



Quarterly Financial Update

Kentucky State University

August 2026

Senate Bill 185, enacted in the 2026 Regular Session of the Kentucky General Assembly, directs the Kentucky Council on Postsecondary Education to provide a quarterly financial update on Kentucky State University to the Legislative Research Commission and the Office of the Governor

Introduction

In 2022, the Kentucky General Assembly enacted House Bill 250 (HB 250) in response to significant financial and operational challenges at Kentucky State University (KSU). Among its provisions, HB 250 established enhanced financial oversight of the university by the Kentucky Council on Postsecondary Education (CPE), requiring KSU to provide monthly financial reports to CPE and directing CPE to provide monthly updates on the university's financial status to the Governor and the Legislative Research Commission. HB 250 also directed CPE to create and oversee a Management Improvement Plan designed to strengthen KSU's organizational and financial stability, including improvements in accounting and fiscal reporting, collections, budgeting, internal controls, enrollment management, and other areas of university operations.

For the past four years, CPE's monthly financial reporting has provided ongoing information regarding KSU's financial condition and its progress in addressing the circumstances that led to the enactment of HB 250. The most recent reports have continued to focus on the university's cash position, budget-to-actual performance, accounts receivable and collections, accounts payable, financial reporting, external audits, and implementation of improvements to its financial systems and controls.

During the 2026 Regular Session, the General Assembly enacted Senate Bill 185 (SB 185), establishing the next phase of state oversight and restructuring of Kentucky State University. SB 185 declares a state of financial exigency at KSU for five years, or until the General Assembly affirmatively declares, based upon CPE's recommendation, that the university's finances are stable, whichever occurs first. The legislation continues CPE's financial oversight throughout that period and requires KSU to continue providing monthly financial reports to CPE. It transitions CPE's reporting to the Governor and Legislative Research Commission from the monthly updates required under HB 250 to quarterly updates on the university's financial status. SB 185 also places that continuing financial oversight within a broader restructuring of the institution. The legislation establishes KSU as a four-year residential polytechnic institution focused on highly technical, industry-based applied learning aligned with the workforce needs of the Commonwealth and consistent with its historical mission as an HBCU. It further requires significant changes to academic programs and staffing, establishes new requirements related to student admissions and outstanding balances, requires monthly reconciliation of financial transactions in the state's EMARS system beginning no later than July 1, 2027, and prohibits the university from incurring a budget deficit during the remaining period of financial exigency.

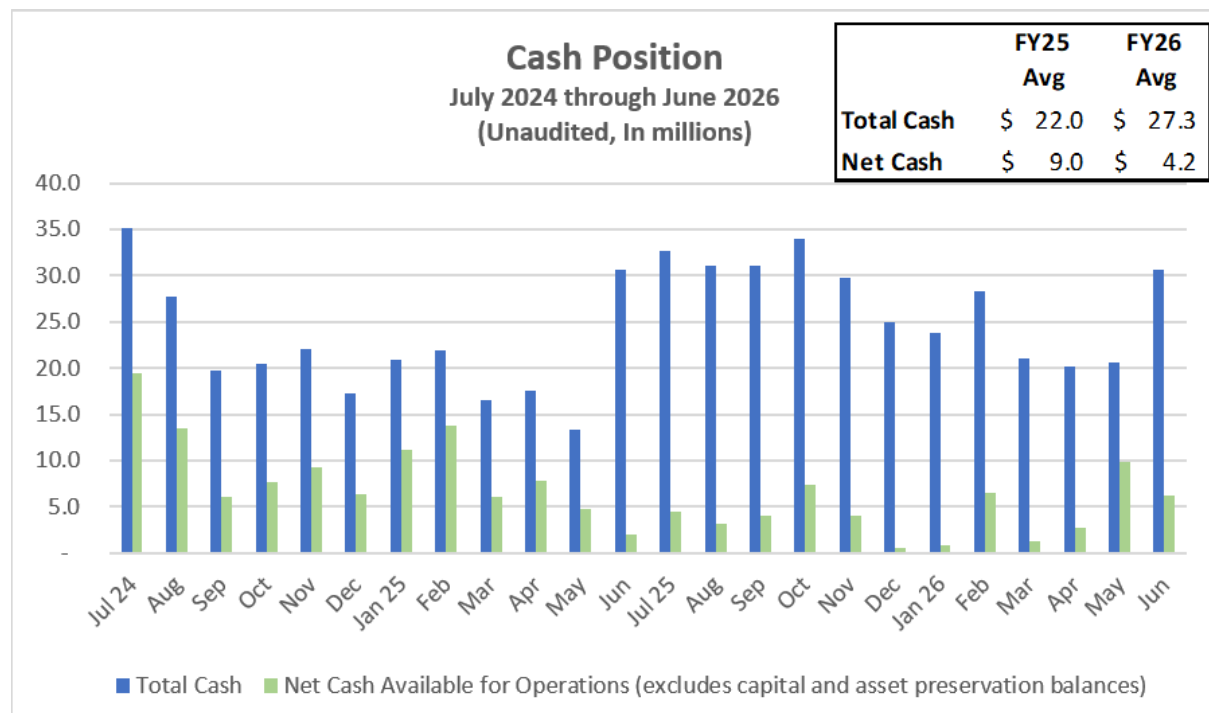
This report is CPE's first quarterly financial update under SB 185. It represents a continuation of the financial monitoring established under HB 250 while reflecting the expanded statutory framework and longer-term restructuring established by the General Assembly in 2026. Accordingly, this and subsequent quarterly reports will build upon the financial measures and trends previously reported under HB 250 while assessing KSU's financial condition in the context of the requirements of SB 185 and the university's transition to a financially sustainable polytechnic model.

