

**MEMORANDUM**

**To:** Budget Contacts

**From:** Jamie Fernandes, Executive Director, Institute Budget Planning and Administration

**Date:** Thursday, March 18, 2021

**Subject:** **Year-End Carry Forward Update**



Georgia Tech’s ability to carry forward Resident Instruction General Operations (RI Gen Ops) and Departmental Sales and Services (DSS) funds is a result of section [20-3-86](#) of the Official Code of Georgia (O.C.G.A). This section must be renewed every 5 years by the General Assembly, which leads to additional scrutiny into our carry forward. As you may have heard, the section is set to sunset at the end of FY2021 and the renewal is currently pending approval in the General Assembly.

While we expect the carry forward provision to ultimately pass, we received additional scrutiny regarding our balances this cycle. The inquiries from both the University System Office and General Assembly have shown us that, even if the provision is passed, our management of carry forward balances must change and that we should expect additional scrutiny each fiscal year rather than every five years.

Specifically we need to implement the following:

- Reduce contingency carry forward balances (those not defined for specific purposes)
- Carry forward funds only that can be spent in the next fiscal year (start-up is an exception)
- Carry forward funds that are reserved for a specific use and are directly tied to the Institute Strategic Plan (including central, year-end funds)
- Increase transparency in the purpose of our carry forward funds
- Increase transparency on the timing and how we expend carry forward funds

Below is a list of our carry forward balances from FY2020. While the amounts are within the bounds of the O.C.G.A., the consensus is that our balances are too high:

<b>Fund</b>	<b>FY 2020</b>
<b>Indirect Cost Recoveries</b>	\$45,667,343
<b>Tuition</b>	\$12,512,628
<b>Technology Fee</b>	\$3,091,426
<b>Departmental Sales &amp; Services</b>	\$23,519,279

This year, in alignment with the Georgia Tech Policy [Year-End Deficits and Division Carry Forwards](#), each division requesting RI Gen Ops carry forward must submit the online request form on or before April 15<sup>th</sup>.

Each division should expect to explain:

- The explanation of the source of funding
- The projected amount to be carried forward
- An explanation of why the funds will be available, and
- The purpose for which those fund will be used in the next fiscal year

The form will capture the above information at a more detailed level than in past years. Those submitting a request should expect to provide this information along with the specific amount for each purpose use of the funds, demonstrate how the need aligns with the strategic plan, and a plan for how the funds will be expended or encumbered in FY2022. If the funds are for start-up, there is an exception to the next year expenditures; however, the plan must be specific and include why they are needed beyond FY2022, how the funds will be leveraged in the next fiscal year, and include an estimate for how long the remaining funds will be needed.

The submissions will be reviewed and approved by May 15<sup>th</sup>. Divisions may update their carry forward request, should the available funds change, prior to June 1<sup>st</sup>. When updating the carry forward request, departments will now be asked to also update the purpose for the funds and how they will be used in the next fiscal year. Our goal is to have an accurate and traceable plan for how each of our carry forward dollars will be spent.

There will be changes on the expenditure side as well. The draft process for FY2022 asks divisions to create new designated worktags for their carry forward balances. Institute Budget Planning and Administration (IBPA) is creating a program code and we ask that each purchase using carry forward funds be tagged with this program code. This way we can pull actual budget and expenditures from Workday to achieve the transparency in our uses of the funds. There will be more instructions on this we solidify the process and get closer to FY2022.

As noted in the [Year-End Closeout Memo](#), divisions do not need to request DSS carry forward as a result of the balancing unit project. Once DSS balances are identified, we will request DSS planned uses and track the expenditures, similar to the RI Gen Ops instructions above.

I understand this is a large shift from how Georgia Tech has done business in the past, and I appreciate your support and cooperation as we work through the new process. Below are some tips to help reduce your overall carry forward balance. We will be reviewing this new process at the Year-End Town Hall on Tuesday, March 23<sup>rd</sup> to provide you with more information. Please let your budget analyst or me know if you have any questions.

**Tips to Reduce Carry Forward**

- Only carry forward funds that can be encumbered or expended in the next fiscal year with a specific purpose that is tied to the strategic plan.
- Do not carry forward all remaining year-end funds:
  - If you have excess budget you may return it to the institute for year-end spending. Please notify your analyst of the amount and we will transfer the funds to a central worktag in the next budget amendment.
  - The return of funds will NOT impact future budget allocations and will only be considered one-time.
  - A list of divisions that participate in returning funds will be provided to the ELT and published on the IBPA office website.
  - If a one-time need arises during the next fiscal year, and the division returned carry forward funds in the previous fiscal year, divisions may reach out to your Executive Leadership representative. The representative should evaluate the need, and, if deemed appropriate, work with IBPA to identify one-time funding.
- If you have expenditures on foundation (GTF) or GTRC funds that are gen ops eligible, you may move the expenses to gen ops and free up the GTF or GTRC funds to carry forward.
- If you receive revenue in FY2021 for an activity or event in FY2022 you may record the revenue as deferred revenue and recognize the revenue in FY2022. This will allow you to use the revenue as needed without the use of carry forward.