles of fiscal prudence, transparency, and alignment with the University's mission.

Unrestricted Fund Balances are resources that are managed by each division of the university. Obligated under USM Policy VIII – 18.00 – Policy on Unrestricted Fund Balances, UMBC is required to manage total spending authority for the University and engage USM should the need arise to borrow more than this amount. Spending authority is defined as in-year allocation of cash flow only and does not include fund balance from prior years. Thus, the university can only overspend the total university budget with help from USM.

As such, these guidelines help establish a consistent process across academic affairs by which department Chairs, leaders, Deans, and Vice Provosts can organize and manage fund balance use across their areas of management through a requesting process. The process outlined in this document ensures that fund balance requests align with institutional goals, maintain required liquidity thresholds, and receive appropriate administrative oversight. These guidelines only apply to Academic Affairs (Academic Colleges/Schools and Academic Divisions (Enrollment Management, Global Education, A.O.K. Library and Gallery, Professional Studies, Undergraduate Academic Affairs))

II. Definitions:

Fund Balance: An accounting term that represents the cumulative excess of revenues over expenditures at a specific point in time. Below are subsets of fund balance, as determined

by how they are calculated. A portion of fund balance can be approved for specific projects or critical need.

Carry Forward: Only found in state support, carryforward is the cumulative excess of unspent budget provided at a specific point in time for that unique department. For the most part, tuition revenue is housed centrally in state support and units are given budget capacity to spend. Thus, state support carry forward has to be calculated using a comparison of budget to actual expenditure, or a variance analysis. Historically, carry forward has been manually given to departments or divisions annually as an accounting entry in the system of record.

Example: A small department that has no fee revenue and three staff members with a small operational budget has a resignation mid-year, which takes 6 months in that same fiscal year to recruit. They keep real salary savings of 55K from holding that vacant position, which is also in excess of budgeted turnover expectations which were at 30K. This 25K in additional salary savings is not spend in year for various operational costs, and so is dropped to Carry Forward (Budget vs. Actuals).

Net Assets: Only found in auxiliary, and self-support, net assets represents the cumulative excess of revenues over expenditures at a specific point in time for that unique department. In self-support, net assets (fund balance) is almost always calculated in separate projects with unique codes, such as faculty start-up, DRIF funding, or departmental revolving accounts. Departments can add all these separate project fund balances together to calculate comprehensive Net Assets.

Example: A small department charges a fee to run a summer camp and uses that money to hire counselors, student workers, materials, etc. At the end of the year, they had excess fee revenue that was not spent. This is added to net assets.

Fiscal Year (FY): The 12-month period used for budgeting and financial reporting. Most universities run from July 1 to June 30.

Operating Budget: The plan for day-to-day spending on the university's core mission, including salaries and office supplies.

Unrestricted: Funds received by the university that have **very few external limitations** on how they can be used. These funds provide the most flexibility for covering the core academic mission and general operations. By definition, State Support, Auxiliary, and Self-support are categorized as unrestricted funds.

Restricted: Funds that have legal or funder-imposed constraints (e.g., a scholarship fund that must only be used for biology students, grant funded research).

Committed: Funds earmarked for a specific purpose (e.g., start-up funding packages for new tenure-track faculty). These committed funds can be represented both as in-year funding and committed fund balance from prior years.

Assigned: Funds that a unit intends to use for a specific purpose but hasn't officially contracted yet (e.g., "We plan to buy new faculty laptops next spring").

Unassigned/Unencumbered: Truly "free" money that is not earmarked for anything else. Unencumbered funds from an in-year budget can usually be redeployed for other uses. Unencumbered funds in fund balance, while "free," need planning and coordination for departmental use.

Example: A department put aside 30K in their budget to run a large event on campus. The event cost 20K, and so their budget now has 10K that was originally assigned and is now unassigned or unencumbered. That money could be strategically redeployed to other uses.

Recurring Costs: Expenses that happen every year and are expected to continue indefinitely (e.g., salaries, benefits, software subscriptions, electricity, laptop replacement cycles).

One-Time Costs: Expenses that have a clear start and end date and do not create a future financial obligation (e.g., a one-off roof repair, a new microscope, or a consultant's fee).

Structural Deficit: A high-risk financial condition where expenses are higher than revenue/budget, even if the unit has enough "one-time" savings to cover the gap temporarily.

Liquidity: For the purpose of these guidelines, liquidity is the amount of in-year revenue that is unassigned/unencumbered (see above) for the purpose of covering approved fund balance expenditure.

III. Fund Balance Planning During the Budget Process (April through June Annually):

To ensure this process runs smoothly, the workload is divided into three distinct phases: departmental analysis, leadership filtration, and institutional authorization. A template organizing a fund balance request will accompany these guidelines. Below is a generalized approach to how the workflow will operate:

Step 1: The Department-Level: Calculating the "Net Need"

At the department level first (often with the assistance of fiscal staff), the work begins with a "net-need" analysis. A "net-need" analysis is where department leader and their fiscal staff must first forecast their total all-funds state and self-supported anticipated expenditures for the coming year and, second, subtract it from both their allocated state support budget and total forecasted self-support revenue. The "net-need" analysis will demonstrate if, within a single fiscal year, a department's liquidity is net positive or negative once all expected expenses are considered. In essence, can a department's total budget and self-supported revenue cover its costs. This analysis also ensures that fund balance requests are only made for true gaps that cannot be covered by the upcoming year's liquidity. It's important to note that unspent revenue from one commitment in a current year may theoretically fund a known fund balance commitment use from a prior fiscal year.

