



## Eastern Kentucky University Policy and Regulation Library

1.5.1

Volume 1, Governance

Chapter 5, Governance

Section 1, Financial Exigency

Approval Authority: Board of Regents

Responsible Executive: President

Responsible Office(s): President, Finance and  
Administration

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Last Revised: NA

Next Review Date: Fall 2020

## Financial Exigency

### Policy Statement

A declaration of financial exigency is an extreme action taken by a university to preserve its institutional integrity and educational mission. The gravity of such a declaration requires deliberate and thorough consideration of all retrenchment measures. Therefore, Eastern Kentucky University has established this policy to ensure the University has used due diligence before a declaration of financial exigency is made.

The Eastern Kentucky University Board of Regents has been granted authority by the Commonwealth of Kentucky over the University's budgetary matters. The Board has a statutory duty to the people of Kentucky to maintain a quality educational program within the available financial resources. Accordingly, declaration of the existence of financial exigency is a prerogative reserved for the Board and will not be delegated.

The procedures of this document may be implemented when financial exigency is imminent or has been declared. To the extent practical, the administration, faculty, staff, and students will have the opportunity to provide relevant information regarding the declaration of financial exigency.

### Entities Affected by the Policy

- Board of Regents
- Administration, Faculty, Staff, and Students

### Procedures

The University's primary mission is to develop educated persons by transmitting and producing knowledge. The core function of the University is defined by its mission and, therefore, resides in programs of study and the courses of which they are composed, which lead to certification

that graduating students have attained an acceptable level of general knowledge and discipline-specific competence. Because the University receives public support and student fees for performing this primary activity, the overarching principle that guides the University in times of financial exigency through the application of this policy is that the University will first significantly reduce or eliminate expenditures that subsidize University programs and activities that do not directly contribute to the development of educated persons.

If it is believed that the University has a need to declare financial exigency, and before financial exigency is declared, every effort shall have already been made to resolve the exigent conditions.

#### *Financial Exigency Declaration Originating from the Board of Regents*

The Eastern Kentucky University Board of Regents, by its statutory authority, may declare the University is in financial exigency without the input of the administration, faculty, staff, or students. However, when the Board determines it has compelling reasons to declare financial exigency or to believe that the University may recommend financial exigency, the Board may choose to follow the steps 2-6 under Financial Exigency Recommendation Originating from the University Administration prior to making a declaration of financial exigency.

#### *Financial Exigency Recommendation Originating from the University Administration*

1. Upon being advised by the Vice President for Finance and Administration that the University may be in a position necessitating the declaration of financial exigency, the President shall notify the Chair of the Board of Regents.
2. Within five (5) calendar days of notifying the Chair of the Board of Regents, the President shall notify the University community of the possible financial exigency and convene an ad hoc advisory committee, herein called the Advisory Committee.
3. The Advisory Committee shall be composed at minimum of the Provost, the Vice President for Finance and Administration, the Chair of Faculty Senate, Staff Council Chair, a dean chosen by the Dean's Council, a Department Chair chosen by the Chairs Association, two tenured faculty members elected by the Faculty Senate, and one staff member elected by Staff Council. The Executive Director of Human Resources and the Vice President of the Student Government Association shall be non-voting members. The chair will be selected from the above group by the President of the University prior to the first meeting.
4. The Advisory Committee shall investigate and document all aspects of the University's financial condition in order to make a recommendation whether a financial exigency should be declared. Views on the financial conditions of the University will be sought from the administration, faculty, staff, and students. In preparing its recommendation, the committee will:
  - a. Review resource management efforts to date and their impact on the financial condition and programs of the University.

- b. Consider alternative options to save resources and evaluate the potential impact each option will have on financial conditions and programs.
  - c. In this review and consideration of alternatives, the Advisory Committee shall investigate whether:
    - i. Administrative expenses and positions that are not absolutely necessary for the development of educated persons have been reduced or eliminated.
    - ii. All activities that do not directly contribute to the development of educated persons but which utilize resources directly or indirectly have been reduced or eliminated.
5. The Advisory Committee shall submit a report to the President within the time frame directed by the President.
6. The President shall make a report to the Board of Regents regarding the financial exigency, which shall include the written report of Advisory Committee. The Board of Regents shall make the final decision regarding declaring financial exigency.

