

4. BUDGET AND FISCAL OPERATIONS

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4. BUDGET AND FISCAL OPERATIONS

4.1 DEFINITIONS

1. “AAS” refers to an associates of applied science program.
2. “Academic Services Fees” refer to fees assessed as a condition of enrollment in individual courses. Such fees shall not exceed the actual costs of the course of instruction or the academic services provided. Services may include, but are not limited to, special instruction, testing, and provision of laboratory materials.
3. “AICPA” refers to the American Institute of Certified Public Accountants.
4. “Allotment” refers to the authority to encumber or spend state monies.
5. “ASF” refers to assignable square feet in determining facility utilization.
6. “Contract Credit Course Fee” refers to a fee for delivery of credit courses and programs with business, industry, and governmental entities.
7. “E&G” refers to the Education and General Budget.
8. “Eligible Employees” refers to full-time and permanent employees of an institution who are covered under an institution’s benefit eligibility criteria.
9. “Endowment” refers to the State Regents’ Endowment Fund.
10. “Fiscal Year” refers to the year utilized for financial and budgetary purposes, beginning July 1 of each year and ending on June 30 of the subsequent calendar year. The identifying year is to be referenced by the calendar year in which June 30 falls.
11. “FTE” refers to full-time-equivalent.
12. “GASB” refers to the Government Accounting Standards Board.
13. “High School Junior” refers to a student who has completed their sophomore year.
14. “High School Senior” refers to a student who has completed their junior year but has not yet graduated from high school.
15. “HVAC” refers to heating, ventilation and air conditioning.
16. “Institution” refers to a university or college in the state under the coordination of the State Regents.
17. “Investment Committee” refers to a committee comprised of State Regents.
18. “Mandatory Fees” refers to fees required of all students enrolled at an institution. Fees are used to support the mission of the institution and shall support:
 - a. Facilities, which may include student unions, health care or recreational facilities;
 - b. Purposes to enhance the quality of student life, including facility debt service, scholarships, awards, travel, entertainment, guest speakers and student organizations; or
 - c. Academic purposes or services, including but not limited to, assessment and library resources fees.

19. “NACUBO” refers to the National Association of College and University Budget Officers.
20. “Nonresident Tuition” refers to payment required of an individual who is neither a resident of the state of Oklahoma nor qualified for resident status for enrollment at an institution of the State System.
21. “OMES” refers to the Office of Management and Enterprise Services, the state agency established pursuant to [62 O.S. § 34.3](#), whose powers and duties include central accounting and budget administration.
22. “State Regents” or “OSRHE” refers to the Oklahoma State Regents for Higher Education created pursuant to [Okla. Const. Art. XIII-A](#).
23. “ODFA” refers to the Oklahoma Development Finance Authority.
24. “Professional Courses and Programs” refer to, but are limited to, law, medicine, veterinary medicine, optometry, pharmacy, and dentistry.
25. “Resident Tuition” refers to payment required of an individual who is either a resident of the state of Oklahoma or qualified for resident tuition status for enrollment at an institution of the State System.
26. “RFP” refers to a request for proposal.
27. “State System” refers to the several institutions of higher education and constituent agencies.
28. “Technology Transfer” refers to activities and development of intellectual property, which make the results of research available for public use and benefit.
29. “United States Armed Forces” refers to the Army, Navy, Marine Corps, Air Force and Coast Guard of the United States.

4.2 EDUCATIONAL AND GENERAL BUDGETS

4.2.1 Constitutional and Statutory Provisions

[Okla. Const. Art. XIII-A, § 2](#) – The State Regents shall recommend to the Legislature the budget allocations to each institution.

[Okla. Const. Art. XIII-A, § 3](#) – Appropriations made in consolidated form and allocated by the State Regents.

See also [62 O.S. § 34.53](#).

4.2.2 Guidelines and Approach

Budget preparation requires research and study by the State Regents. Determining the needs of institutions involves the gathering and consideration of information about such factors as functions and educational programs of institutions, student enrollment, faculty and staff manpower requirements, faculty and staff salaries, and other relevant information.

- A. FTE enrollment data should be based on either the greater of the three (3) most recent years’ average, or the most recent full year (summer, fall, and spring terms).

Student FTE credit hours:

1. Undergraduate - 30
2. Master’s - 24

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3. Doctoral – 20

B. Function of Institutions and their Educational Programs

1. Research Universities

While curricula at the two universities vary in emphasis of programs offered in all levels of study, faculty, facilities, and other accommodations required to service programs, they are generally similar in cost. Budget requirements per student by level for similar programs are interpreted in the same manner. Functions of research universities include both lower-division and upper-division undergraduate study in a number of curricula leading to a bachelor's degree, graduate study in fields of advanced learning leading to a master's or a doctoral degree in addition to organized basic research, statewide programs of extension study and public service.

2. Large Regional Universities (3,500 FTE or Greater)

As functions of large regional universities generally are the same, budget requirements per student by level for similar programs are interpreted in the same manner. Functions of these institutions include both lower-division and upper-division undergraduate study in fields leading to a bachelor's degree, graduate study in fields below the doctoral level with exceptions for the Doctor of Optometry at Northeastern and the Doctor of Pharmacy at Southwestern. Cameron University is authorized to offer an AAS program in education and continuing education programs in various fields of study.

3. Smaller Regional Universities (Less than 3,500 FTE)

For these institutions, basic budget requirements are based on the cost per student by level for similar programs. Functions of institutions include lower-division and upper-division undergraduate study in several fields leading to a bachelor's degree.

4. Community Colleges

Budget requirements, established prior to adoption of performance-based allocations for additional available funding, are based on the cost per student for similar programs and have similar functions in providing undergraduate, lower-division study with emphasis on programs to provide:

- a. General education for all students;
- b. Education in basic fields of study for freshman and sophomore years for students planning to transfer and complete requirements for a bachelor's degree;
- c. Terminal education in several fields of vocational and technical study;
- d. Formal and informal programs of study especially designed to serve the community with continuing education opportunities; and

- e. Offering of one-year and two-year transfer and technical programs leading toward certificates of accomplishment and associate degrees.

C. Calculation of incentive and performance funding should be based on:

1. Increases in non-cohort total of degrees and certificates conferred by an institution in an academic year;
2. Increases in first-time full-time graduation rate (bachelors-6 years, associates-3 years, and certificates-2 years);
3. Increases in progression rate as calculated by the successful transfer of a student from a two-year institution to a four-year institution;
4. Increases in retention from freshman to sophomore year of first-time full-time students;
5. Increases in retention from freshman to sophomore year of first-time full-time students receiving Pell grants;
6. Increases in the number of students earning 24 hours of college level credit in the first academic year;
7. Percentage of the Complete College America target goal for a campus reached each year not to exceed 100 percent;
8. Submission of a college completion plan as a component of the institutional academic plan; and
9. Program accreditation.

D. Hold Harmless Provisions

1. No institution with state funding over one hundred percent (100%) of its budget need shall receive additional state funds.
2. [70 O.S. § 4420.1](#) provides that the State Regents shall not consider the ad valorem tax revenue of a college area career-technical district when allocating appropriated funds.
3. Each fiscal year, a minimum of ten percent (10%) of new funds received from legislative allocations shall be allocated as equity adjustments.
4. The concept of Academic Planning and Resource Allocation, or “APRA,” will be continued, allowing institutions to delete programs without reductions in resources.
5. Institutional base budgets shall be held harmless as new funds are allocated.

E. Finalizing the Budget Proposal

The State Regents review and analyze budget needs data submitted by each university, college, and constituent agency. Data are analyzed for general applicability in accomplishing the functions of the State System. Specific information is identified for consideration with similar items derived from the results of the State Regents’ research in making final budgetary decisions.

OSRHE staff completes research specific to the budget year being developed. The research, when combined with budget needs data, becomes the base from which projections are made and needs for the year determined. OSRHE staff also compiles information related to systemwide programs, including scholarships, grant programs, matching programs and services to institutions.

F. State Regents' Adoption and Publication of Budget Needs

The State Regents formally consider and adopt the budget needs of the State System for the upcoming fiscal year for recommendation to the Legislature, based on budget needs surveys submitted by the institutions and an analysis of funding at peer institutions. The needs of the State System are submitted to the Director of OMES pursuant to [62 O.S. § 34.36](#), and to the Legislature.

G. Recommendation of Budget Needs to the Legislature

Following submission of the budget request to the Legislature, State Regents and staff engage with the Legislature and Executive branch with additional explanations and information.

