

Discussion of Carryovers

9/13/20

Carryovers is a term used to describe when there is unspent budget at the end of the year and the budget is “carried over” to the next year. There are several situations in which this is appropriate.

The first is for encumbrances. When an order for goods or services is placed, we enter into a contract with the provider and earmark budget for that contract. If the contract has not been completed, that is, if the goods have not been received or the services have not been provided by June 30, at the end of the year the District has an obligation to pay for the upcoming services or goods. Because the obligation was incurred in the prior year, the budget from the prior year was encumbered, or made unavailable for other activities. That budget then needs to be added to the new year budget to cover the cost of the contract. YCCD does this routinely at the end of each year.

The second situation would be site-determined priorities or projects. A site may be saving budget to add to the next year’s budget in order to purchase a larger item or complete a larger project that cannot be funded with one year’s budget. There isn’t an encumbrance for this project, so funds would not be carried over by the encumbrance process. In order to encourage multi-year planning and fiscally sound use of funds, carrying these funds over to the next year is a good idea. If a site is not able to save its unspent funds at year end, the natural response is to spend the budget down on less important items rather than “lose” the funds altogether.

The third situation is when a site has unspent funds due to unforeseen circumstances, such as a vacant position. An argument could be made that the funds should revert to the District as a whole for redistribution based on District-wide priorities. However, doing that again promotes the “use it or lose it” reaction of spending the budget down on items with a lower priority. Allowing sites to carry over the funds allows them to decide on a site level what is the best use of the funds (or even down to department level, depending on the site’s priorities).

The issue arises of how the District then would address District-wide priorities. As proposed in the Reserve Policy, any carryovers would become available to offset impacts from unforeseen situations that affect the District and colleges’ budgets. In each year’s budgeting process, any District-wide priorities can be addressed as well.