

## BFA Administrative Detail: #30-11

# Use of Divisional Contingency Funds

### 1.0 PURPOSE

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This Administrative Detail clarifies the intent of the contingency funds allocated to each division on an annual basis. It also clarifies responsibilities, requirements and parameters regarding the use of these funds by the campus divisions. In addition, this detail intends to support improved budget planning at the divisional and campus levels.

### 2.0 BACKGROUND

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Beginning in 2017/18, annual campus budget allocations included a contingency fund allocation to each division. The intent of these contingency funds are to provide each division with a financial buffer to address unplanned/unforeseeable, one-time, or temporary costs critical for ensuring safety and/or regulatory compliance obligations.

However, as operationalized, details for managing the contingency funds have not been documented. As a result, variations of use of these contingency funds has emerged across the divisions. Presently, contingency funds are being used for expenses that should more appropriately be managed within existing divisional operating budgets. Consequently, the lack of clarity on the use of contingency funds inhibits the University's ability to properly budget for ongoing and forecasted needs. This administrative detail seeks to provide the clarification needed to ensure contingency funds are used for the intended purpose.

### 3.0 OVERVIEW

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Annually, the President allocates contingency funds to each division. The purpose of these funds are to provide each division with a financial cushion to address unplanned/unforeseeable, one-time, or temporary costs that may include expenditures that are critical for ensuring safety and/or regulatory compliance obligations. Typically, these are costs that have not been requested or approved through the formal annual budget process.

Examples of one-time, or temporary costs where contingency funds might be appropriately applied, include but are not limited to:

- Mandated positions as required by the CSU Chancellor's Office
- Pending litigation brought against CSUCI
- Critical hardware failure that presents a security concern
- Infrastructure failure that impacts safety

- Program start-up costs that are critical to the mission of CSUCI

Contingency funds are not intended to cover costs that – under generally accepted accounting/budget practices – should be addressed as part of a division’s operating budget. In other words, contingency funds may not be used for regular, permanent budget expenditures, or ongoing costs.

When the divisional vice president determines that a request to access contingency funds meets the intended use criteria, the following shall occur:

- The requester shall submit detailed documentation to support their request to the respective vice president.
- The respective vice president’s office shall maintain records of these requests.
- The respective vice president’s office shall also maintain records of actual uses of contingency funds, and make available if requested.

#### **4.0 ADDITIONAL PARAMETERS**

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- I. If a division expends more than 50% of the allocated contingency fund within a given fiscal year, replenishment in the following year shall be limited to 50% of the amount necessary to fully replenish. The remaining balance will be allocated in the following fiscal years, dependent upon resources available and not to exceed the original allocation amount

Example:

- |  |                           |
|--|---------------------------|
| a. Full annual allocation of contingency fund: | \$500,000                 |
| b. Funds spent during the year:                | \$400,000 (more than 50%) |
| c. Remaining balance:                          | \$100,000                 |
| d. Amount needed to fully replenish:           | \$400,000                 |
| e. 50% of “d” above; actual allocation:        | \$200,000                 |
| f. Remaining balance to allocate in next FY:   | \$200,000                 |

- II. A single permitted use of contingency funds may not exceed 30% of the base contingency budget without approval of the President.

#### **5.0 CITATIONS AND LINKS TO APPLICABLE STATE LAW, CSU POLICIES, ETC.**

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ICSUAM 200: <https://www.calstate.edu/icsuam/documents/Section2000.pdf>

CSUCI Policy on University & Auxiliaries Operating Reserves: <https://policy.csuci.edu/fa/04/fa-04-002.htm>

#### **6.0 PROCEDURES**

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Review during quarterly budget review meetings, and backfill as part of annual budget process.

#### **7.0 DEFINITIONS**

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#### **8.0 CONTACTS**

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## REVISION TRACKING

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Document Title:

Author:

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### Revision History

Revision Date	Revised By	Summary of Revisions	Section(s) Revised
5/21/18	Ysabel Trinidad	The purpose of these funds are to provide each division with a financial cushion to address unplanned/unforeseeable, one-time, or temporary costs <i>that may include expenditures that are critical</i> for ensuring safety and/or regulatory compliance obligations.	3.0
5/21/18	Ysabel Trinidad	Populated procedures section	6.0
5/21/18	Ysabel Trinidad	Added Assistant Vice President for Business and Financial Affairs as contact	8.0

### Review / Approval History

Review Date	Reviewed By	Action (Reviewed, Recommended or Approved)
5/10/2018	Cabinet	Reviewed