H. Allocation of Funds

[Okla. Const. Art. XIII-A, § 3](#) specifies that appropriations made by the Legislature for all higher education institutions shall be made in consolidated form without reference to any particular institution and the State Regents shall allocate to each institution.

[70 O.S. § 3903](#) provides for an allocation and allotment system to each institution, agency, and program in the State System from appropriations made by the Legislature.

I. Allotment of Funds

Account classifications for the State System shall conform as nearly as possible to the classification of accounts recommended by NACUBO for institutions of higher education. Amounts allocated to institutions each fiscal year shall not be available for expenditure until subsequently allotted by the State Regents in accordance with NACUBO guidelines. Prior to the beginning of each fiscal year on a date determined by the State Regents, each institution shall file with the State Regents a request for allotment for each purpose for which expenditures are to be made. Requests shall conform to the uniform budget or accounting classifications recommended by the National Committee on Standard Reports. Each request for allotment shall show an itemized amount required for the fiscal year and for each quarter or each six-month period in the fiscal year. Pursuant to statutory provisions and NACUBO guidelines, the State Regents apply system-wide functional national classifications for budgetary purposes, including:

1. Instruction
2. Research
3. Public service
4. Academic support
5. Student services

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6. Institutional support
7. Physical plant operations
8. Scholarships and fellowships

The listing of the functional categories includes subordinate objects of expenditure, established in conjunction with OMES:

- i. Salaries, wages, and benefits
- ii. Professional services
- iii. Travel
- iv. Utilities
- v. Supplies and other operating expenses, property, furniture and equipment, library books and equipment
- vi. Scholarships and fellowships

4.3 SPONSORED RESEARCH AND OTHER SPONSORED PROGRAMS

4.3.1 Items classified as sponsored research or other sponsored programs must be fully self-supporting, in keeping with the principle that activities underwritten by state resources constitute an assigned program and properly belong in the regular educational and general (“E&G”) budget. Funds for sponsored research and sponsored programs must come from external sources and not from regular E&G budgeted funds to be reimbursed by a contracting or granting agency. Activities budgeted through sponsored research and sponsored programs must be in addition -- either in type or in extent and quantity -- to those in the institution without a contract or grant agreement.

4.3.2 Allocation and Allotment - Budget

State Regents Form SR-A3 includes sections in Schedules A, B, C, and E for estimates of amounts to be received and expended during the fiscal year for all budgeted functions. The budget shows a unified E&G budget for the fiscal year. Allotments are made for sponsored research and sponsored programs based on specific requests for identified projects or programs as contracts are executed by institution.

4.4. REVOLVING FUNDS

[70 O.S. § 3901](#) establishes a revolving fund for each institution and budget agency of the State System. Revenue to the fund includes tuition, student fees, sales and services of educational departments, certain Federal funds and other income available to the institution or budget agency, as defined in the uniform budget and accounting classifications recommended by the National Committee on Standard Reports.

4.5 MAINTENANCE OF OPERATING RESERVES

Institutions and other budget agencies are expected to maintain an operating reserve equal to a minimum of one-twelfth (1/12) of the total allocated budget.

A. Failure to Maintain Minimum Reserve

Failure to maintain minimum operating budget reserves for three (3) consecutive fiscal years, calculated on a three (3) year rolling average, will result in notice from the Chancellor to the institution’s president and governing board chair

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requiring submission of a remediation plan to satisfy the minimum reserve targets.

- B. The institution will provide updates on its progress toward achieving required minimum reserves each semester until the reserve requirement is met.

4.6 GOVERNING BOARD BUDGETARY ASSESSMENTS

[70 O.S. § 3903\(c\)](#) provides that each governing board within the State System shall assess its operating budget pro rata among the institutions and other agencies under its jurisdiction when the board governs two or more institutions or constituent agencies.

4.7 TECHNOLOGY TRANSFER

[70 O.S. § 3206.3](#) directs the State Regents to establish a model policy for adoption by each governing board in which institutions are active in technology transfer or commercial development.

4.8 ACCOUNTING AND FINANCIAL REPORTING MODEL

Standard Accounting and Financial Model

- A. To achieve equity, uniformity, and efficiency for the State System and to maximize reliable financial reporting, the AICPA College Guide Model, as defined in GASB Statement No. 15, Governmental College and University Accounting and Financial Reporting Models, shall be used by all components of the State System.
- B. Institutional governing boards shall ensure that institutions under their jurisdiction notify external auditors of the policy and secure compliance commitments.
- C. Institutional governing boards shall adopt language conveying the policy requirements when engaging external auditors and shall select only from those auditors expressing commitments of compliance.

4.9 DISCLOSURE OF BENEFICIAL INTEREST IN STATE SCHOOL LAND FUNDS

4.9.1 Purpose

To achieve equity, uniformity, and efficiency for all components of the State System, and to maximize reliability in financial reporting, an institution's equity interest in Section Thirteen funds ([Okla. Const. Art. XI, § 5](#)) or New College Funds ([64 O.S. § 1075](#)) shall not be displayed in its annual financial reports; but, the following statement, with appropriate financial data, shall be included in the Notes to the Financial Report for all State System institutions receiving Section Thirteen or New College Funds:

- 4.9.2 *The "name of institution" has a beneficial interest in the "Section Thirteen Fund State Educational Institutions" and the "New College Fund" held in the care of the Commissioners of the Land Office as Trustees. The "name of institution" has the right to receive annually xx% of the distributions of income produced by "Section Thirteen Fund State Educational Institutions" assets and 100% of the distribution of income produced by (name of institution)'s "New College Fund." The "name of institution" received \$xx,xxx and \$xx,xxx during the years ending June 30, 20xx and June 30, 20xx respectively, which is restricted to the*

acquisition of buildings, equipment, or other capital items. Present state law prohibits the distribution of any corpus of these funds to the beneficiaries. The Total Trust Fund for (name of institution), held in trust by the Commissioners of the Land Office, is \$xxx,xxx and \$xxx,xxx for years ended June 30, 20xx and 20xx, respectively.

4.9.3 Disclosure of Beneficial Interest in School Land Trust

- A. Distributions made by the Commissioners of the Land Office to the State Treasurer on behalf of institutions shall be shown on annual financial reports as direct additions to Revenue in the Unexpended Plant Fund Sub-group of the Plant Funds Group.
- B. Governing boards shall ensure that each institution under their jurisdiction notify external auditors of applicable policy and obtain compliance commitments from all current and prospective external auditors.

4.10 DISCLOSURE OF PENSION INFORMATION

4.10.1 Purpose and Reporting Standards

To achieve equity, uniformity, and efficiency of reporting for all components of the State System and to maximize reliability in financial reporting, information on supplemental pension obligations and post-employment benefits beyond pensions shall be disclosed in accordance with GASB accounting standards.

4.10.2 Standard Actuarial Assumptions

- A. No later than June 1 of each year, the State Regents will establish standard actuarial assumptions for application by all components of the State System utilizing plans meeting pension standards set forth in GASB accounting standards. Institutions which have adopted a Trust, or equivalent, meeting the Statements 67 and 68 standards shall determine the actuarial assumptions applied according to each institution's trust guidelines.
- B. Final standard actuarial assumptions for plans not meeting GASB pension standards shall be established based on recommendations of a Systemwide Actuarial Assumptions Committee consisting of institutional business officers appointed by the Vice Chancellor of Budget and Finance. All components of the State System shall use the final standard actuarial assumptions in preparation of required actuarial studies with disclosure of information on pensions and post-employment benefits included in annual financial reports.

Institutions shall notify external auditors of all policy requirements and secure compliance commitments. Each January the Systemwide Actuarial Assumptions shall be reviewed and circulated to State System institutions.

4.11 UNIFORM PURCHASING POLICY MODEL

4.11.1 Purpose

Purchasing, the acquisitions of good and services, is a governing board responsibility and each board is responsible for adopting purchasing policy for its own institution(s). It is, however, appropriate that the State Regents develop

model purchasing policy standards. A systemwide model ensures uniform standards and consistency throughout the State System.