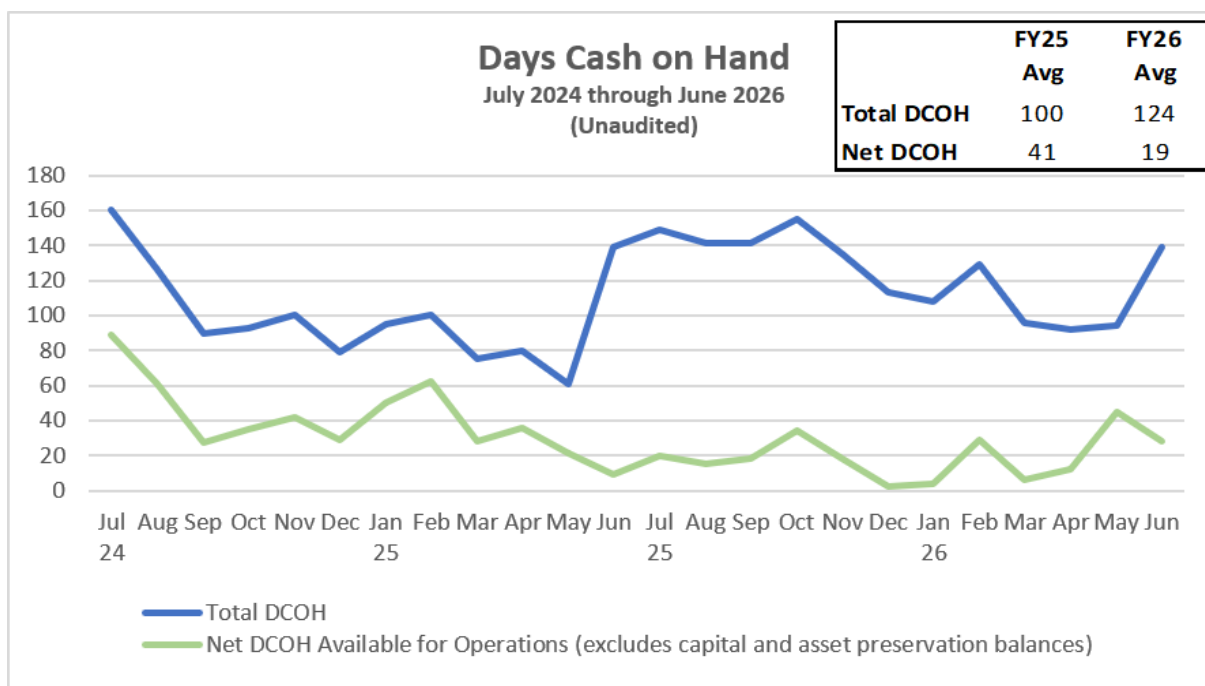
Cash Position

The university's total cash position (unaudited) on June 30, 2026 was \$30,583,267, representing 139 days cash on hand (DCOH). However, the net cash available to support operations (excluding capital and asset preservation balances) was \$6,223,706, or 28 DCOH. The attached reporting package details KSU's cash balances and reserves as of June 30, 2026, and below is a summary of reported balances with a comparison to June 30, 2025.

