



**Northern Illinois
University**

Proposed Update of Financial Exigency Policy

Board of Trustees of Northern Illinois University
Ad Hoc Committee on Governance
July 21, 2016 ♦ DeKalb, Illinois

Current Financial Exigency Policy



- The current policy is:
 - Antiquated
 - Limits the Board and President
 - Requires exigency decision to be made on state appropriation which now represents only approximately 40 % of our FY16 Operating Budget
 - Written in 1996 at a time when 68% of operating budget came from state appropriations; now only 38%
 - Uncertain about the composition of the panel
 - Problematic in implementation
- **While current conditions do not meet the proposed definition** of financial exigency the Board is asked to consider a proposed update of this policy which no longer is tied only to decreases in State operating appropriations
 - Current Financial Exigency Review initiative is work product of the Office of General Counsel, Human Resource Services and Senior Cabinet
 - Will be further vetted with the University constituents

Current Definition



Board Regulations (Section II) currently define financial exigency as:

A financial exigency is a condition affecting a whole university. It will be considered to exist when

(1) **the State operating appropriation** for Northern Illinois University, adjusted for any mandated salary increments and for the impact of inflation on nonpersonal service costs and excluding retirement, **is expected to be less than that of the previous year or when the funds made available to operate the university are reduced in the course of a fiscal year below the level of the appropriation authorized by the Governor and General Assembly**, and

(2) when either type of reduction is evaluated in relation to the major program and service commitments of the university can be expected to require a reduction in the number of authorized faculty positions and the emergency layoff of tenure-track or tenured faculty.

Proposed Definition



For the purpose of this Bylaw, financial exigency shall be defined as follows:

“Financial exigency is a formal declaration by the Board of Trustees, upon recommendation of the President or by the Board independently, after consultation with appropriate University stakeholders, wherein there is a finding that the **current financial environment of the institution presents a materially adverse effect on the operations and ability of the institution to fulfill its mission.**

“This finding may be based upon an imminent financial or fiscal crisis, which is the result of reduced appropriations, declining enrollments, current or projected absences of sufficient funding and any other factors, actions or events that threaten the viability of the institution as a whole and compels a significant reduction in the University budget in order to maintain University programs and activities at a level sufficient to its educational goals and priorities.”

Proposed Definition of Financial Exigency



- No longer merely tied to decreases in State operating appropriations
- New standard: “finding that the current financial environment of the institution presents a materially adverse effect on the operations and ability of the institution to fulfill its mission.”
 - The finding may be based on: reduced appropriations, declining enrollments, current or projected absences of sufficient funding and other factors, actions, or events.
 - Such factors must compel a significant reduction in the University budget

Current University Bylaw



Article 2.7 Financial Exigency Advisory Committee

- If the president believes a financial exigency is imminent, the president, in consultation with the Resources, Space, and Budgets Committee, shall form a Financial Exigency Advisory Committee, some of whose members shall be voting members of the Resources, Space, and Budgets Committee.
- All procedures, criteria, and guidelines developed by the committee to carry out the provisions of this bylaw and of the board regulations shall be reviewed by the University Council before any exigency-related decisions are undertaken.

Outside Considerations



- Final Exigency Plan will, at a minimum, need to be mindful of:
 - The State and Federal WARN Act
 - At least 60 days notice to employees subject to layoff
 - State Universities Civil Service Rules for Civil Service employees
 - Provisions from relevant Collective Bargaining Agreements
 - Due Process and rehiring considerations for displaced employees

Highlights of the Proposed Policy



- Amended process:
 - Before the Declaration of Financial Exigency:
 - President consults with, at a minimum, University Advisory Committee, University Council, and Student Association.
 - If the President is convinced financial exigency, a recommendation is made to the Board to declare financial exigency.
 - Still Requires Board Action to Declare Financial Exigency
 - Changed the voting requirement to a super-majority of the full Board as constituted under the Northern Illinois Law or other applicable law.
 - *Current full Board is 8 members, current quorum is 5 members.*
 - After declaration of Financial Exigency:
 - President develops, in consultation with the Advisory Financial Advisory Committee, and others as necessary, a Financial Exigency Plan for review and approval of the Board.

Next Steps



Further input from:

1. The Senior Cabinet
2. University Constituent Groups
3. Board's Ad Hoc Committee on Governance