4.11.2 Standards

The Uniform Purchasing Policy Model identifies model standards for inclusion in each policy:

- A. Establish authority for making purchases. Where authority is delegated, limits of specific individual authority granted and required accountability should be delineated.
- B. Require purchasing processes based on competitive bids, as defined in the State Regents' Guidelines for Reporting of Sole Source Contracts. Policies should clearly delineate between purchasing processes that are based on informal quotations and those based on formal written specifications.
- C. Establish cost thresholds over which bids are to be solicited either by an informal or a formal bid process to maximize competition and reflect a relationship to the procurement needs of an institution.
- D. Maintain adequate documentation to substantiate that purchasing policies have been followed.
- E. Clearly delineate which goods and services are unauthorized or restricted for purchase.
- F. Provide that statewide contracts, contracts of other State System institutions, or contracts of institutional consortiums be utilized when found to be advantageous.
- G. Sole source contracting should be employed only after reasonable efforts have been made to analyze competitive alternatives. Purchases made from sole source contracts should require the requesting department to execute a sole source statement and provide in writing the reasons justifying the sole source purchase.
- H. Encourage continued professional development for purchasing staff and promote staff membership in professional purchasing associations.

4.12 CAPITAL IMPROVEMENTS

4.12.1 Purpose

- A. The State System, in order to fulfill its mission and to respond to the evolving needs of students, faculty, and university community must make program improvements that may involve capital improvements. Basic considerations in capital planning include the following:
 - 1. Capital planning ensures that capital expenditures are approached strategically to enable institutions to employ resources consistent with institutional missions. Capital budgeting should remain consistent with an institution's Campus Master Plan.
 - 2. Institutions shall maintain and annually submit an eight-year capital improvement plan to the Long-Range Planning Commission.

3. Institutions shall coordinate development of capital improvement budgets concurrent with the operating budget. Operational costs associated with capital improvements will be included in operating budget forecasts.
4. Institutions should provide maintenance and upkeep on all assets at levels adequate to preserve capital assets and to minimize the deferral of maintenance.
5. Institutions will estimate costs and identify funding sources for each capital project submitted to the Long-Range Planning Commission.

4.12.2 Authorization

All capital improvements programs, the financing of which would include revenue generated by impositions of a new mandatory student fee, must be affirmed and approved by the institution's governing board and the institution's student government association, or other student government entity.

New mandatory fees so utilized will no longer be levied upon the full funding of any project for which the fee is pledged, or the retirement of any obligations related to a capital improvement plan or project.

4.12.3 Establishment of Maintenance Endowment

- A. As part of the cost structure of capital improvement projects, institutions should establish a maintenance endowment structured to provide sufficient funds over the useful life of capital assets for:
 1. Regular maintenance
 2. Renovations
 3. Furnishings, fixtures, and equipment
- B. Creation of an endowment may be established through any combination:
 1. Identified proceeds as part of the issuance of obligations
 2. Section 13 offset funds not otherwise encumbered
 3. Apportioned percentages of mandatory fees levied as part of the capital program financing
 4. Donations and gifts
 5. E&G Part I Reserves

4.13 MASTER LEASE PROGRAM

4.13.1 Equipment Program

The Master Lease Equipment Program offers financing for the acquisition of personal property to provide cost efficiencies in financing and administration. [70 O.S. § 3206.6](#) authorizes institutions to execute lease agreements for assets with values from \$50,000 to \$10,000,000. Lease terms are set consistent with the useful life of the purchased equipment, not to exceed twenty (20) years. Total amounts financed during a calendar year shall not exceed \$50,000,000.

4.13.2 Real Property Program

The Master Lease Real Property Program offers financing for acquisition or *Oklahoma State Regents for Higher Education*

improvements to real property in a cost-efficient manner. [70 O.S. § 3206.6a](#) authorizes institutions to execute lease agreements with terms that are consistent with the useful life of each project, not to exceed thirty (30) years. Projects must be submitted for legislative review to be eligible.

4.13.3 Participation in and Process of the Program

- A. Pursuant to a Master Lease Agreement, the State Regents (“Lessee”), on behalf of the State System, will enter into an agreement with a financial institution (the “Lessor”), or other issuing entity, to fund purchases of personal property. Institutional lease-purchase agreements will be executed under the Master Lease Agreement as needed for equipment purchases. Authorized purchases may include, but are not limited to:
 - 1. Computer equipment
 - 2. Agricultural equipment
 - 3. Telephone equipment
 - 4. Copiers and duplicating equipment
 - 5. Research and medical equipment
 - 6. Maintenance equipment
- B. Purchases for the acquisition or improvement of real property and refinancing issuances are authorized expenditures under the Master Lease program. Expenditures may include new construction or renovations to existing buildings as well as acquisition of land.
- C. OSRHE staff, in conjunction with the issuer of obligations will administer the program. The Vice Chancellor for Budget and Finance serves as coordinator for execution of the Master Lease Agreement and Lease-Purchase Agreements with advisement from the General Counsel.
- D. Lease-Purchase Agreements
Lease-purchase agreements will include interest rates, repayment schedules, and prepayment terms for personal property acquisition. Interest rates are determined by the agreement structure and market conditions at the time of issuance. Program projects must have institutional governing board approval.
- E. Lease-Purchase Agreement Security
Master Lease obligations are secured by lease payments made by participating institutions to the State Regents under terms of the Lease-Purchase Agreement. Lease payments should be made from existing capital and operating funds and require no additional allocation from the State Regents. [62 O.S. § 34.53\(B\)](#) authorizes the State Regents to reduce an allocation to make debt service payments for any participating institution. The issuer of obligations retains a leasehold on property until obligations issued related to the property are retired.
- F. Applications for Participation
 - 1. Applications for participation are generally received three (3) times each fiscal year, with the first issuance scheduled for mid-August, the second for mid-December, and third for mid-May. Should the number of projects in an issuance period fail to

provide sufficient cost effectiveness, applications may be held until the next scheduled issuance.

2. As required by law, all lease-purchase projects are subject to approval by the Council of Bond Oversight. Projects included in each issuance are submitted to the Council and approved prior to any bond sale.

G. Bond Counsel

Bond counsel may be selected through an RFP process to provide advice and assistance with the Master Lease Program and the authorization, offering, and delivery of lease obligations. Services provided by bond counsel include, but are not limited to:

1. Program and lease structure
2. Required authorizations
3. Guidance on tax issues
4. Completion of legal documents
5. Completion of disclosure materials
6. Completion of transcripts
7. Review of contract and agreements

Bond counsel also assists with other legal matters relating to any investment of proceeds, establishment of reserves, and arbitrage compliance.

H. Fees and Expenses

The State Regents will either allocate funds for issuance costs or assess a cost-based fee to each participating institution. Institutions will remit monthly lease payments for deposit in a designated fund for payment to the sinking fund as required by the trustee.

4.14 CAMPUS MASTER PLAN UPDATES

4.14.1 Guidelines for Revising Campus Master Plans

A. Preparing the annual Campus Master Plan

1. Certain factors must be considered when updating plans including, but not limited to:
 - a. General enrollment trends
 - b. Changes in educational programs requiring special facilities
 - c. Results of the utilization of existing space
 - d. Condition of existing structures
 - e. Estimated completion costs of defined projects
2. General Procedures

Institutions shall review facility needs consistent with priorities as delineated, and shall develop proposed projects to be submitted on prescribed forms to the Long-Range Planning

Commission.

Institutions shall submit Campus Master Plans to their governing board for approval and subsequently submit the plan to the State Regents during the budget cycle. Forms are on a web-based interface and are submitted electronically.

A listing of projects shall be submitted to the State Regents for approval and provided to the Long-Range Planning Commission by July 1st of each year.

B. Project Definitions and Priorities

1. Capital projects include building projects with a budget of \$25,000 or greater such as:
 - a. New construction
 - b. Additions
 - c. Renovations
 - d. Renewal
 - e. Repairs
 - f. Site development
 - g. Utility services
 - h. Parking facilities
 - i. Roads
 - j. Fixed equipment, including installation
 - k. Other approved projects
2. Priorities for capital improvements include:
 - a. Refurbishing, remodeling, and modernizing structurally sound existing buildings, including HVAC systems.
 - b. Equipment for refurbished and remodeled buildings.
 - c. Improvements to mechanical, electrical and utility systems.
 - d. Necessary nonstructural improvements.
 - e. Conversion of existing space consistent with State Regents guidelines on space utilization.
 - f. New construction consistent with State Regents' guidelines on space utilization.

C. Funding for Campus Master Plan Projects

1. No dedicated revenue source currently exists to fund projects on Campus Master Plans. The Long-Range Planning Commission compiles a prioritized list of projects for submittal to the Legislature each December. The Capital Improvements Plan and Capital Budget includes projects submitted by all state agencies, including higher education.