Example 1: Commonly, departmental indirect is used to help offset the cost of start-up costs for tenure faculty. However, if current year start-up costs are low and indirect is underspent, a different project in the same department such as departmental revolving accounts can be overspent without triggering a structural deficit within that same fiscal year.

After conducting this analysis, the resulting amount is representative of the department's planned operational costs. If this analysis suggests a structural deficit, or a plan where expenses are higher than total revenue and state budget, then the result is representative of a "Real Fund Balance Request." A "Real Fund Balance Request" is a prioritized list of needs that exceed the department's standard operating budget and forecasted total self-support revenue. When a structural deficit is identified, this list of prioritized needs is then formally packaged and moved up the chain to the Dean or Vice Provost for the first level of strategic review.

Example 2: A commitment for a start-up package for year two is \$15,000, but the faculty member had \$5,000 in unspent funds from year one. The faculty member has expressed intention in spending both last year's funding and this year's funding to a total of \$20,000. The department chair has already assigned all other funding to operational costs that must be allocated and has no other in-year funding to cover this cost. This "Real Fund Balance Request" of net \$5,000 is packaged to the Dean. Note: this is an example of a committed expense, which is of the highest order of approved fund balance requests.

Example 3: A department leader has already assigned all funds to operational costs, and has no additional money to spare, but wishes to invest \$50,000 in strategic scholarships in excess of their base allocation. However, just before submitting the budget they received news that a software fee that they anticipated to cost \$15,000 next year is going to be discounted by \$5,000. Despite the scholarships still costing \$50,000, the department

leader only needs \$45,000 to make this initiative work by redeploying their own budget savings. As a request, their "Real Fund Balance Request" is \$45,000 instead of \$50,000.

- 1) Forecast Expenditures.** Estimate total anticipated state and self-supported expenditures for the upcoming year.
- 2) Calculate Liquidity.** Subtract the forecasted expenditures from the allocated state support budget and forecasted self-support revenue to determine if the department's liquidity is positive or negative.
- 3) Identify Deficits.** Determine if the planned costs exceed the available budget and revenue, which indicates a structural deficit.
- 4) Create the Request.** If a deficit exists, compile the unfunded, prioritized needs into a "Real Fund Balance Request".
- 5) Submit to Leadership.** Formally package the request and submit it to the Dean or Vice Provost for the first level of review

Step 2: The Dean & VP Level: Local Resource Optimization

Once the requests arrive at the Dean or VP level, the process shifts to that of division lead "banking" or strategic allocation of resources. The Dean or VP, often working closely with their fiscal staff, must look at the division's total fiscal capacity. If the division has sufficient in year budget and self-support total revenue to cover the collective requests of its departments, the Dean/VP "green-lights" the spending locally. The Dean or VP reserves flexibility and discretion to both approve and/or deprioritize "Real Fund Balance Requests" in collaboration with the departments, and as compared against university-wide strategic priorities. The college or departmental fiscal staff then builds these amounts directly into the budget [or instructs the department to do so with proper guidance]. At this point, if the Dean or VP has enough funds to cover the cost of their operations, their budget submission is complete and no further work is required. The College or unit should budget all their funds accurately, representing a budget in state support that matches their control number given to them, and a budget in self-support where either the revenue matches or exceeds costs. If the Dean/VP aggregates the comprehensive list of critical "Real Fund Balance Requests" and the total need exceeds their capacity (state support budget and total self-support revenue), they will formally package this list and send it to the Provost for review in the final layer of approval.

- 1) Assess Fiscal Capacity.** Review the aggregated departmental requests against the division's total available budget and self-support revenue.

2) Optimize Locally. If sufficient funds exist within the division, the Dean or VP exercises discretion to approve or deprioritize the requests based on university-wide strategic priorities.

3) Update Budget. Division fiscal staff builds the locally approved fund balance amounts directly into the budget.

4) Escalate Excess Need. If the total critical requests exceed the division's internal funding capacity, the Dean/VP packages the unfunded "Real Fund Balance Requests" and forwards them to the Provost.

Step 3: The Institutional Level: Escalation and Final Authorization

After receiving all "Real Fund Balance Requests," a designated committee will evaluate the request against academic affairs strategic priorities before the budget cycle closes. The committee will be charged with providing recommendation to the provost, taking into account/considering academic affairs strategic priorities. Once the committee provides the recommendation, the provost reserves final authority to approve or deprioritize all final real requests. Approved fund balance requests will be communicated to the colleges and departments prior to the close of the budget cycle with authorization for the unit to reflect this incremental expense in their budget appropriately.

