



### Procedure 5.10.1.1 Operationalizing Systemwide Reserve Pool

#### Part 1. Purpose

To provide clarity and understanding of purpose and mechanics of the systemwide reserve pool.

#### Part 2. Administration

- a. All funds disbursed from the systemwide reserve pool are disbursed as loans and must accrue interest at a rate set by the chancellor and/or the chancellor's designee. The interest rate paid will not exceed the prior year average Invested Treasurer's Cash (ITC) interest rate earned. The loan interest rate will be reviewed annually and adjusted to ensure alignment between rates paid and rates earned.
- b. A memorandum of understanding between the chancellor and the involved college or university president will be issued, as well as a loan agreement that outlines repayment terms including interest and payment deadlines.  
Notwithstanding chancellor's discretion, loans from the systemwide reserve pool must meet the criteria established in Part 3 of System Procedure 5.10.1.
- c. The systemwide reserve pool will maintain a minimum 40 percent of the total pool's value each year.

#### Part 3. Accounting

- a. Amounts in the systemwide reserve pool will be recorded in the accounting system as receivables to the colleges and universities. This maintains the value of these amounts on individual college and university financial statements so that these assets will be included for college and university Composite Financial Index (CFI) and other financial calculations.
- b. Any loan issued from the pool will be recorded as an interest accruing loan to the specific college or university in the accounting system. Annual payments from the college or university will be recorded as payments of principal and interest in the accounting system.
- c. Each college and university will receive interest from its portion of the pool twice each year, in the same way current practice allocates ITC interest on cash held in each institution's own accounts.
  - i. ITC interest will be apportioned to the systemwide reserve pool as its percent share of the overall General Fund cash in the state treasury every six months.
  - ii. The pool's ITC interest will be sent out to each college and university in proportion to its percent share of the total college and university portions of the systemwide reserve pool.

- iii. Allocation based only college and university positions of the pool will maintain current practice in which ITC interest on the system office reserve is allocated to colleges and universities rather than being held centrally.
- iv. Loan interest earned received into the pool will also be sent out to each college and university in proportion to its percent share of the total college and university portions of the systemwide reserve pool.]

#### **Part 4. Annual Analysis and Reporting**

College and university amounts in the systemwide reserve pool will be reviewed annually and modified as needed when revenues show material adjustments are necessary. The intention is to maintain a 5 percent of general fund revenue threshold from each college and university.

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Date of Implementation: 04/23/25

Date of Last Review:

Date and Subject of Amendments:

No additional HISTORY.