2. Should funds be made available by the Legislature, either through bond authorization or by direct appropriation, State Regents' policy provides for an equitable allocation for capital improvements.
3. Allocation factors include:
 - a. FTE and headcount enrollment;
 - b. A base allotment for institutions receiving Section thirteen offset funds;
 - c. Square footage and age of buildings in relation to enrollment;
 - d. Inclusion of research functions and space allocated for research; and
 - e. Special circumstances and urgent needs.
4. Upon a determination of allocation institutions shall submit projects for approval. Recommendations to the Legislature are presented providing detail related to cost, specific projects, and justification.

4.15 STUDENT TUITION AND FEES

4.15.1 Constitutional and Statutory References

- A. [Okla. Const. Art. XIII-A, § 2](#) confers on the State Regents the power to recommend to the Legislature proposed fees for all institutions in the State System within limits prescribed by law.
- B. [70 O.S. § 3218.2](#) authorizes the State Regents to prescribe and coordinate student fees and tuition at institutions in the State System. Each January 1st, the State Regents shall submit to the Governor and designated legislative leaders a report of all actions taken and a schedule of approved tuition and fees for the current academic year. The report shall include data on the impact of tuition and fee increases on the costs of attendance, enrollment patterns, availability of financial aid, and other relevant data.
- C. [70 O.S. § 3218.8](#) authorizes the State Regents to establish nonguaranteed and guaranteed undergraduate resident and nonresident tuition and mandatory fees. All resident nonguaranteed tuition and mandatory fees established for any academic year must remain within limitations provided by law. In establishing tuition rates, the State Regents shall balance higher education affordability with available high-quality learning opportunities, while considering state support economic data, college enrollment and retention rates, and financial aid availability. The State Regents shall strive to increase available need-based financial aid when approving tuition and fee adjustments which shall include, but not be limited to, the Oklahoma Higher Learning Access Program, Oklahoma Tuition Aid Grants, federal financial aid, tuition waivers, and private assistance. In determining guaranteed tuition rates, the State Regents shall consider anticipated revenue needs during the four-year guarantee duration.

Institutions are authorized to offer to first-time, full-time resident undergraduate students a tuition rate that is guaranteed at comprehensive and regional institutions up to four (4) years, or the normal time-to-completion when greater than four (4) years. Students have the option to participate in the guaranteed tuition rate program and shall make their election at enrollment. Prior to enrollment, institutions shall provide the annual tuition rate charged, the percentage of any nonguaranteed tuition increase in the preceding four (4) academic years and the annual percentage increase of the nonguaranteed tuition rate required to equal or exceed the guaranteed tuition rate for the succeeding four (4) academic years. The guaranteed rate charged shall not exceed the initial amount and may not exceed one hundred and fifteen percent (115%) of the nonguaranteed tuition rate charged students at the same institution.

- D. [70 O.S. § 3218.9](#) authorizes the State Regents to establish tuition and mandatory fees for graduate and professional courses and programs which shall remain less and set lower than rates for like-type courses and programs of comparable quality and standing at state-supported institutions of higher education as identified by the State Regents.
- E. [70 O.S. § 3218.10](#) authorizes governing boards within the State System to establish academic services fees, subject to approval by the State Regents. Fees shall not exceed the actual costs of services provided and may include, but not be limited to, special instruction, testing, and provision of laboratory materials.
- F. [70 O.S. § 3218.12](#) authorizes the State Regents to contract for, charge, collect, receive, and use any and all fees, tuition, charges, grants, and allowances available through the United States Veterans Administration, or other federal agency for the education and training of veterans and establish a system of student tuition and fee waiver scholarships.
- G. [70 O.S. § 3218.14](#) authorizes the State Regents to review and consider requests submitted by institutions, constituent agencies or their governing boards for tuition and fees.
- H. [70 O.S. § 3218.15](#) relates to the State Regents' authority to engage the U.S. Veterans Administration and other federal entities for the education of veterans, authorizes tuition and fee waivers, authorizes any required federal assistance matching funds and provides for accepting student payments by credit card.
- I. [70 O.S. § 4004\(a\)\(6\)](#) authorizes the State Regents to set fees for use of buildings and facilities financed by institutional governing boards through revenue bonds on behalf of any higher education institution in the State System. Fees will be used for debt service on the revenue bonds as authorized by the bond authorization resolution.

4.15.2 Tuition and Fees Approval

- A. The State Regents will annually monitor and publish limits on tuition and mandatory fees at identified peer institutions. The information shows tuition and mandatory fees at each institution in the State System and the maximum increase allowable for the subsequent academic year, based on peer group averages.

- B. Institutions will submit authorization requests for tuition and fees changes to the State Regents. Requests for tuition and fees changes require institutional governing board approval and will generally be considered by the State Regents each year, or as required. Requests for academic services fee changes must be submitted to the State Regents by February 1st for the subsequent fiscal year in which changes are to be effective. Each request should be accompanied by documentation which includes:
 - 1. Communication of tuition and fee requests to student government organizations, other student groups and students at large, and efforts to increase need-based financial aid proportionately to tuition changes.
 - 2. A statement of the expected effect of tuition and fee increases on enrollment.
 - 3. A demonstration of operational cost-effectiveness.
- C. The State Regents will assist in preparation and dissemination of guidelines for students and student groups outlining the process to provide input both at the campus level and to the State Regents.
- D. The State Regents will provide public notice of increases in tuition and fees at least thirty (30) days prior to the effective date of an increase.
- E. The State Regents will conduct public hearings on proposed changes in tuition and fees no less than twenty (20) days prior to the effective date of an increase.
- F. By January 1 of each year, the State Regents will submit a report to the Governor and legislative leaders of actions taken regarding approved tuition and fees for the current academic year pursuant to [70 O.S. § 3218.14](#). The report shall include data on the impact of tuition or fee increases on students' ability to meet costs of attendance, enrollment patterns, availability of financial aid, and other relevant data.

4.15.3 General Policies

- A. Assessment and Waiver of Tuition and Fees - Tuition and fees may be neither assessed nor waived unless authorized by the State Regents.
- B. Publication of Fee Schedule - Institutions shall publish an annual schedule of all tuition and fees.
- C. [70 O.S. § 3219.3](#) establishes a special Contract Credit Course Fee, authorizing the State Regents to establish special fees for delivery of courses and programs to governmental entities including, but not limited to, the military, profit and nonprofit associations, corporations, and private entities in amounts sufficient to cover the cost of course delivery. Universities and colleges may negotiate a separate special fee, up to full cost, for delivery of credit courses. Upon establishment of a special fee, assessment and collection of additional tuition, mandatory fees, and academic services fees shall be waived.
- D. Contract Fees for Nonresident Students at Oklahoma State University College of Veterinary Medicine - Guidance in negotiating contracts with state governments for support of nonresident students at the OSU College of Veterinary Medicine:

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1. Nonresident students admitted to the College will be those whose state of residence contracts with the university for payment of nonresident charges based on actual direct instruction for the year at the beginning of the contract period divided by the number of Oklahoma residents enrolled full-time in the college, which establishes the nonresident contract fee.
 2. Contract students are exempt from nonresident enrollment restrictions. The number of contract students may exceed an amount that would require the College to increase its indirect, non-instructional fixed costs.
 3. Nonresident contract fees are to be renegotiated with other states biennially, based on the College's prior year budget.
 4. Nonresident students enrolled in the College whose state of residence does not renew a contract will be permitted to complete the degree program at a charge equal to the contract fee paid by states under contract, plus regular enrollment fees.
- E. Disposition of Revenue Received from Tuition and Fees
1. Tuition and Academic Services Fees - Revenue received for tuition and academic services fees shall be deposited in an institution's Fund 290 revolving fund or transferred to the Fund 290 revolving fund from another depository fund.
 2. Mandatory Fees - Revenue derived from mandatory fees shall be deposited to the institution's Fund 290 revolving fund or the Fund 700 Agency Special, or may be transferred to the Fund 700 Agency Special Account from another depository fund.
 3. Expenditure of Student Fee Revenue - Institutions charging students special fees for library materials and services, classroom and laboratory materials, or technology must ensure that revenues are expended consistent with the approved purpose of the fee. Traditional E&G support for such purposes should not be diminished as a result of student fee revenue.
- F. Assessing Tuition and Mandatory Fees - Tuition and mandatory fees shall be based on the academic level of a course, except for certain professional programs. Institutions shall assess tuition and mandatory fees based on course numbers included in an official catalog or bulletin. Definitions and procedures used to determine tuition and mandatory fee charges include:
1. Undergraduate - Courses numbered in the 1000 and 2000 (lower) and 3000 and 4000 (upper) divisions shall be classified as undergraduate courses for determining tuition and mandatory fees. Developmental courses at the "less than 1000" level, generally not carrying collegiate credit, shall be classified as undergraduate courses for tuition and mandatory fees purposes.
 2. Graduate - Courses designated in the 5000 division and above shall be classified as graduate courses for tuition and mandatory fees purposes.