	6/30/2025	6/30/2026
Total Cash Position	\$ 30,595,846	\$ 30,583,267
Capital and Asset Preservation Balances	28,549,607	24,359,561
Net Cash Available for Operations	<u>\$ 2,046,240</u>	<u>\$ 6,223,706</u>
Total Days Cash on Hand (DCOH)	139	139
Net DCOH Available for Operations	9	28

The net cash available for operations increased approximately \$4.2 million from June 30, 2025 to June 30, 2026. The institution received a Federal Employee Retention Credit in the amount of \$5,605,564 in May 2026, positively impacting the reported month-end balances for May 2026 and June 2026. See the following page for graphs detailing the unaudited cash position and days cash on hand for July 2024 through June 2026 based on reported balances.





Total cash balances during fiscal year 2026 were higher than fiscal year 2025 due to higher capital and asset preservation balances, resulting in lower net cash available to support operations throughout 2026. While the increase in net cash available for operations from June 30, 2025 to June 30, 2026 is positive due to receipt of the \$5.6 million tax credit, KSU's cash position remains low at only 28 DCOH. Industry standards recommend maintaining 146 days or approximately five months of cash on hand to cover expected operating expenses. CPE continues to advise the institution regarding the need to build cash reserves. Improved financial controls and student collections are critical to achieving this goal.

Fiscal Year 2026

Attached is the reporting package submitted by KSU for June 2026. Below are some observations based on a preliminary review:

- The budget to actual reports are subject to change as the reported amounts have not been fully reconciled to the approved budgets and actual results in Banner. Additionally, the audits for fiscal years 2026 and 2025 are not complete, therefore actual results in Banner are subject to adjustment. Below are items to note related to the fiscal year 2026 budget to actual report:
 - Both Educational and General (E&G) and Auxiliary Operations reflect a preliminary budget surplus for FY26. The reported surpluses are \$7,115,904 for E&G and \$931,655 for Auxiliary Operations, for a combined surplus of \$8,047,559. The significant surplus is primarily due to the \$5.6 million tax credit previously mentioned and \$2.9 million of savings versus budgeted salaries and wages.
 - Uncollected E&G student tuition and fees were budgeted to be \$1,000,000; however the actual uncollected amount was \$3,243,021, or 324.3% of the

budgeted amount. The amount reported for E&G includes uncollected amounts related to Auxiliary Operations as the institution does not budget or report on those balances separately at this time.

- CPE verified reported cash balances to supporting bank statements and state reports, without exception. See the Cash Position section above for additional comments on the reported cash balances.

Fiscal Year 2027

The adopted FY 2027 budget reflects an intentionally conservative approach, particularly with respect to tuition and fee revenue. Budgeted net tuition and fee revenue is 29% below the prior year, while recurring state appropriations are assumed to remain stable. This conservative revenue assumption reflects the significant uncertainty surrounding fall enrollment as the university transitions to a new polytechnic mission and implements changes to its student payment policies. The budget also includes a one-time \$2.0 million state appropriation to support the online program. (See attached budget summary presented at the August Board Retreat).

Expenditure reductions are substantial but are concentrated outside of personnel. Salaries and benefits are budgeted to decline by approximately \$580,000, or 2.8%, while all other expenditures are reduced by approximately \$3.3 million, or 19.4%. These reductions are primarily associated with contracted services and operations of the Global Program (online program). The budget also includes approximately \$431,700 in contingency/transfers.

Auxiliary operations are similarly budgeted at reduced levels. Net auxiliary revenues are projected to decline by 13%, compared with an 11% reduction in auxiliary expenditures. Despite the revenue decline, auxiliary operations are budgeted to generate a modest \$14,500 surplus.

