

Council on Postsecondary Education 2022-24 Endowment Match Program Guidelines

Introduction

Kentucky recognizes the importance of research to the economic well-being of its citizens. The Endowment Match Program encourages private investment in public higher education research activities to stimulate business development, generate increases in externally sponsored research, create better jobs and a higher standard of living, and facilitate Kentucky's transition to a knowledge-based economy. The program matches public money with private gifts to fund chairs, professorships, research scholars, staffs and infrastructure, fellowships and scholarships, and mission support at the public universities. This collaborative approach is critical to advancing Kentucky's research presence into national prominence.

Program Funding

State funding for the Endowment Match Program is appropriated to the Research Challenge Trust Fund (RCTF) for the research universities and to the Comprehensive University Excellence Trust Fund (CUETF) for the comprehensive institutions. Both trust funds were created with passage of the Postsecondary Education Improvement Act of 1997 (HB 1).

Prior to 2022, there were four rounds of funding for the Endowment Match Program. In fiscal year 1998-99, the program received surplus General Fund appropriations of \$110 million (i.e., \$100 for the research universities and \$10 million for comprehensive institutions). In 2000-01, the General Assembly authorized \$120 million for the program (i.e., \$100 million for the RCTF and \$20 million for the CUETF). The legislature debt financed another \$120 million for the program in 2003-04 (i.e., \$100 million for the RCTF and \$20 million for the CUETF). Finally, the General Assembly authorized \$60 million in state supported bond funds for the program in 2008-09, with \$50 million appropriated to the research universities and \$10 million appropriated to the comprehensive universities.

For the upcoming 2022-2024 biennium, the General Assembly authorized \$40 million in bond funds for the Bucks for Brains program, with \$30 million appropriated to the Research Challenge Trust Fund and \$10 million appropriated to the Comprehensive University Excellence Trust Fund (22 RS, HB 1).

Program Administration

The Council on Postsecondary Education oversees and administers the Endowment Match Program. The Council establishes areas of concentration within which program funds are used, develops guidelines for the distribution of program funds, and reviews reports from the institutions on uses of program funds and results achieved.

The boards of trustees and boards of regents of the Commonwealth's public universities are responsible for the Endowment Match Program on their respective campuses. The governing boards are required by Council guidelines to review and approve all donations, gifts, and pledges that will be matched with state funds and used to establish new endowments or expand existing endowments under the Bucks for Brains program. Furthermore, the boards

are charged with ensuring that the purposes of each endowment and sources of matching funds comply with Council guidelines and serve the public good.

Documentation of board approval must be submitted with each endowment request. In addition, the governing boards are required to review and approve Endowment Match Program reports that are submitted annually to the Council.

Allocation of Program Funds

In the 2022-2024 Budget of the Commonwealth (22 RS, HB 1), the General Assembly authorized \$30 million in General Fund supported bond funds in fiscal year 2022-23 for the Research Challenge Trust Fund (RCTF) to support efforts to grow endowments for initiatives in fields of science, technology, engineering, mathematics, and health (i.e., STEM+H fields) at Kentucky public research universities. In accordance with KRS 164.7917, funding appropriated to the RCTF will be allocated two-thirds (2/3) to the University of Kentucky and one-third (1/3) to the University of Louisville, as shown in the table below. These funds will remain in the trust fund until matched and distributed.

| | |
|--------------------------|-------------------|
| University of Kentucky | \$20,000,000 |
| University of Louisville | <u>10,000,000</u> |
| Total RCTF | \$30,000,000 |

In that same budget, the General Assembly also authorized \$10 million in state-supported bond funds in 2022-23 for the Comprehensive University Excellence Trust Fund (CUETF) to support endowment growth in STEM+H fields at Kentucky comprehensive universities. In keeping with KRS 164.7919, these funds will be apportioned among the comprehensive universities based on each institution's share of sector total General Fund appropriations, excluding debt service and specialized, noninstructional appropriations (i.e., mandated programs). The resulting allocations are shown below. These funds will remain in the trust fund until matched and distributed.

| | |
|------------------------------|------------------|
| Eastern Kentucky University | \$2,227,800 |
| Kentucky State University | 667,800 |
| Morehead State University | 1,279,000 |
| Murray State University | 1,484,900 |
| Northern Kentucky University | 1,864,600 |
| Western Kentucky University | <u>2,475,900</u> |
| Total CUETF | \$10,000,000 |

Matching Requirements

The Endowment Match Program was conceived as a way to bring new money from external sources into the Commonwealth's system of postsecondary education. In order to receive state funds, the universities must provide dollar-for-dollar matching funds that satisfy the following requirements:

- Gifts and pledges must be newly generated to be eligible for state match. Newly generated contributions are those received by the university after November 15, 2021 (i.e., the date of the Council's 2022-2024 biennial budget submission).