- G. Collection of Tuition and Fees - Tuition and fees are due prior to the first day of class. Institutions shall establish and publish deadlines for the payment of tuition and fees. Late payments require payment in full and may be subject to late charges in amounts determined and published by an institution.
- H. Refunds of Tuition and Fees
1. Withdrawals and Changes of Enrollment - Changes in schedules and complete withdrawals from an institution during a defined add/drop period allow for charges for courses added and full refunds for courses dropped. No refunds are made after the add/drop period expires for a session.
 2. Return of Title IV Funds for Students Who Cease Attendance - 20 U.S.C. § 1091(b) provides that should a recipient of a Title IV grant or loan withdraw from an institution after beginning attendance, program assistance earned by the student must be determined. Any amount of assistance disbursed to the student greater than the amount earned must be returned. Any amount of assistance disbursed to the student that is less than the amount earned, may be received through a late disbursement of the earned aid the student had not received. Institutions shall develop and publish policies and procedures in compliance with federal law.
 3. Tuition and Fees Applicable - Tuition and fees are applicable for the current semester. Should a student withdraw and is entitled to a refund, any refunded amount is ineligible to be carried forward as a credit.
 4. Non-Standard Schedule Refunds - Institutions may refund tuition and fees paid by a student who withdraws from a course offered on a schedule that differs from the standard 16-week term or 15-week trimester. Institutions may develop procedures for such occurrences.
 5. Refunds in Hardship Circumstances - Institutions may refund tuition and fees paid by a student who must withdraw due to hardship or extraordinary circumstances. Institutions may develop policies as to what constitutes a hardship or extraordinary circumstance and establish refund procedures.
 6. Refunds for Students Called to Active Military Service – Institutions shall refund tuition and fees paid by students called to active military service during a term in which the student has not completed an amount of work sufficient to receive a grade.
- I. Course Audits - Students permitted to audit courses shall pay the same tuition and fees as required when enrolling for credit.
1. Guaranteed Tuition Rate Program Withdrawal - Students electing to participate in the guaranteed tuition rate program and who are members of the United States Armed Forces, when ordered to active or inactive duty requiring withdrawal from an institution, the amount of resident tuition required upon

reentering the institution shall not exceed the amount charged at the time of withdrawal.

2. Transfers - Students electing to participate in the guaranteed tuition rate program who transfer to or from another institution or constituent agency after initial enrollment shall be charged the amount of resident tuition charged to other students enrolling for the first time at the institution or constituent agency to which the student transfers.
3. Change of Major - Students electing to participate in the guaranteed tuition rate program who change majors or transfer to another campus of the same institution after initial enrollment, the tuition charged shall equal the amount the student would have been charged had the student been admitted to the changed major or enrolled at the new campus at first enrollment, unless the student transfers from one constituent agency of an institution to another constituent agency of the same institution.
4. Full-Time Enrollment - Students electing to participate in the guaranteed tuition rate program shall maintain full-time enrollment during the fall and spring semesters of the four-year guaranteed period. Full-time enrollment for institutions shall be determined by the number of credit hours as defined by the State Regents.
5. Bachelor's Degree with Graduate Level Course Requirements - At first enrollment, institutions must notify undergraduate students electing to participate in the guaranteed tuition rate program and who select a major which exceeds a usual four-year program and requires graduate level courses, the guaranteed undergraduate tuition rate will be charged for undergraduate courses and the graduate tuition rate will be charged for graduate courses.
6. Oklahoma's Promise - First time enrolling students eligible to receive Oklahoma's Promise awards will not have the option of choosing the guaranteed tuition rate.
7. Tuition Waivers - First time enrolling students eligible to receive a tuition waiver will not have the option of choosing the guaranteed tuition rate.

4.15.4 Waiver of Tuition

- A. Resident Tuition Waiver Scholarships - [70 O.S. § 3218.12](#) authorizes the State Regents to establish a student scholarship program. Resident tuition waiver scholarships are authorized for each institution in the State System to assist Oklahoma students with demonstrated financial need and to promote excellence of scholarship in all academic and professional fields of study. It is intended that the program provide equitable assistance for all students at all academic levels. Awards should be distributed to support the state's workforce needs and demands in various occupational areas. Assistance should be utilized to promote equity of treatment for students in fields without access to assistance programs.

1. Elements for consideration in awarding scholarships include financial need, scholastic aptitude and achievement, academic discipline or field of study, student activity participation, cultural background, and academic level. Institutional procedures shall include:
 - a. At least fifty percent (50.00%) of scholarships awarded shall be based upon financial need determined by institutions.
 - b. Awards shall be apportioned to provide equity for students by academic discipline or field of study consistent with workforce priorities while considering other funds available for the support of students in particular programs.
 - c. Awards shall be apportioned in accordance with student enrollment distribution among undergraduate or graduate levels and by student classifications of freshman, sophomore, junior, senior, master, or doctoral classification.
 - d. Scholarships shall be available regardless of credit hours enrolled, and to high school students concurrently enrolled in on-line courses.
 - e. Scholarships granted shall be gratuities and students are not required to perform services in return for an award.
2. Institutions are authorized to award scholarships to Oklahoma residents from the Part I E&G budget in the form of resident tuition waivers, provided the total amount awarded does not exceed five percent (5%) of the total Part 1 E&G budget for the current year. Students will be disqualified from receiving a tuition waiver based on immigration status if the student does not qualify for resident tuition pursuant to [70 O.S. §§ 3242](#) and [3242.2](#).

Reduced Tuition Benefit for Eligible Employees and Dependents
- Subject to all applicable federal laws and regulations, eligible employees within the State System and their dependents may enroll in courses at the institution where employed and pay tuition at a rate not to exceed one-half (1/2) the amount otherwise charged. Limitations on credit hours eligible for the benefit shall be determined by the institutions. Upon a determination that an employee's enrollment in a course of study is primarily for the benefit of an institution, the institution may waive, or reimburse the employee the remaining one-half (1/2) of tuition charged.

3. Waivers not included under the five percent (5%) of the Part I E&G budget limitation include:
 - a. Auditing of Classes by Senior Citizens – Institutions are authorized to waive tuition and fees related to auditing of classes for Oklahoma residents sixty-five (65) years

of age or older. Students may be admitted to classes contingent on available space.

- b. Tuition for Prisoners of War, Persons Missing in Action, and Dependents. [70 O.S. § 2281](#) provides for qualified former prisoners of war, persons missing in action, and their dependents to enroll at any state supported institution of higher education or technical institute with resident or nonresident tuition waived. Policy guidance includes the following:
 - i. Prisoner of war refers to a person who was an Oklahoma resident upon entering the United States Armed Forces who, while in service, was declared a prisoner of war by the United States Secretary of Defense.
 - ii. Person missing in action refers to a person who was an Oklahoma resident upon entering the United States Armed Forces who, while in service, was declared a person missing in action by the United States Secretary of Defense.
 - iii. Dependent refers to any child no more than twenty-three (23) years of age whose parent was declared a prisoner of war or a person missing in action.
 - iv. Dependents are not eligible should federal funds be provided for payment of tuition.
 - v. Tuition waivers extend for the sooner of five (5) years or the completion of a bachelor's degree.
- 4. Tuition for Dependents of Peace Officers, Firefighters and Emergency Medical Technicians.
 - a. No tuition shall be charged to dependents of Oklahoma peace officers, firefighters, and emergency medical technicians killed in the line of duty. Institutions shall grant waivers to eligible persons upon presentation of evidence that the deceased person was a peace officer as defined pursuant to [21 O.S. § 648](#), or a firefighter or emergency medical technician as defined pursuant to [70 O.S. § 3218.7](#).
 - b. No room or board charges shall be assessed for dependents of deceased or disabled members of the Oklahoma Law Enforcement Retirement System and is considered a service benefit to the member pursuant to [70 O.S. § 3218.7-1](#).
 - c. Waivers are limited to a period of five (5) years from the date of the first waiver.
 - d. Dependent refers to any child no more than twenty-three (23) years of age of an Oklahoma peace officer,

firefighter, or emergency medical technician killed in the line of duty.