In addition to the amounts reflected in the adopted budget, the university received a one-time \$3.0 million state appropriation to support the transition to a polytechnic mission. This funding has not been incorporated into the FY 2027 budget, providing an additional source of one-time resources as the university manages the transition.

While the conservative approach provides some protection against enrollment uncertainty, the budget continues to present a structural concern. The adopted budget relies on the one-time \$2.0 million appropriation for the online program to support current-year operations. Because this revenue is nonrecurring, the university will need to replace it with recurring revenue or make additional expenditure reductions in subsequent years if the associated expenditures continue. As a result, the FY 2027 budget contains an underlying structural imbalance of up to approximately \$2.0 million that will need to be addressed as part of the university's longer-term financial planning.

Overall, the adopted budget takes a cautious approach to an unusually uncertain year, but significant risks remain. The principal areas to monitor will be fall enrollment and tuition revenue, achievement of the planned operating reductions, performance of auxiliary operations, and the university's use of the unbudgeted \$3.0 million transition appropriation. Particular attention

should also be given to how the university plans to eliminate the structural reliance on the \$2.0 million one-time online-program appropriation in future fiscal years.

Currently, fall enrollment is within projections, however, given the uncertainty surrounding student persistence with the new payment plan policies and admissions requirements, enrollment and associated tuition and fee revenues will require close monitoring. Once actual fall enrollment is known, the university will need to assess actual and projected revenues against the conservative assumptions in the adopted budget. The budget may need to be adjusted quickly if enrollment and resulting revenues differ materially from those assumptions.

The university has provided the following outline of their student payment policy for the 2026-2027 academic year (a copy of the KSU Financial Clearance and Collections Policy is attached):

“In accordance with SB 185 and University policy, students with an outstanding balance in excess of \$1,000.00 that is due and owing for more than 30 days should not be admitted or readmitted to the University, nor permitted to enroll in or continue any online or in-person course, seminar, or program at Kentucky State University.

Students with balances exceeding \$1,000.00 must be actively enrolled in a University-approved payment plan. Students are required to remain current on all payment plan obligations. Failure to maintain current payments may result in the removal of the student’s course registration and/or other enrollment restrictions in accordance with University policy.

Student must enroll in a payment plan through their WIRED account on the KYSU website, only. The Student Accounts Office is not accepting payment plans on-site. Payment plans are structured over a period of four to five months, with scheduled payments due on the 15th of each month beginning July 15, 2026 for the fall term. The initial payment is due at the time the student enrolls in the payment plan, plus at \$35 enrollment fee. All university payment plans are administered through a third-party payment plan provider, Transact (soon to be Illumia).”

External Audit and Financial Reporting

The fiscal year 2025 external audit is underway and KSU expects the audit to be completed by September 30, 2026. CLA is serving as the external auditor for 2025 and will also perform the audit for fiscal year 2026. CLA completed the external audits for fiscal years 2023 and 2024 and issued their reports on May 1, 2025 and February 13, 2026, respectively, which can be found at the following webpage: <https://www.kysu.edu/finance-and-administration/index.php>. Several material weaknesses in internal control, as well as significant and other deficiencies, were identified in the 2023 and 2024 external audits and it is likely the 2025 audit report will also include such findings. Upon completion of the 2025 audit and acceptance by the KSU Board of Regents, the audit report may be viewed at the above webpage.

The University is communicating with the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), the U.S. Department of Education, and the National Collegiate Athletics Association regarding noncompliance with various requirements. A

negative outcome resulting from these communications could have an adverse financial impact on the University, although demonstration of satisfactory progress towards full compliance should assist in avoiding a major negative outcome. Related to these communications, on December 7, 2025, KSU was moved from Warning to Probation for Good Cause for 12 months for failure to comply with the standard related to Title IV program responsibilities and audits of financial aid programs. The SACSCOC Disclosure Statement Regarding the Status of Kentucky State university can be found at the following link:

<https://sacscoc.app.box.com/s/fvtpuglwmxrfqf74ojwby9zamfrbqw5r>. SACSCOC will reconsider the accreditation status of KSU in December 2026 following review of a report submitted by the institution addressing the previously cited noncompliance.

