

Release Date	Tuesday, June 14, 2022, 08:30
---------------------	-------------------------------

Focal Point	Higher Education Policy Bureau	Director	Park Joon-sung	(044-203-6912)
	Private University Policy Division	Deputy Director	Jeon Min-hwan	(044-203-6933)

Property Regulations on Private Universities Dramatically Relaxed to Improve Finances – Guidelines for Property Management of Private Higher Education Institutions Revised on June 15 –

- The Ministry of Education plans to revise the *Guidelines on the Property Management of Private Higher Education Institutions* (i.e. school corporations) to allow more flexible use of their properties and assets to raise extra revenue to help improve their finances by dramatically easing regulations.
- The revision has been in consideration since late last year following the Supreme Court's decision* (April 2021) on changing the use of for-profit educational properties which stand idle, as well as requests made by private universities and colleges (i.e. school corporations).
 - * The Supreme Court ruled that denying the request to change the use of properties belonging to private school corporations by citing Article 29 (6) of the *Private School Act* ("Neither revenues nor property that belongs to the accounts of school expenses shall be diverted or loaned to other accounts or be improperly used for other than its original purpose.") is unlawful and a misinterpretation of law.
- The revision is also in line with the new government's agenda "to allow greater autonomy for universities to develop into dynamic innovation hubs" by revising regulations on property management without having to amend the law.
- In last May, the Presidential Transitional Committee of the Yoon Suk-yeol

Government announced that it would embark on easing regulations on higher education institutions to innovate them in an autonomous and flexible manner to respond to the 4th Industrial Revolution, for which the Ministry of Education plans to innovate regulations by completely revising laws, including rules and regulations on the establishment and operation of universities and colleges.

□ The following are the key improvements that the revision will bring:

① Regulations will be relaxed to change the use of idle educational properties to for-profit properties.

- Although the current law allows idle educational properties to be used as for-profit properties, it prescribes that the amount of fund worth the property value to be set aside in the form of accounts of school expenses. Therefore, even if private universities have many idle properties, it has been very difficult to make a full use of them.

- Going forward, the idle properties will be allowed to be used for for-profit purposes without having to set aside accounts of school expenses as long as they meet requirements, unless there are special grounds* for them to be treated as exemptions.

* (e.g.) In cases where changing the use of property can negatively impact school operation, or the head of the school intends to set aside accounts of school expenses, etc.

- By relaxing the regulation, private universities and colleges can turn their idle lands and buildings into for-profit properties to raise extra revenue, which can be reinvested into improving educational environment, thereby advancing the quality of higher education.

② In the case of exceeding the requirement standard for for-profit properties, the scope of disposable fund usage will be expanded.

- Although the current law stipulates that the remaining fund may be used for other purposes after part of the property is disposed of as long as they meet requirements for for-profit properties, because the scope of acceptable purposes is limited to paying taxes and/or preserving accounts of school expenses, even if schools have disposable fund, they haven't been able to use it to improve their finances.

- However, the revised regulation will allow disposable fund to be used for multiple purposes as long as they don't undermine the interest of private universities and school corporations so that it can be used to resolve financial difficulties.
 - ※ However, school corporations are required to invest more than 80% of their profits that comes from their for-profit property in education, and if it is determined that the school corporation is not sufficiently complying with its financial requirements, then their activities and permission will be restricted.
- ③ The revised regulation will allow a wider range of businesses to operate in the idles buildings of private universities by using an opt-out scheme.
- To date, private universities have been accommodating various types of businesses, such as bank branches and convenience stores, in their idle buildings to raise revenue or for the convenience of their users, and the Ministry of Education has been expanding the list of businesses allowed to operate in idle buildings by using an opt-in scheme.
 - However, the revised regulation will allow greater autonomy over the type of businesses that universities can allow to operate in their buildings by employing an opt-out scheme as long as they are not included in the list of prohibited businesses,* and do not undermine their academic and research activities.
- * (e.g.) The list of prohibited businesses include private tutoring institutions, bars, etc. under the regulations of the Ministry of Land, Infrastructure and Transport.
- ④ The revision will allow the construction of for-profit buildings on school sites.
- The existing rules and regulations on the establishment and operation of universities and colleges do not limit the types of buildings that can be constructed on school sites as long as they belong to the school corporation (e.g. for-profit buildings, etc.). Nevertheless, the reality is that only buildings for educational purposes have been allowed to be constructed on school sites.
 - Going forward, it will be clearly informed that parts of school sites can be used as sites of for-profit buildings as long as they comply with school site requirements and the school corporations bear reasonable

amounts of costs to help them create revenue and improve their balance sheets by making good use of their idle school sites.

- It's expected that private universities will now be allowed to construct not only buildings for educational purposes, but also for-profit purposes to create more revenue, and their idle sites will be used in a variety of ways.

⑤ Regulations on the use of loan capital by private school corporations will be relaxed.

- In accordance with the *Rules and Regulations of Private Educational Institutions' Finance and Accounting* and other relevant laws, school corporations are allowed to take out a loan only in the case of inevitable reasons, and the regulations have not accepted the temporary shortage of operational costs as a valid reason, thereby effectively restricting schools from taking out a loan to cover their operational costs.

- Nevertheless, the revised regulation will accept various reasons as valid for taking out a loan to cover their operational costs, if they are considered as factors exacerbating their financial situation, as long as the schools are considered to be capable of paying back the loan.

- Therefore, private universities will be able to mobilize funds that they urgently need to cover the salary of their staff, taxes and repayment of debt, which will help them prevent falling into an even deeper financial crisis.

⑥ In addition, parts of permit procedures will be relaxed to more easily and swiftly dispose properties to improve the finances of private universities and school corporations.

- Following the revision, the Ministry of Education will continue to revise existing systems to further improve finances of private universities, and will

create a consultative body with them to identify areas of further improvement.

< The Consultative Body for Improving Finances of Private Universities >

- **(Objectives)** To improve the ever exacerbating finances of private universities, it aims to support universities in various ways to secure funds to improve their finances.
- **(Composition)** Ministry of Education, Korea Advancing Schools Foundation, Korean Federation of Private School Corporations, school corporations, financial/accounting experts, etc.
- **(Operation)** By organizing a regular meeting once a month, discussions are held on the entire financial policies of private universities to take into account requests made by schools to introduce new policies and systems.
 - ※ In order to listen to various ideas from different school corporations, school staff are encouraged to present their suggestions and ideas to every meeting.
- **(Timeline)** The consultative body was inaugurated and its first meeting was held (May 27, 2022) → The meeting is held monthly

- Deputy Minister of Higher Education Policy, Mr. Kim Il-soo, said, "In 2019, the Ministry of Education jointly formed a task force with the KCUE (Korean Council for University Education) to revise and improve existing regulations by collecting opinions from universities."
- He added, "The new government will continue to bring innovation by introducing a legal affairs committee to explore and identify areas of improvement, including by improving regulations on universities to effectively build a system which can synthetically encourage innovation in university regulations."
- He concluded, "I hope the revision of regulations will help private universities overcome the financial crisis caused by the COVID-19 pandemic and a declining student population."