**Inter-fund Loans UPPS No. 03.01.25**

 **Issue No. 2**

 **Effective Date: 08/17/2023**

 **Next Review Date: 09/01/2028 (E5Y)**

 **Sr. Reviewer: Assistant Vice President and Treasurer**

**POLICY STATEMENT**

*Texas State University is committed to maintaining basic system-wide requirements for administration and accounting for interfund transactions.*

# 01. SCOPE

01.01 The guidelines presented in this document establish principles, policies, and responsibilities for approving and reporting the status of inter-fund loans.

01.02 Texas State University administration utilizes inter-fund loans to provide interim financing for institutional strategic initiatives for which a gap exists between the date of acquisition or construction of the project and the timing of the cash receipts from the sources of funding.

01.03 Inter-fund loans provide a short- or medium-term financing alternative in a manner that does not detract from the overall university investment performance and liquidity requirements. All accounts should rely on their own regular sources of income, appropriations, or regular allocations from specific capital funds as their primary and permanent source of financing.

01.04 The executive vice president for Operations and Chief Financial Officer (CFO) establishes the amount allowed for the program.

01.05 Inter-fund loans are permissible in certain circumstances in order to advance the strategic plan of the university and require:

1. an authorized inter-fund loan note, completed and signed by the associate vice president for Budget and Planning (AVPBP); and

1. approval of the director of the department receiving the loan, the President’s Cabinet officer of the department receiving the loan, and the executive vice president for Operations and CFO.

01.06 Inter-fund loans of state-appropriated monies from the Educational & General (E&G) fund group (Fund 001) appropriated by the Legislature of the State of Texas are prohibited.

01.07 Inter-fund loans between bond funds (different bond series) are generally prohibited.

# 02. DEFINITION

02.01 Inter-fund loan – the movement of cash between designated method (lender) and another cost center (the borrower) with a definite plan to repay the loan, including any applicable interest charges, within a specified, short- or medium-term period.

# 03. PROCEDURES FOR APPROVING INTER-FUND LOANS

03.01 A written agreement detailing a fiscally responsible and achievable business plan in support of the timely repayment of the loan is required. The AVPBP will work with the department to identify the SAP account requesting to borrow and repay the inter-fund loan, the duration requested, and if installment payments are needed. A written agreement must be completed for all inter-fund loans regardless of interest being charged or not.

1. The AVPBP will receive the request and determine if interim financing is viable, the terms of the inter-fund loan, and if interest should be assessed.
2. The AVPBP will consult with the assistant vice president and treasurer to determine if the funds are available to loan, and if interest is assessed, the interest rate and amortization schedule.
3. Notification of approved inter-fund loans will be given to the associate vice president for Financial Services, assistant vice president and treasurer, AVPBP, and director of Accounting.

03.02 In the event that an inter-fund loan cannot be repaid by the end of the period specified in the loan agreement, a new loan agreement must be executed to extend the loan. Terms of the loan agreement may be evaluated and adjusted as appropriate.

# 04. PROCEDURES FOR INTEREST CHARGES

04.01 Once the project is deemed viable, the AVPBP will request the established rate from the assistant vice president and treasurer.

04.02 No interest will be assessed for E&G funded projects where bond financing is anticipated. Documentation is required.

04.03 Based on the availability of funds, interest will be calculated as follows:

* 1. True internal loans (three years or less): The unit may choose one of the following:
		1. a variable rate two-year note + 25 basis points, which will reset each day on the anniversary date of the loan; or
		2. a fixed rate that will remain constant for the term of the loan with a fixed rate two-year note + 100 basis points.
	2. True internal loans (greater than three years):
1. the fixed treasury rate that is closest to the term of the loan + 100 basis points.

04.04 Interest will be charged annually on the anniversary date of the loan or the next available date if the date falls on a weekend or a holiday.

04.05 Interest charged will be posted by the General Accounting Office to 20000110xx Designated Method/1040130016 Inter-fund Loan Interest. This fund center will retain funds until the account has a balance sufficient to issue loans directly.

04.06 If bond financing is obtained for any inter-fund loans, the loan timeframe will end, and any outstanding principal will be paid from the bond proceeds.

# 05. PROCEDURE FOR REVIEW AND DISCLOSURE AT FISCAL YEAR-END

05.01 Prior to closing the fiscal year, the director of Accounting shall report the status of any inter-fund loans. The status report will include the principal and interest, if any, repaid during the fiscal year and the principal balance outstanding for each inter-fund loan. The status of all inter-fund loans will be disclosed quarterly in an internal report to the executive vice president for Operations and CFO and the assistant vice president and treasurer.

# 06. REVIEWERS OF THIS UPPS

06.01 Reviewers of this PPS include the following:

Position Date

Assistant Vice President and Treasurer September 1 E5Y

Associate Vice President for Financial September 1 E5Y

Services

Associate Vice President for Budget September 1 E5Y

and Planning

# 07. CERTIFICATION OF STATEMENT

This UPPS has been approved by the following individuals in their official capacities and represents Texas State policy and procedure from the date of this document until superseded.

Assistant Vice President and Treasurer; senior reviewer of this PPS

Executive Vice President for Operations and Chief Financial Officer

President