- Gifts and pledges must be from external sources to be eligible for state match. External source contributions are those that originate outside the university and its affiliated corporations. Eligible sources of funding include, but are not limited to, businesses, non-governmental foundations, hospitals, corporations, and alumni or other individuals. Funds received from federal, state, and local government sources are not eligible for state match. Federal funds awarded to Kentucky State University under Title III of the Higher Education Act (HEA) are an exception to this rule and are eligible for state match. Federal guidelines under the Strengthening HBCUs Program allow up to 20% of Title III grant awards to be endowed provided they are matched dollar-for-dollar.
- General Fund appropriations and student-derived revenues (e.g., tuition and fees revenue) are not eligible for state match.
- The minimum institutional request amount is \$50,000. A university may combine smaller donations from businesses, nongovernmental foundations, hospitals, corporations, and alumni or other individuals to meet the \$50,000 minimum.
- All funds, both state and private, must be endowed. “Endowed” means that state and donated funds will be held in perpetuity and invested to create income for the institution, with endowment proceeds eligible for expenditure, in accordance with donor restrictions, university endowment spending policies, and Uniform Prudent Management of Institutional Funds Act (UPMIFA) requirements.
- Requests for state funds must identify the matching funds that are cash and the matching funds that are pledges.
- Pledges, or promises of future payment, are eligible for state match provided they are based on a written contract or agreement and include a payment schedule, which does not exceed five years from the initial pledge date. Pledge payment schedules showing receipts to date and scheduled future payments are to be included in the audited financial statements of either the institution or the foundation.
- If pledged funds are not received within five years of the initial pledge date, the university must replace the portion of private funds not received with another eligible cash gift or the unmatched portion of the state funds plus an allowance for accrued interest will revert to the trust fund for reallocation. In such cases, a time frame for the replacement or return of state funds will be negotiated between Council staff and institutional representatives.
- University officials must notify the Council staff of unpaid pledges six months before the end of the five-year deadline, or immediately when a gift has been revoked.

Uses of Program Funds

Proceeds from the endowments can be used to support various activities including endowed chairs and professorships, research scholars, research staff, graduate fellowships, undergraduate scholarships, research infrastructure, and mission support as described below.

Category 1 Uses of Program Funds

Chairs: New faculty positions, salary supplements to existing faculty positions, and associated expenses for those positions, including start-up costs, salaries, benefits, travel, and other professional expenses as permitted by university policy.

Professorships: New faculty positions, salary supplements to existing faculty positions, and associated expenses for those positions, including start-up costs, salaries, benefits, travel, and other professional expenses as permitted by university policy.

Research Scholars: Salaries, benefits, and other personnel related expenses associated with non-tenured, medical school faculty who exhibit the potential to assume a chair or professorship position once tenure has been awarded. Research scholars should have clearly defined research agendas that relate specifically to the fields of study envisioned for the ultimate occupants of the chairs or professorships. Funding for this purpose is time limited. Each research scholar may be supported with endowment proceeds for a maximum of six years. At the end of that time, if the research scholar has not been appointed to the identified chair or professorship, university officials should fill the position with an appropriately qualified, tenured faculty member.

Research Staff: Salaries, benefits, and other personnel related expenses associated with full- time or part-time staff assistants who directly support the research activities of an endowed chair or professor.

Research Infrastructure: Start-up and operating expenses that directly support the research activities of an endowed chair or professor, including equipment, materials and supplies, and other research related expenses as permitted by university policy.

Category 2 Uses of Program Funds

Graduate Fellowships: Fellowship stipends for outstanding graduate or professional students, which may include travel and other expenses as permitted by university policy. Eligibility for fellowships will be determined by academic deans and/or campus financial aid officials consistent with donor intent as specified in endowment agreements.