5. Graduate Assistants - Graduate students with one-quarter time or more graduate assistantship are tuition waiver eligible regardless of residency status. Graduate teaching assistants must be proficient in both verbal and written English pursuant to [70 O.S. § 3224](#).
6. Exchange Students on a Reciprocal Basis - Institutions are authorized to grant tuition waivers to students from institutions outside the United States that have entered into exchange agreements with State System institutions providing reciprocal waivers for Oklahoma students. Agreements should equalize the number of credit hours sent by an institution to the reciprocating institution. Authorization is effective while reciprocal agreements are in force.
7. Oklahoma State Regents' Academic Scholars Program – Institutions shall waive resident tuition and may opt to waive nonresident tuition for recipients of the Oklahoma State Regents' Academic Scholars Program scholarship in an amount that, when added to other state or federal awards, is sufficient to address cost of attendance pursuant to [70 O.S. § 2403](#). Tuition waivers may be granted for up to five (5) years of undergraduate or graduate study.
8. Regional University Baccalaureate Scholarships - Regional Universities shall waive resident tuition for Regional University Baccalaureate Scholarship recipients in amounts that, when added to other state or federal awards or financial aid, is sufficient to offset the cost of tuition, fees, room, board, books, and required supplies, subject to availability of funds. Student eligibility is governed by the State Regents' admissions policy. High school senior concurrent enrollment waivers for hours beyond eighteen (18) credit hours will result in the hours counting toward the waiver limitation of three and one-half percent (3.5%) of the total Part I E&G Budget for the current year.
9. Students in Custody of the Department of Human Services - Pursuant to [70 O.S. § 3230](#), State System institutions are authorized to waive resident tuition for any eligible resident who, within the past three (3) years, has been in the custody of the Department of Human Services for any nine (9) of the twenty-four (24) months after the resident's sixteenth (16) birthday and prior to their eighteenth (18) birthday. Residents must:
 - a. Have graduated within the previous three (3) years from an accredited high school; or
 - b. With approval of the State Regents, be at a public high school in a state bordering Oklahoma in which the student enrolled with approval of the State Board of Education; or

- c. Have completed General Educational Development (GED) requirements.
 - d. Eligible students must pursue studies toward an associate or bachelor's degree or courses offered through cooperative agreements between Career Technology center and a State System institution. Eligibility requires maintaining good academic standing, satisfactory academic progress, and compliance with eligibility standards adopted by the State Regents. Eligibility remains until the sooner of reaching twenty-six (26) years of age or completion of bachelor's degree requirements.
10. Active Duty Military Members and Families - State System institutions shall waive nonresident tuition for members of the United States Armed Forces on active duty for a period of more than 30 days, of his or her spouse, and dependent children while the member is stationed in full-time service. Students receive the waiver provided they are continuously enrolled, including subsequent changes in the permanent duty station of out-of-state locations. Active duty refers to full-time duty in the military service of the United States, including annual training duty, and attendance at a designated service school prescribed by law or by the appropriate military branch secretary, but does not include full-time National Guard duty.
- B. Waivers for Concurrent Enrollment
1. High School Seniors - Institutions shall waive up to 18 credit hours during the senior year for eligible concurrently enrolled Oklahoma high school seniors. Students are responsible for applicable fees and the cost of books and supplies. The State Regents will reimburse institutions for resident tuition for the scholarships, subject to availability of funds. Student eligibility is governed by the State Regents' admissions policy. High school senior concurrent enrollment waivers for hours beyond eighteen (18) credit hours will result in the hours counting towards the waiver limitation of the five percent (5%) of the total Part I E&G Budget for the current year.
 2. High School Juniors - Subject to the availability of funds following reimbursement of waivers for concurrently enrolled Oklahoma high school seniors, institutions shall waive up to nine (9) credit hours for eligible concurrently enrolled Oklahoma high school juniors. Students are responsible for applicable fees and the cost of books and supplies. The State Regents will reimburse institutions for resident tuition. Student eligibility is governed by State Regents' admissions policy. High school junior concurrent enrollment waivers for hours beyond nine (9) credit hours concurrently enrolled will result in the hours counting toward the waiver limitation of the five percent (5%) of the total E&G Budget – Part I for the current year.

3. Scholarships granted shall be gratuities and do not require a student to preform services in return for the award.
- C. Nonresident Tuition Waiver Scholarships
1. Institutions in the State System may award scholarships that include waivers of a portion of nonresident tuition pursuant to [70 O.S. § 3226](#). Amounts may not exceed the difference between nonresident tuition and resident tuition.
 2. Institutions shall annually report to the State Regents the number of students and the amounts of nonresident tuition waivers.

4.15.5 Waiver of Fees

- A. Institutions may establish procedures for waiving fees of students enrolled in courses offered on a non-standard schedule.
- B. Institutions shall waive fees for courses offered pursuant to contracts with business, industry, military, and governmental entities which are consistent with State Regents' Policy on Contract Credit Course Fees.
- C. State System institutions are authorized to establish policies to waive mandatory fees for students enrolled in off-campus, electronic media, or correspondence courses. Fees for campus services and activities may be waived due to time and distance when an institution determines a waiver is in the best interests of the student and the institution.
- D. Fees may not be assessed or waived unless authorized by established policy or by authorization by the State Regents.

4.16 INVESTMENT OF INSTITUTIONAL FUNDS

- A. The State Regents have responsibility for developing uniform guidelines and criteria for all institutions in the State System pursuant to [70 O.S. § 3906](#).
- B. In the absence of specific statutory directives concerning investment of monies by institutions of higher education, this policy addresses the investment of Agency Special Funds and federal funds.
- C. Allowable monies for investment include all monies residing in the Agency Special Fund and Agency Relationship accounts not required by law to be invested by the State Treasurer.
- D. Allowable investment instruments shall include those permitted for the investment of state monies, as enumerated in [62 O.S. § 89.2\(A\)](#):
 1. Obligations of the United States Government, its agencies and instrumentalities;
 2. Collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in the state;
 3. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank;
 4. Prime banker's acceptances with maturities not exceeding 270 days which are eligible for purchase by the Federal Reserve System;

5. Prime commercial paper, with maturities not exceeding 180 days and not representing more than ten percent of the outstanding paper of an issuing corporation;
 6. Investment grade obligations of state and local governments; and
 7. Repurchase agreements with underlying collateral consisting of those items and those restrictions specified in the preceding paragraphs.
- E. Allowable investments shall be made in accordance with written policies approved by the governing board of each institution or agency. The policy shall primarily address preservation of principal, and liquidity, with additional focus on diversification, yield, maturity and quality, and capability of investment management. Provision shall be made for institutional officials authorized to make investments, reporting and documentation of investments, and selection of financial institutions.
- F. To the extent practicable, institutions' investment policies shall include provision for utilization of competitive bidding in the investment of funds, designed to maximize yield within each class of investment instrument, consistent with the safety objectives of the invested funds. Institutions and agencies may invest allowable monies through the State Treasurer or with other financial institutions when higher returns can be achieved.
- G. Income from investments made with the State Treasurer shall accrue to an Agency Special Fund or a fund from which an investment was made, consistent with [70 O.S. § 3906](#). Institutions and constituent agencies shall develop an income distribution plan to ensure that income is deposited in the account or fund identified as the source of the invested funds.

4.17 ADMINISTRATION OF THE REGENTS' ENDOWMENT FUND PROGRAM

4.17.1 Authority

The 1988 Legislature appropriated \$15 million to establish an endowment program in support of the establishment of faculty chairs and professorships and to advance related activities to improve the quality of instruction and research within the State System. Eligible instruction-related projects for the endowment subject to State Regents' approval include visiting professorships, artist in residence, lectureships, and other support activities. 70 O.S. §§ [3951](#), [3952](#), and [3954](#) provide the statutory framework for the endowment fund program.

4.17.2 Purpose

Endowed chairs and distinguished professorships should be established in ongoing, approved academic program areas which contribute to the enhancement of the cultural, business, scientific, or economic development of Oklahoma.

4.17.3 Regents' Endowment Trust Fund

- A. The Endowment Trust Fund shall be administered by the State Regents in their role as trustees. The fund is a permanent fund, used for the purposes of establishing and maintaining endowed chairs and professorships at institutions in the State System, and for any related activities approved by the State Regents to improve the quality of instruction at State System institutions.
- B. Upon authorization by the State Regents, an endowment fund will be established in a State Regents' Agency Special Account at the State *Oklahoma State Regents for Higher Education*

Treasury or in a custodial bank or trust company to receive funds or assets contributed from any source, public or private, designated for the endowment.

- C. No trust fund earnings shall be used for the administrative expenses of OSRHE, as expenses incurred in administration of the trust fund or the endowment program are to be paid from the operating budget of OSRHE.

