



POLICY TITLE:

Financial Exigency

APPLIES TO:

All Departments and Units

Faculty, Staff, and Students

ADMINISTRATIVE AUTHORITY:

Kentucky State University Board of Regents

Office of the President

APPROVED BY:

Kentucky State University Board of Regents

EFFECTIVE DATE:

August 8, 2025

NEXT REVIEW DATE:

August 8, 2028

POLICY STATEMENT:

Kentucky State University (KSU) recognizes that declaring financial exigency is an extreme and serious measure. It is to be taken solely when essential to preserve KSU's institutional integrity, ensure its long-term financial stability and viability, and enable it to continue fulfilling its core educational mission during severe financial circumstances. This policy is invoked only as a last resort after all other feasible cost-saving and revenue-generating measures have been explored and implemented, or have been determined to be insufficient to alleviate the financial crisis.

The authority to declare financial exigency resides exclusively with the KSU Board of Regents, upon recommendation of the President or by the Board's own initiative. This policy ensures due diligence, robust consultation, and transparency throughout the process of considering, declaring, implementing, and terminating financial exigency, and outlines the steps for managing such a declaration.

DEFINITIONS:

Consultation

A process of seeking information, advice, and recommendations from designated individuals or groups. Consultation involves providing access to relevant information, allowing adequate time for review and response, and giving good-faith consideration to the input received before making a decision. It does not necessarily imply that agreement must be reached.

Financial Exigency

A severe financial crisis that imminently threatens the sustainability of KSU's core educational mission and its ability to operate as a viable institution. Such a condition is determined to exist exclusively by the Board of Regents pursuant to KRS Chapter 164 and applicable laws. Indicators that might lead to an assessment of financial exigency include, but are not limited to:

- Significant, structural, and recurring operational deficits over multiple fiscal years that deplete reserves and cannot be eliminated through standard budgetary adjustments.
- Substantial, unplanned, and continued decline in enrollment, state appropriations, or other critical revenue sources that fundamentally impairs KSU's financial stability.
- Depletion of institutional reserves to a level that jeopardizes KSU's ability to meet its financial obligations (e.g., payroll, debt service).
- Inability to meet financial obligations or make payments on debts.
- A documented pattern of expenditures exceeding revenues that, if continued, would result in an inability to function.
- External factors, such as catastrophic events or drastic, unforeseen reduction in funding, that render the current financial model unsustainable.

It should be understood that these are indicators, and the presence of one or more does not automatically trigger financial exigency.

Financial Exigency Advisory Committee (FEAC)

An ad hoc committee, with representation from key university constituencies, convened by the President to thoroughly assess KSU's financial condition. The advisory committee is responsible for reviewing all relevant financial data, evaluating the effectiveness of prior resource management efforts, exploring all viable alternatives to exigency, soliciting campus-wide feedback, and making a formal recommendation to the President regarding a potential declaration of financial exigency.

Retrenchment

Strategic cost-cutting measures and resource reallocation efforts implemented to alleviate financial stress before resorting to the declaration of financial exigency and the potential abrogation of tenured faculty appointments or widespread involuntary personnel actions. Examples of retrenchment measures may include, but are not limited to:

- Hiring freezes or limitations on hiring.
- Restrictions on non-essential travel and discretionary spending.
- Voluntary separation or early retirement incentive programs.
- Reduction in administrative costs and operational efficiencies.
- Deferral of non-critical capital projects and major maintenance.
- Consolidation of academic or administrative units (where educationally and financially sound, and following appropriate governance processes).
- Across-the-board budget cuts for non-personnel expenditures.
- Suspension or elimination of non-essential services or programs (excluding the formal discontinuance of academic degree programs, which must follow established KSU academic governance procedures).
- Renegotiations of contracts and leases where possible.
- Enhanced efforts to increase revenues.

PROCESS:

Pre-Declaration Phase: Assessment and Recommendation

Originating from the Board of Regents:

- The Board of Regents may independently initiate consideration of financial exigency following its own assessment of KSU's financial status.
- The Board, through its statutory authority, may declare that KSU is in a state of financial exigency without the input of the administration, faculty, staff, or students.
- Alternatively, the Board may discuss the possibility of financial exigency with the President and other administrators at a regular or special meeting, providing its rationale and any supporting financial data, and may direct the President to undertake specific assessments or convene the FEAC as outlined below.