#### Financial Exigency Plan

1. If the Board of Regents declares a state of financial exigency, the President, through the President's Council or through an ad hoc committee, shall develop a Financial Exigency Plan. The plan shall include specific recommendations for implementing a retrenchment plan, including but not limited to, the following considerations:
  - a. the elimination of staff shall be in compliance with Policy 8.1.3, Staff Reduction in Force;
  - b. the termination of faculty, with or without changes in academic programs, shall be in compliance with Policy 4.6.16, Dismissal of Faculty;
  - c. the elimination of academic programs that do not result in the termination of faculty shall be accompanied by a recommendation from the Faculty Senate.
2. The President will submit the Financial Exigency Plan to the Board of Regents.
3. The Executive Committees of Faculty Senate, Staff Council, and Student Government Association shall be notified by the Secretary of the Board of Regents when the Board will be meeting to discuss the Financial Exigency Plan and will be provided the opportunity to address the Board, both in writing and, to the extent possible, in person.
4. The Board of Regents must approve the plan before it may be implemented by the President. The proposed plan may be reviewed and approved at a specially called meeting of the Board of Regents.

#### Termination of Financial Exigency

Throughout the period of financial exigency, the President shall periodically report to the Board on progress made toward improving financial status. The President, the Faculty Senate, the Staff Council, and/or the Student Government Association may petition the Board both in writing and, to the extent possible, in person to declare an end to the financial exigency. The Board will, at its discretion, declare the end of the financial exigency.

### Post Financial Exigency

After the financial exigency has been declared terminated and as financial resources become available, restoration of funds to ensure the primary mission of developing educated persons will be given priority.

Programs that were eliminated due to financial exigency may be considered for reintroduction as new programs only through the normal review and approval process.

## Definitions

- **Financial Exigency:** Financial exigency is as determined by the Board as pursuant to KRS Chapter 164 and all applicable law.
- **Retrenchment:** Retrenchment efforts shall be defined as all cost-cutting measures prior to and other than the abrogation of tenured faculty appointments unless the abrogation of tenured faculty appointments is in compliance with Policy 4.6.16, Dismissal of Faculty.
- **University:** University in this policy shall be defined as any unit or area receiving funding via the normal University budgeting process for educational and general funds and auxiliary funds.

## Responsibilities

- Advisory Committee
  - Upon being convened by the President, the Advisory Committee is responsible for
    - making a recommendation to the President regarding a financial exigency declaration after investigating the University's financial position
    - submitting the recommendation and report to the President by the President's deadline
- Board of Regents:
  - The Board of Regents is responsible for
    - declaring the University is in financial exigency, with or without input from the University community
    - approving a Financial Exigency Plan

- declaring the end of the financial exigency
- President:
  - The President is responsible for
    - notifying the Chair of the Board of Regents if the University may be in a position necessitating the declaration of financial exigency
    - notifying University community of pending financial exigency upon confirmation by the Board of Regents
    - convening the Advisory Committee and selecting its chair
    - reporting to the Board of Regents the results of the Advisory Committee's findings
    - developing a Financial Exigency Plan in collaboration with the President's Cabinet or an ad hoc committee
    - submitting the Financial Exigency Plan to the Board of Regents
    - Periodically reporting to the Board of Regents on the progress made toward improving the University's financial status
- Secretary of the Board of Regents
  - The Secretary of the Board of Regents is responsible for
    - notifying the executive committees of Faculty Senate, Staff Council, and Student Government Association when the Board of Regents will meet to discuss the financial exigency plan.
- Vice President for Finance and Administration
  - The Vice President for Finance and Administration is responsible for
    - advising the President that the University may be in a position necessitating the declaration of financial exigency.

## Interpreting Authority

President

## Statutory or Regulatory References

KRS 164.295, Programs of state and comprehensive universities – Advanced practice doctoral programs that may be offered – Review and approval process  
 KRS 164.300, Purpose of state universities and colleges  
 KRS 164.350, General powers and duties of boards of regents  
 KRS 164.360, Appointment and removal of president, faculty, and employees

KRS 164.365, Governing boards to have exclusive control of employment, tenure, and official relations of employees

## Related Policies

Policy 4.6.16, Dismissal of Faculty

Policy 8.1.3, Staff Reduction in Force

## Policy Adoption Review and Approval

### Policy Issued

<u>Date</u>	<u>Entity</u>	<u>Action</u>
October 19, 2015	Board of Regents	Adopted
March 16, 2015	President	Approved
February 11, 2015	Provost Council	Approved
December 1, 2014	Faculty Senate	Approved
November 21, 2014	Staff Council	Approved