

## State University System of Florida The Need for Carryforward Funds

Carryforward funds are a significant and important tool in prudent higher education management. Selected reasons dictating the need for such funds include:

- **Supports bond credit ratings** that provide the ability to access capital at low borrowing costs.
- Funds to invest in leading priorities such as **start-up packages for world-class faculty**, the potential need to supplement **financial aid**, and other **student success strategies**.
- Allows universities to attempt to address rapidly growing **deferred maintenance** backlogs.
- Funds core assets not specifically included in the budget i.e., major **ERP business systems updates** (such as student information systems, HR systems and financial systems), electric grid infrastructure, utility systems and infrastructure, technology updates, and student success - including advising and mental health initiatives.
- Provides a source of funding if revenue is interrupted due to a **major unforeseen event** such as a hurricane. A **semester's worth** of carryforward is prudent.
- Delivers a funding source to offset the long-term liabilities associated with the State of Florida's mandatory Other Post-Employment Benefits (OPEB) and Pension obligations.
- Fosters long-range financial planning and stewardship versus the "use-it-or-lose-it" mentality.
- University reserves help bolster the State of Florida's balance sheet, as the State University System is included in Florida's Financial Statements.

Moody's Investor Services uses monthly-days cash as one of the key measures of the financial viability and creditworthiness of a college and university. Monthly-days cash measures the number of days a university could cover operating expenses from unrestricted cash and investments that could be liquidated within one month. If a SUS school had a rating the same as the State of Florida (Aaa), the median for monthly days cash and investments that would be expected is 186 days. For schools with Aa ratings (UF, FSU, USF) medians would yield an expectation of 168 days cash and investments.<sup>1</sup>

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<sup>1</sup> Moody's Investor Services "Higher Education – US Medians – Public Universities," June 28, 2018