Originating from KSU Administration:

- The Vice President of Finance & Administration, based on ongoing financial monitoring, budget projections, analysis of key financial indicators, and the insufficiency of implemented retrenchment measures, shall formally advise the President in writing if financial conditions may warrant the declaration of financial exigency. This advice shall include a summary of the financial situation and relevant data.
- Within five (5) calendar days of receiving such advice, or upon their own determination of severe financial concerns, the President shall:
 - Inform the Chair of the Board of Regents of the situation.
 - Notify the KSU community (e.g., via official KSU email, website announcement) that KSU is formally assessing the possibility of financial exigency. This initial notification shall provide a general statement about the serious financial concerns, the initiation of a formal review process, and the forthcoming formation of the FEAC.
 - Convene the FEAC.
- Composition of the FEAC:
 - Provost and Vice President of Academic & Student Affairs
 - Vice President of Finance & Administration
 - Faculty Senate President (or designee)
 - Staff Senate President (or designee)
 - One (1) Academic Dean, elected by and from among their fellow Deans
 - One (1) Academic Chair, elected by and from among their fellow Chairs
 - Two (2) tenured faculty members, elected by the Faculty Senate
 - One (1) staff member, elected by the Staff Senate
 - Non-voting, ex-officio members shall include:
 - The Director of Human Resources (or designee)
 - The Student Government Association President (or designee)
 - The General Counsel (or designee)
- The President may appoint up to two (2) additional non-voting, ex-officio members in their sole discretion. The President shall appoint the Chair of the FEAC from among its voting members. The Chair shall be responsible for convening meetings, setting agendas in consultation with the committee, and ensuring the timely completion of the committee's report.

Charge and Work of the FEAC:

- The President shall provide the FEAC with a formal written charge, including a timeline for its work.
- The FEAC shall have access to all relevant institutional financial information (e.g., audited financial statements, budget reports, enrollment data and projections, revenue forecasts, debt obligations, status of reserves, details of prior retrenchment efforts) and key personnel necessary to conduct its work, subject to confidentiality agreements where appropriate for sensitive data.
- The FEAC shall:
 - Thoroughly investigate and analyze KSU's current and projected financial condition.
 - Evaluate the nature, extent, and effectiveness of past and ongoing resource management and retrenchment efforts.
 - Explore and document all viable alternatives to declaring financial exigency, including further specific retrenchment measures, revenue enhancement strategies, and strategic restructuring options, assessing their potential impact and feasibility.
 - Solicit campus-wide feedback on the financial situation and potential solutions through transparent means (e.g., dedicated KSU email address, secure online feedback forms, open forums, or town hall meetings, with summaries of non-confidential feedback made available).

FEAC Report and Presidential Recommendation:

- Upon completion of its work, the FEAC Chair shall submit a comprehensive written report to the President. This report shall include:
 - A detailed summary of its review process and methodologies.
 - An analysis of KSU's financial situation, including key data and projections.
 - An assessment of alternatives to financial exigency and their potential efficacy.
 - A summary of campus feedback received.
 - The FEAC's specific recommendation for or against a declaration of financial exigency, including a clear rationale and any dissenting opinions within the committee.
- The President shall review the FEAC report and may request clarification or additional information from the FEAC.
- The President shall then formulate their own recommendation to the Board of Regents. This recommendation, along with the full FEAC report, shall be forwarded to the Board of Regents for decision-making.

- At the time the President's recommendation and FEAC report are submitted to the Board, these documents (redacting any confidential personnel or proprietary information as necessary and permitted by law) shall be made available to the KSU community.

Board of Regents Deliberation and Declaration:

- If the Board of Regents chose to receive input from KSU's administrators, faculty, staff, and students, it shall review the President's recommendation, the FEAC's report, and any other relevant material in a timely manner.
- The Board's deliberations on whether to declare financial exigency shall occur during an open meeting, and any final vote on a declaration of financial exigency must be taken in an open session.
- A declaration of financial exigency shall be effective upon the formal vote of the Board and shall include a statement of the basis for the declaration. This declaration will be communicated promptly to the KSU community.
- If the Board declares financial exigency, it shall charge the President with developing and implementing a financial exigency plan.

Implementation of a Financial Exigency Plan

- Upon the Board's declaration of financial exigency, the President is responsible for the development of a detailed financial exigency plan. This plan shall be developed in consultation with the President's Cabinet, and/or a dedicated ad hoc committee appointed by the President for this purpose. If an ad hoc committee is used, its composition should aim to include representation from administration, faculty, and staff.
- **Principles Guiding Plan Development:**
 - The primary goal is to alleviate the financial exigency, restore financial stability, and ensure KSU's long-term viability while preserving KSU's core educational mission to the greatest extent possible.
 - The plan must be implemented in a fair, equitable, and transparent manner, consistent with KSU policies and values.
 - Decisions regarding reductions or eliminations should be data-informed, strategically aligned, and they must consider the impact on students, academic programs, and essential support services.