1. Establishment and Operation of Endowment Accounts

Principal held in the Regents' Endowment Fund shall be used for the establishment of and allocation to endowment accounts within the Regents' Endowment Fund for the benefit of Oklahoma public institutions of higher education.

Investment return from endowment investments shall be allocated for the benefit of individual institutions for which accounts are designated and shall be for the support of endowed chairs and professorships and other activities as approved by the State Regents to improve the quality of instruction and research at State System institutions. Investment income approved for distribution shall be deposited in an institution's operating revolving fund (Fund 290). Investment income not designated for distribution to an institution shall become part of the Endowment principal.

Account levels for each category represent private donations required to establish an account. Private donations will be matched at a 1:1 ratio with public monies on private donations above the initial \$250,000 and at a 4:1 ratio on private donations above the initial \$250,000.

- a. Endowed chair accounts may be established at research universities with a minimum private donation of \$500,000 and with a \$250,000 minimum private donation at all other institutions.
- b. Professorship accounts may be established at research universities with a minimum private donation of \$250,000 and with a minimum private donation of \$125,000 at all other institutions. When fully funded with private and public monies, professorships at research universities will be endowed with a minimum of \$500,000 and with a minimum of \$250,000 at all other institutions.
- c. Lectureships, artist-in-residence, and similar accounts may be established with minimum private donations of \$25,000 at regional and special purpose universities and community colleges. When fully funded with private and public monies, accounts will be endowed with a minimum of \$50,000.

- D. Initial eligibility for an endowment account requires an institution to request establishment of an account and have on deposit an amount equal to at least one-half (50%) of the total stated donation with a written

commitment that the remainder of the donation will occur within a thirty-six (36) month period.

- E. Match period limitations are equal to amounts requested for an endowment account and funding must be completed no later than thirty-six (36) months from the date of account approval by the State Regents. Institutions may deposit amounts which exceed required matching amounts. Endowment accounts failing to fully deposit matching amounts within the time established may result in the account being awarded to another public institution. No earnings allocation shall be distributed to an institution from an account until the institution has deposited the full required match for the account as provided in Section F of this policy.
- F. Private sources of matching funds must originate from funds contributed to an institution after July 1, 1988, from private sources designated for specified purposes by the donor. Funds utilized for matching may not be drawn from funds allocated by the State Regents, revenue from authorized fees or charges, or from federal grants or reimbursements. Where the qualifications of any amount of matching funds are deemed questionable, the institutions shall request approval by the State Regents to apply the identified amount toward the required match. Matching funds may be contributed to and retained by a foundation established for the exclusive benefit of an institution. Foundations must demonstrate that funds are held for the benefit of the institution; provided, funds contributed through a foundation may qualify as private matching funds only if the funds are transferred to the State Regents for deposit in the Endowment Fund.
- G. Institutions providing matching funds shall deposit the funds to either:
 - 1. The State Regents' Endowment Fund;
 - 2. An institution's endowment matching fund; or
 - 3. A foundation fund whose sole beneficiary is the institution. Investment earnings from matching funds not deposited in the Endowment will be retained in the fund.
- H. Ownership of private matching funds transferred by an institution to the State Regents' Endowment Fund for investment remains with the institution. Upon request, funds may be returned to the institution for deposit in the institution's endowment matching fund.

4.17.4 Reporting of Activities Supported by the Endowment

Participating institutions shall provide reports when requested by the State Regents, detailing the investment of matching funds, earned interest income, net capital gains, and management costs. Reports must include an accounting of expenditures from earnings of public funds and of private matching funds. Diminution of original private matching amounts may, at the discretion of the State Regents, constitute a forfeiture of Endowment funds that institutional funds were intended to match.

4.17.5 Application Procedures

- A. All institutions in the State System are eligible to apply for an endowed chair, professorship, or other related projects under the Endowment

Program. Institutions seeking participation in the Endowment Program can make application to the State Regents upon meeting all requirements for establishing an endowment account.

- B. Applications will include evidence of deposited private matching funds, to be certified by the president of the institution, including the date of receipt, the depository, and the names of donors. Donor names may be held in confidence by the State Regents, upon request.

4.18 INVESTMENT POLICY FOR FUNDS ADMINISTERED BY THE OSRHE

4.18.1 Purpose

Principal intent is an investment environment reflecting the philosophy of the State Regents, while providing the Investment Committee, administration, and retained consultants with clearly defined policies and objectives to govern investment activity, while maintaining adequate flexibility.

- A. Define investment policies, guidelines and objectives of the Endowment;
- B. Adopt a performance evaluation framework for utilization by the Investment Committee to evaluate strategies for recommendation to the State Regents; and
- C. Provide comprehensive guidance related to expectations, limitations, and responsibilities of all parties involved with the Endowment Fund of the State Regents.

4.18.2 Duties and Responsibilities

A. State Regents

The State Regents serve as the primary fiduciary in managing the Endowment pursuant to [70 O.S. § 3951](#) and are responsible for:

1. Setting investment policies for the Endowment and adopting an Investment Policy Statement.
2. Establishing a spending rate.
3. Establishing the real return objectives through the delegation of performance oversight to the Investment Committee.
4. Overseeing Investment Committee activities related to the Endowment.

B. Investment Committee

Investment Committee responsibilities include:

1. Recommend appropriate investment policies to the State Regents.
2. Oversee investment policy implementation.
3. Establish and recommend appropriate investment policy guidelines to the State Regents, which include:
 - a. Spending rates and methodologies to be employed;
 - b. Real return objectives; and
 - c. New guidelines as appropriate.

4. Establish portfolio management guidelines, which include:
 - a. Portfolio asset allocation; and
 - b. Risk and volatility assessment.
 5. Recommend and evaluate an investment consultant.
 6. Establish investment management practices, which includes rules for portfolio rebalancing.
 7. Monitor, review and evaluate portfolio performance.
 8. Evaluate performance of fund managers, and recommend changes as appropriate.
 9. Oversee effective economic and market research concerning portfolio performance.
 10. Review portfolio performance at least quarterly and evaluate managers, review investment issues with administration and investments consultant, and develop necessary policy changes for consideration by the State Regents.
 11. Provide regular status reports on the Endowment to the State Regents.
- C. Chancellor and OSRHE Staff
- Responsibilities include:
1. Implement directives approved by the Regents.
 2. Invest endowment donations according to established guidelines.
 3. Liquidate as directed by the investment consultant.
 4. Rebalance the portfolio consistent with established policy.
 5. Provide communications support between the Investment Committee and investment consultant.
- D. Consultant
- Responsibilities include:
1. Assist in development and implementation of investment policies, objectives, and strategies.
 2. Prepare an asset allocation analysis consistent with the Endowment's objectives.
 3. Engage and evaluate investment managers.
 4. Prepare and present performance evaluation reports in accordance with CFA Institute standards.
 5. Attend Investment Committee meetings on a quarterly basis and other meetings when mutually agreed upon.
 6. Review contracts and fees for investment managers.
 7. Develop investment strategies complementary to existing asset classes.

8. Notify the Investment Committee of changes in key personnel or ownership of the consulting firm.
9. Notify the Investment Committee of litigation or regulatory violations involving investment managers engaged by the Endowment.
10. Notify the Investment Committee of significant changes in portfolio managers, key personnel or ownership of any investment management firm engaged by the Endowment.
11. Adhere to all regulatory agency guidelines.

E. Investment Managers

Responsibilities include:

1. Invest assets under their management.
2. Exercise discretionary authority over assets under their management.
3. Provide quarterly documentation of portfolio activity, valuations, performance data, and characteristics as well as other information requested by the Investment Committee or investment consultant.
4. Vote proxies in the best interest of the Endowment.

F. Custodian

Responsibilities include:

1. Provide monthly reports related to investment holdings and account transactions monthly and an annual report submitted within 21 days following the close of the fiscal year.
2. Reports will include statements of:
 - a. Securities and other assets on hand;
 - b. Property or funds received as account contributions;
 - c. Sales, redemptions, and principal payments;
 - d. Distributions from accounts;
 - e. Purchases and expenses paid; and
 - f. Income
3. Establish and maintain accounts for each investment manager of the Endowment.
4. Provide custodial services, including security safekeeping, collection of income and proceeds, settlement of trades, cash management, and other services as deemed necessary for portfolio management.
5. Prepare accounting reports upon request.

4.18.3 Investment Policies and Objectives

- A. General investment objective – Provide for future funding needs while meeting current obligations of funds administered by the State Regents.