SB 185 requires the University to integrate financial information with the eMARS system by July 1, 2027. The university has been in contact with the Kentucky Office of the Controller and has hired a Director of Financial Reporting to assist with this transition.

Over the past three years, the University has worked with Ellucian to identify areas where they can optimize their ERP system (Banner). University staff have indicated that due to the staffing transitions across multiple operational areas since the previous optimization, the University will be conducting an additional assessment of its Banner enterprise system needs to identify specific opportunities for optimization and operational effectiveness. Title III funding has been allocated to support future Banner consulting services and targeted professional development and training that will be needed as a result of this review. Title III funding is a federal source available to Historically Black Colleges and Universities for capacity building.

Other Matters

SB 185 requires KSU to obtain prior approval from CPE for financial obligations and expenditures in excess of \$20,000 or more. To operationalize this statutory requirement, CPE developed a Financial Obligation and Expenditure Approval Policy to ensure a consistent and timely process for reviewing KSU's financial obligations and expenditures. The related CPE Board action and approved policy is included as an attachment to this report and encompasses the following:

- The policy ties expenditures and financial obligations to the creation of an annual budget that CPE staff are confident is accurate and representative of KSU's ability to support proposed obligations.
- The policy includes provisions for pre-approval of a master position list to facilitate personnel hiring, as well as pre-approval for a list of known contracts valued at \$20,000 for the upcoming fiscal year.
- The policy outlines the approval process for obligations and expenditures not covered by these pre-approval components, reporting requirements for purchases or obligations made without prior approval, and the Council's authority to revoke approval when an obligation or expenditure exceeds established budgetary parameters.
- Collectively, the policy provides flexibility such that KSU may operate within established parameters without requiring line-item approvals for anticipated expenses and obligations.

SB 185 modified KSU's mission to be one of a polytechnic university, and directed KSU to focus on highly technical, industry-based applied learning and offer liberal studies and polytechnic programs that are aligned with the workforce needs of the Commonwealth. To accomplish this new directive, SB 185 required that KSU conduct a thorough review of all academic programs for long-term viability, financial stability and alignment with the newly defined mission. SB185 also required that CPE review and approve KSU's comprehensive academic transformation plan encompassing future academic areas of study and related academic programs, as well as the programs to be eliminated and related teach-out plans for those programs. Accordingly, KSU's Board of Regents approved the following actions at their May 28, 2026 meeting, and CPE's Board approved the actions in June 2026:

1. Approved six areas of study as: Applied Sciences, Engineering, Health Sciences, Humanities, Natural Sciences, and Technology.

2. Approved the following 28 academic programs to continue. KSU's rationale is that these programs combine workforce demand, scalable delivery, and strong or improving financial contribution. They also serve as enrollment engines supporting KSU's areas of study and overall academic portfolio.

- Agriculture, Food, and Environment (baccalaureate)
- Aquaculture (baccalaureate and master's)
- Biological and Agricultural Engineering (bachelor's and master's)
- Biology (baccalaureate)
- Business Administration (baccalaureate and master's)
- Criminal Justice (baccalaureate)
- Chemistry (baccalaureate)
- Computer Science – Cybersecurity (baccalaureate)
- Elementary Education (baccalaureate)
- Environmental Science and Technology (master's)
- Exercise Science (baccalaureate)
- Interdisciplinary Studies (associate's and baccalaureate)
- Manufacturing and Agricultural Engineering (baccalaureate)
- Mathematics (baccalaureate)
- Music and Industry (baccalaureate)
- Mass Communication (associate's)
- Nursing (associate's and baccalaureate)
- Nursing Practice (doctoral)
- Psychology (baccalaureate and master's)
- Social Work (baccalaureate and master's)
- Special Education (master's)

3. Approved the following 4 academic programs to close. KSU's rationale for closing these programs is that they exhibit limited enrollment scalability and market differentiation.

- Bachelor of Music Education (1 student enrolled)
- Bachelor of Music Performance (1 student enrolled)
- Bachelor of Arts in Political Science (13 students enrolled)

- Bachelor of Arts in Child Development and Family Studies (17 students enrolled)

The related CPE Board action is included as an attachment to this report.