- **Content of the Financial Exigency Plan:**

The plan must include, but not be limited to:

- A summary of the actions that led to the declaration of financial exigency.
- Specific actions to be taken to address the financial crisis (e.g., programmatic changes, personnel reductions, operational adjustments).

- Clearly defined criteria to be used for making decisions regarding program modifications, consolidations, or discontinuations, and personnel actions.
- Projected cost savings or revenue enhancements from each action and their anticipated impact on alleviating the exigency.
- A detailed implementation timeline for all components of the plan.
- Provisions for affected employees, including notice periods, severance considerations (if any, beyond existing policy), outplacement services, and rights to recall, consistent with employment policies and employee contracts.
- A plan for ongoing communication with the KSU community regarding the implementation of the plan.
- The plan must comply with all KSU policies, individual employment contracts, and applicable federal and state laws, including those governing layoffs, discrimination, and faculty dismissals/contract modifications.
- The President must submit the complete financial exigency plan to the Board of Regents for its review and formal approval before implementation of actions that are irreversible or have significant long-term impact.
- No less than ten (10) business days prior to the Board of Regents meeting at which the financial exigency plan will be reviewed and discussed for approval, a copy of the proposed plan shall be provided to the Faculty Senate President, Staff Senate President, and Student Government Association President.
- These representative leaders must be notified of the date, time, and location of the Board meeting. They shall be provided a meaningful opportunity to address the Board of Regents regarding the plan, both by submitting written comments in advance and, if permitted by the Board, by speaking during a comment period.

Termination of Financial Exigency

- The President shall provide the Board of Regents with periodic formal updates regarding KSU's financial status and progress in implementing the financial exigency plan. These updates should include current financial statements, progress toward financial targets, and any proposed modifications to the plan. These updates will also be shared with the KSU community.
- The President, or the Faculty Senate, Staff Senate, or Student Government Association through their respective leadership, may petition the Board of Regents in writing for the termination of financial exigency. Such petitions should include evidence demonstrating that the financial crisis has been alleviated and that KSU's financial stability has been restored. Petitioners may also request an opportunity to address the Board in person.
- Criteria for considering termination of financial exigency may include, but are not limited to:
 - Achievement of financial targets outlined in the financial exigency plan.
 - Sustained evidence of financial stability (e.g., balanced budgets without reliance on one-time funds for a defined period, such as two (2) consecutive fiscal years).

- Restoration of adequate financial reserves to levels established by Board policy or financial best practices.
- A positive outlook for future revenues and expenditures.
- The ability to meet all current and projected financial obligations.
- Financial exigency may only be terminated when the Board of Regents, after reviewing relevant data and petitions, formally declares by vote in an open public session that the state of financial exigency no longer exists due to the significant and sustained improvement of KSU's financial conditions.
- The Board's decision to terminate financial exigency shall be communicated promptly to the KSU community.

Post-Exigency Considerations

- Following the formal termination of financial exigency, KSU shall prioritize the strategic restoration of resources, programs, and positions that support KSU's core educational mission and strategic priorities. These decisions will be made through KSU's regular strategic planning and budgeting processes, with appropriate consultation and input from relevant university constituencies.
- Academic programs or administrative units that were eliminated or substantially reduced during financial exigency may be considered for reinstatement or enhancement only through the normal institutional approval processes for new programs or significant program modifications. There is no automatic reinstatement.
- To the extent feasible and consistent with university needs and policies, KSU will give good-faith consideration to qualified individuals whose positions were eliminated or who were laid off due to financial exigency should similar positions for which they are qualified become available within one year post-termination of exigency.

Communication

Throughout all phases of considering, declaring, implementing, or terminating financial exigency, KSU is committed to ongoing, transparent, and timely communication with the KSU community through university channels. This includes providing updates on the financial situation, processes being followed, decisions made, and the rationale behind those decisions, to the extent possible and appropriate.

Severability

If any part of this policy is found to be in conflict with applicable laws, regulations, or other governing KSU policies, the conflicting part of this policy will be considered invalid, but the remaining parts will stay in effect. The policy shall be interpreted to be consistent with all applicable legal requirements.

REFERENCES AND RELATED MATERIALS:

- KRS 164.350, KRS 164.360, and related Kentucky Revised Statutes
- The Gold Book
- Faculty Dismissal Policy
- Reduction in Force Policy

CONTACTS:

Subject	Office	Telephone	E-mail
Policy Questions	President	(502) 597-5509	Koffi.Akapo19@kysu.edu President@kysu.edu
Policy Interpretation	General Counsel	(502) 597-6414	Zachary.Atwell@kysu.edu General.Counsel@kysu.edu

HISTORY:

Revision Type	Date of Issuance/Revision	Drafter(s)/Editor(s)
Issued (New Policy)	June 2025	Zach Atwell