Oklahoma State Regents for Higher Education

1. The Endowment is perpetual.
2. The objective of the Endowment is realizing an annual net return of at least four and one-half percent (4.5%).
3. Risk in the investment portfolio will be managed through employment of sound asset allocation strategies, with a focus on overall portfolio risk.
4. The Endowment is tax-exempt pursuant to Section 115(1) of the Internal Revenue Code.

B. Return Measurement Objectives

Return objectives are assumed to be net of expenses. The Investment Committee will conduct quarterly performance reviews, acknowledging variances in economic and market conditions. Investment performance will be evaluated relative to standards, including:

1. Assets should return an annualized net rate of return greater than or equal to the long-term return objective, inflation adjusted.
2. Assets should return a net rate of return greater than a composite benchmark index comprised of asset type indices in proportion to the Endowment's asset allocation.
3. Investment manager should seek returns greater than the designated benchmark index for asset types under management, consistent with asset class risk.

**TABLE A
PERMISSABLE ASSET CLASSES AND
COMPARATIVE INDICES
FOR INVESTMENT MANAGERS**

| ASSET CLASS | COMPARATIVE INDEX |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| GROWTH ASSETS: Domestic Equity U.S. Large Stocks U.S. Mid Stocks U.S. Small Stocks International Equity Int'l Large Stocks Int'l Small Stocks Emerging Mkt Stocks Private Equity ¹ | Wilshire 5000 S&P 500 Russell MidCap Russell 2000 World ex US MSCI EAFE EMI-EPAC X-EAFE MSCI EMF Index Venture Economics |
| RISK REDUCTION ASSETS: Domestic Fixed Income Inflation Protected Bonds High-Yield Fixed Income Int'l Fixed Income Emerging Mkt Bonds Cash Equivalents Hedge Funds ² | Lehman Aggregate Bond Citigroup Inflation Linked Bond Citigroup High-Yield Bond Citigroup World Gov't Bond JPM Emerging Mkt Bond U.S. Treasury Bills HFR Fund of Funds |

| | |
|------------------------------------|--------------------------|
| INFLATION PROTECTED ASSETS: | |
| Real Estate | Wilshire REIT Index |
| Natural Resources | DJ - AIG Commodity Index |

¹ Private equity managers will additionally be monitored against a cost of capital benchmark, the Wilshire 5000 + 5%.

² Hedge fund managers will also be monitored against a cost of capital benchmark, T-Bills + 4%.

C. Volatility and Risk

Risk is defined as the probability of loss on an investment and failing to meet objectives over time. To minimize risk, variables should be considered in all aspects of the decision-making process with respect to the Endowment’s investments, which include:

1. Probability of missing the goal return;
2. Inflation; and
3. Asset allocation

D. Distribution

The Investment Committee shall assess and recommend earnings distributions to the State Regents at the close of each fiscal year. Annual distribution will approximate four and one-half percent (4.5%) of total asset values as calculated by applying the average total Endowment asset value of the past three years.

E. Asset Allocation

The most important decisions affecting the Endowment relate to asset allocation. Investment research indicates that a significant portion of an Endowment’s investment behavior can be attributed to:

1. The asset classes employed for the Endowment; and
2. The weighting of each asset class.

Given its importance, asset allocation should be reviewed periodically and revised as necessary.

Target asset allocation is based on comprehensive allocation research by the investment consultant. Strategic asset allocation of the Endowment provides balance to the Endowment’s investment program consistent with return objectives. Asset allocation decisions are not to be based on market timing. Economic and market factors may impact asset allocation, requiring periodic asset allocation and possible rebalancing. Factors include changes in the assessment of intermediate or long-term outlooks for asset types or performance divergences among asset classes. The following table outlines the target asset allocation for the Endowment.

TABLE B

| TARGET POLICY ASSET ALLOCATION AND ALLOWABLE RANGES | | | |
|------------------------------------------------------------|--------------------------|----------------------------------|----------------------------------|
| Asset Class | Target Allocation | Minimum Target Allocation | Maximum Target Allocation |
| <i>GROWTH ASSETS:</i> | | | |
| Domestic Equity | 28 | 12 | 45 |
| International Equity | 13 | 5 | 25 |
| Global Equity | 5 | 0 | 10 |
| <i>Opportunistic Fixed Income</i> | 6 | 0 | 10 |
| Private Equity | 20 | 0 | 25 |
| <i>Total, Growth Assets</i> | 72 | 20 | 85 |
| <i>RISK REDUCTION ASSETS:</i> | | | |
| Domestic/Fixed Income | 8 | 5 | 30 |
| International Fixed Income | 0 | 0 | 10 |
| Absolute Return (Hedge Funds) | 10 | 0 | 20 |
| Cash | 2 | 0 | 15 |
| <i>Total, Risk Reduction Assets</i> | 20 | 5 | 60 |
| <i>INFLATION PROTECTED ASSETS:</i> | | | |
| Inflation Protected Fixed | 0 | 0 | 10 |
| REITS/Real Assets | 8 | 0 | 15 |
| <i>Total, Inflation Protected Assets</i> | 8 | 0 | 25 |
| <i>TOTAL:</i> | | | |
| | 100 | | |

F. Portfolio Rebalancing

As asset allocation is the critical determinant of the Endowment's return, portfolio rebalancing should occur at least annually; and, when any asset class allocation differs from policy by more than twenty percent (20%) of target weight, with a two percent (2.0%) minimum deviation before rebalancing is required. Alternative asset classes may require longer time periods to achieve target allocation because of illiquid structures.

4.18.4 Other Funds and Programs Administered by the State Regents

A. William P. Willis Scholarship Program

1. [70 O.S. § 2291](#) requires the State Regents, as the Board of Trustees for the William P. Willis Scholarship Fund, to invest the trust in a reasonable and prudent manner, similar to the Regents' Endowment Trust Fund, which produces the greatest return over the term of the investment while preserving trust capital.
2. Fund principal is not to be expended and the fund can tolerate investment volatility as that of fixed income instruments. Fund principal, resulting from legislative appropriations, may be treated as quasi-endowment funds and invested in up to sixty percent (60%) equity and equity-like investments with the remainder held in fixed income investments and cash.
3. Earnings will be credited to the William P. Willis Scholarship Fund.

B. Oklahoma Tuition Aid Grant Funds

1. Funds appropriated to the Oklahoma Tuition Aid Grant Program (OTAG) by the legislature are eligible for investment by the State Regents; however, preservation of principal is critical, as the full appropriated amount is expended each year.
2. Investment of funds is limited to investment grade fixed income securities that are collateralized or backed by the full faith and credit of the federal government, a federal agency, or the state of Oklahoma.
3. Investment maturities should coincide with scheduled distributions. As cash flows are predetermined, maturity dates of investments should match cash-flow needs.
4. Investment earnings will be credited to the Oklahoma Tuition Aid Grant Fund.

C. Tulsa Reconciliation Education and Scholarship Trust Fund

1. [70 O.S. § 2626](#) designates the State Regents as trustees of this fund and trust capital shall be invested in a reasonable and prudent manner which, consistent with any long-term investment needs, will produce the greatest trust income over the term of the investment while preserving the trust capital. All trust income shall be reinvested into the trust fund except for the purposes of awarding scholarships pursuant to the Tulsa Reconciliation Education and Scholarship Act.

2. Investments may be made utilizing strategies similar to those employed for the Regents' Endowment Trust Fund.

D. Oklahoma State Regents' Retirement Funds

1. In funding supplemental retirement plan liabilities, the State Regents must sustain funds equal to the actuarial value of the liabilities. Annual cash needs of the fund will depend on the number of participating retirees.
2. Equity and near equity investments should comprise no more than fifty percent (50%) of the portfolio, with the balance invested in fixed income investments.
3. Alternately, the State Regents may purchase annuities to fund all or part of the actuarial liabilities

E. Investment of All Other Funds

All other funds eligible for investment by the State Regents are limited to investment grade fixed income instruments. Only through action by the State Regents may funds be invested where no investment policy exists.

4.18.5 Investment Risk

- A. In addition to consideration of asset allocation, attention shall be given to the risk position of all investment instruments. Normally, funds other than endowments shall not be invested in equities. Excepting funds in which equity investments are authorized, funds should not be invested in equities. Equity investments must be able to tolerate market risk. Funds which cannot be invested for more than five (5) years should not include equity positions.
- B. Fixed income investments should be examined on the basis of liquidity, maturity, duration, quality, and yield. Investment beyond those made for endowment and quasi-endowment funds, maturities should match cash needs.
- C. Caution should be exercised relating to the investment in derivative and non-traditional securities.