1) Committee Evaluation. A designated committee reviews the escalated requests against academic affairs strategic priorities before the budget cycle closes.

2) Committee Recommendation. The committee formulates and submits its recommendations to the Provost.

3) Final Authorization. The Provost reviews the committee's recommendations and exercises final authority to either approve or deprioritize the requests.

4) Budget Integration. Approved requests are communicated back to the colleges and departments, authorizing them to add the incremental expenses into their final budget.

IV. In Year Emergency Use of Fund Balance

For unforeseen emergencies or immediate strategic opportunities that arise outside the annual April-June planning cycle (e.g., catastrophic equipment failure or an unexpected grant-matching requirement), the procedure follows a condensed, expedited version of the

standard pathway. Departments, with support of their Dean's office if necessary, must first conduct a rapid "net-need" analysis to determine if shifting in-year operational savings or new revenue can absorb the cost. If the need still exceeds the department's capacity, a formal "Emergency Fund Balance Request" is escalated to the Dean or VP for local resource optimization. Any single in-year request for emergency fund balance use can be approved by the Dean without consultation if it does not exceed a threshold of \$10,000 (e.g. a faculty award of \$5,000 that was awarded 3 years ago is being spent now).

If the \$10K threshold is exceeded by the request and the division lacks sufficient funds to cover the unexpected expense internally, the Dean or VP will submit the out-of-cycle request to the Provost and the designated committee for immediate review. If authorized, the expense will be noted and the proper accounting steps will be taken if necessary to reflect this approval in the department's budget, granting the unit explicit permission to spend in excess of their control for that specific, approved expenditure.

In order to avoid the process of cataloging all approved in-year fund balance requests separately, units will be authorized to create a Budget Amendment to update their originally submitted budget/ strategic plan. This way, the approval is documented in the system of record tied to the budget amendment and the allowance to overspend compared to the budget is reflected in the system of record.

The Department-Level: Rapid Assessment & Request

Step 1: Conduct Rapid Analysis: Perform an immediate "net-need" analysis to see if the emergency cost can be covered by shifting in-year operational savings or new revenue.

Step 2: Escalate Request: If the expense exceeds the department's capacity, formally submit an "Emergency Fund Balance Request" to the Dean or VP.

The Dean & VP Level: Local Authorization & Escalation

Step 1: Evaluate Threshold & Capacity: Review the request amount against the \$10,000 threshold and assess internal divisional funding capacity.

Step 2: Approve Locally (Under \$10k): If the request is under \$10,000, the Dean or VP may approve it immediately without further consultation.

Step 3: Escalate (Over \$10k): If the request exceeds the \$10,000 threshold and the division cannot cover the cost internally, submit the out-of-cycle request to the Provost and the designated committee.

The Institutional Level: Immediate Review & Final Authorization

Step 1: Immediate Review: The designated committee and the Provost immediately evaluate the out-of-cycle emergency request.

Step 2: Final Authorization & Processing: If authorized, the approval is documented, and proper accounting steps are taken to give the unit explicit permission to spend in excess of their allocated budget for that specific expenditure.

V. **Initial Screening:**

An initial screening of the cost at the departmental level is the critical preliminary step in the fund balance request process. It is a dual-layered screening—both technical and strategic—designed to better define the cost that is drawing on fund balance use. Many, if not all of these criteria should be considered when developing a fund balance request at any stage of the process.

Criteria	Question to Ask
Non-Recurring	Will this expense be completely off the books 12 months from now?
Exhaustion	Have all other potential funding sources (grants, gifts, operating surplus) been exhausted first?
Technical Screening	Does this spend follow University procurement and ethics policies?
Strategic Screening	Can we point to a specific goal in the University/College strategic priorities that this helps achieve?
Operational Impact/Risk	Will <i>not</i> doing this project cause a significant disruption to our core mission?

VI. **Reporting:**

The unit or college must provide a brief year-end report on how the funds were utilized compared to the original request during the following budget cycle process. Findings may be used to help enhance future forecasting at the college or unit level in partnership with the Provost Office. Additionally, this report will help the Provost Office better understand the core cost of running the academic enterprise at any given time.

Additional reporting that would be helpful to supply to leadership during the budget planning process would be capital equipment inventory, as well as a list of total departmental commitments and their available balance (total commitment liability).

VII. **Timeline**

Fund Balance Requests during the budget process will follow a similar timeline as the budget timeline. From the point in which a budget file is emailed, to the time in which the budget proposal is discussed with the Provost, the total time estimated to elapse can be anywhere between one to three months. In general, budget files will be emailed one month in advance to control numbers being released for state support. Once control numbers are released, units and colleges will have one month to build a budget and create a “Real Fund Balance Request.” The draft budget and “Real Fund Balance Request” should be submitted prior to this deadline. Over the next 1-2 weeks, the Provost office will review the budget submission, budget plan, “Real Fund Balance Request,” and any other relevant information with the unit (such as deferred maintenance costs or total commitment liability). Edits to budget files based on approved “Real Fund Balances Requests” will be made, and the final budget files will be submitted to the budget office for final review and loading into the system of record.