Undergraduate Scholarships: At the comprehensive universities only, program funds can be used to support scholarships for outstanding undergraduate students, which may include travel and other expenses as permitted by university policy. Eligibility for scholarships will be determined by academic deans and/or campus financial aid officials consistent with donor intent as specified in endowment agreements.

Mission Support: Program funds can be used to support research and graduate missions at all institutions, and programs of distinction or applied research programs approved by the Council at the comprehensive institutions. Consideration will be given to mission support activities such as: (1) expenditures that enhance the research capability of university libraries (i.e., books, journals, research materials, media, and equipment); (2) start-up costs, equipment, and supplies that support faculty, graduate student, or undergraduate student research activities; (3) funding for visiting scholars, lecture series, and faculty exchange; and (4) expenditures for the dissemination of research findings (i.e., nationally prominent publications and presentations at conferences, symposiums, seminars, or workshops).

However, priority will be given to mission support expenditures that encourage the research related activities of faculty and students.

Use of Funds Requirements

- At the research universities, at least 70 percent of program funds must be endowed for the purpose of supporting chairs, professorships, or research scholars, or research staff and infrastructure that directly support the research activities of an endowed chair, professor, or research scholar (i.e., Category 1 Uses). No more than 30 percent of program funds may be endowed for the purpose of supporting mission support activities or graduate fellowships (i.e., Category 2 Uses).
- At the comprehensive institutions, at least 50 percent of program funds must be endowed for the purpose of supporting chairs or professorships, or research staff and infrastructure that directly support the research activities of an endowed chair or professor (i.e., Category 1 Uses). No more than 50 percent of program funds may be endowed for the purpose of supporting mission support, graduate fellowships, or undergraduate scholarships (i.e., Category 2 Uses).

Areas of Concentration

- At both research and comprehensive universities, 100 percent of program funds must be endowed to support initiatives in STEM+H fields (22 RS, HB 1). These areas are of strategic benefit to Kentucky and are core components of a knowledge-based economy. A copy of the Council's official STEM+H Classification of Instructional Program (CIP) code list is available upon request.
- At the research universities, the Council expects state and external matching funds to be substantially directed toward supporting research that leads to the creation, preservation, or attraction of businesses that will increase the number of good jobs in Kentucky. For these purposes, "good jobs" are defined as jobs that yield income at or above the national per capita income.
- The Council recognizes that strong research programs are clustered around related academic disciplines and encourages campus officials to create a critical mass of scholars who can influence the nation's research and academic agendas.
- The Council recognizes that the boundaries of traditional disciplines are increasingly permeable and encourages the use of endowment funds for interdisciplinary, problem solving, or applied research activities.
- The Council recognizes the importance of cooperation between universities and corporations and encourages partnerships in the technologies, engineering, and applied sciences.
- Program funds cannot be used for positions that are primarily administrative. However, chairs, professors, or scholars with active research agendas who may have an appointment such as department chair, center director, or dean are eligible.

Program Diversity

~~The Council on Postsecondary Education and participating universities are committed to ensuring the gender and ethnic diversity of Endowment Match Program faculty, professional staff, and financial aid recipients. The universities shall develop and implement plans to achieve reasonable diversity in the recruitment and retention of women, African Americans, and other underrepresented minorities for positions funded by the Endowment Match Program, including scholarship and fellowship recipients. In addition, the universities will report by November 1 every odd numbered year to the Council the race and gender of program faculty, professional staff, and financial aid recipients.~~

Reporting

Institutions will provide a report to the Council by November 1 every odd numbered year (i.e., coinciding with the Council's biennial budget submission), documenting how state and campus matching funds were used. These reports will include such items as the number of endowed chairs, professorships, and research scholars created or expanded using program funds, the gender and race of program faculty, research staff, and financial aid recipients, and the impact of the program in terms of job creation, increases in sponsored research attributable to the program, and generation and profitable use of intellectual property.

The institutions will also continue to provide FD-21 reports as part of their annual Comprehensive Database submissions to the Council. CPE staff will work with campus officials to identify any additional information that should be included in reports provided to the Council.