A. **General Policy**

All revenue, allocations, and expenditures pertaining to the System Reserve shall be approved by the Board of Governors. On the first day of each fiscal year or as soon thereafter as practicable, the Board of Governors shall allocate from the appropriation made to the State System of Higher Education by the General Assembly an amount to the System Reserve that will restore the reserve balance to a level not to exceed $1,500,000. Interest earned on the invested balances of the System Reserve shall be credited to the reserve on a monthly basis.

Funds allocated to the System Reserve shall be used to further the legitimate objectives of the State System of Higher Education as identified by the Board of Governors. To provide adequate funds for emergencies and/or contingencies, the balance in the System Reserve in any fiscal year may not fall below $500,000. Proposed expenditures that would result in a balance of less than $500,000 shall be limited to “Acts of God” or similar contingencies at the discretion of the Board of Governors.

B. **Criteria**

1. All requests for allocations from the System Reserve shall require the prior formal approval of the Board of Governors. All requests for allocations shall be made in writing and shall include, at minimum, an itemization of proposed expenditures and a narrative justification for same.

2. Requests for allocations and subsequent actual expenditures from the System Reserve shall normally meet the following standards:

   a. Ordinarily, proposed expenditures from the System Reserve shall benefit three or more universities;
b. Proposed expenditures shall not incur or require long-term or ongoing financial commitments out of a university budget; and

c. Benefits accruing to the State System from a proposed expenditure shall be delineated and quantified where possible.

3. In addition to the criteria provided for in B.2, allocations may be made for the life cycle renovation, expansion, new construction, or acquisition of presidential housing. Expenditures for life cycle renovation may be approved by the chancellor after presentation to, and consultation with, the Board about the necessary repairs. The chancellor shall make a written report of the consultation to the Board.

4. Expenditures from the System Reserve shall be auditable. Universities receiving System Reserve allocations shall take all necessary and appropriate steps to provide audit trails for expenditures from these allocations.