To the Faculty:

Folks,

The EKU Board of Regents held its fall quarterly meeting on Monday September 24th in the new Faculty Center for Teaching and Learning (Library 318). Today I’d like to share with you a few of the highlights.

Barry Poynter shared some preliminary budget data showing total E&G Revenue down by approximately $8 million compared to this time last year. This is due to a combination of factors but $2.6 million of that is due to decreased fall tuition revenue. There will still be some additional fall tuition revenue from online courses yet to be received. Special use fees including the Asset Preservation fee have been moved into a restricted accounts, so there is actually more revenue this year, but the restricted funds do not show up as E&G Revenue. State Appropriations are down $257,000 to date.

The Board received an update on the performance of our auxiliary units so far this year and with the exception of the Airport FBO, all units are self-sustaining - and the Airport is only down $22 thousand. This is a substantial improvement over recent years. Housing revenue is up more than $2 million, the Center for the Arts is up about $300 thousand, parking is up, and the Club at Arlington is operating in the black by almost $27 thousand.

David McFaddin and Tanlee Wasson brought the Board up-to-date on the Implementation Team’s work on meeting the FY 19 budget goals. It was essentially the same information shared with the campus via email on August 31st. They also shared data on performance funding.
Last year EKU’s state allocation was ~$65 million. A 6.25% cut dropped our FY 19 allocation to $60,801,700.

The state’s 6.25% cut totaled $57 million for the whole sector. (EKU’s share of the cut was ~$4 million.) Then the state put $31 million of that amount back into an “additional performance allocation.” This year institutions were “held harmless.” So, most of that money was used to “prop up” those institutions that would have lost money otherwise.

$24 million was distributed to 4-year institutions, with the balance going to KCTCS.

In essence, the 6.25% cut funded the performance pool, and we must compete for those dollars with other institutions, including UK. EKU performed relatively well, gaining $1.7 million over its contribution, but still ended up with ~$850,000 less than last year.

### FY 2019 State Allocation Summary

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2018 Total Allocation</td>
<td>$65,045,200</td>
</tr>
<tr>
<td>6.25% Enacted Cut</td>
<td>($4,065,325)</td>
</tr>
<tr>
<td>FY 2019 Budgeted Allocation (not including PF)*</td>
<td>$60,801,700</td>
</tr>
<tr>
<td>Performance Funding Allocation by Outcomes</td>
<td>$1,729,500</td>
</tr>
<tr>
<td>Additional Performance Allocation</td>
<td>$1,657,800</td>
</tr>
<tr>
<td>FY 2019 Total Allocation</td>
<td>$64,189,000</td>
</tr>
<tr>
<td>Difference from FY18 to FY19</td>
<td>($856,200)</td>
</tr>
</tbody>
</table>
Performance Funding

- EKU’s $54,278,600 contribution represents 10.8% of the total funds in the performance pool ($504,883,300). When the percent of funds awarded for a specific outcome exceeds the percent contributed, the institution has earned funding for that outcome.

<table>
<thead>
<tr>
<th></th>
<th>Contribution Percentage</th>
<th>Credit Hour Share</th>
<th>Square Feet Share</th>
<th>Inst Support Share</th>
<th>FTE Student Share</th>
<th>Success Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>30.3%</td>
<td>30.2%</td>
<td>34.4%</td>
<td>27.5%</td>
<td>32.2%</td>
<td>32.0%</td>
</tr>
<tr>
<td>UofL</td>
<td>22.1%</td>
<td>22.8%</td>
<td>19.4%</td>
<td>25.5%</td>
<td>20.8%</td>
<td>21.1%</td>
</tr>
<tr>
<td>EKU</td>
<td><strong>10.8%</strong></td>
<td><strong>11.7%</strong></td>
<td><strong>10.5%</strong></td>
<td><strong>10.2%</strong></td>
<td><strong>10.9%</strong></td>
<td><strong>10.9%</strong></td>
</tr>
<tr>
<td>KSU</td>
<td>2.8%</td>
<td>1.0%</td>
<td>3.1%</td>
<td>1.5%</td>
<td>1.2%</td>
<td>1.7%</td>
</tr>
<tr>
<td>MoSU</td>
<td>6.3%</td>
<td>5.6%</td>
<td>6.0%</td>
<td>5.7%</td>
<td>5.7%</td>
<td>5.3%</td>
</tr>
<tr>
<td>MuSU</td>
<td>7.4%</td>
<td>6.8%</td>
<td>8.8%</td>
<td>7.7%</td>
<td>7.1%</td>
<td>7.3%</td>
</tr>
<tr>
<td>NKU</td>
<td>8.5%</td>
<td>9.1%</td>
<td>8.2%</td>
<td>9.0%</td>
<td>9.5%</td>
<td>9.5%</td>
</tr>
<tr>
<td>WKU</td>
<td>11.9%</td>
<td>12.8%</td>
<td>9.6%</td>
<td>12.9%</td>
<td>12.6%</td>
<td>12.2%</td>
</tr>
</tbody>
</table>

EKU contributed 10.8% of all the money in the performance pool. The way the system works, any place where we went above that percentage, we gained dollars. Below that percentage, we lose dollars. If you notice the square footage share, EKU was actually second in adding square footage last year. But everyone was so dominated by UK’s ability to build ($650 million, last I heard) and we actually ended up losing money on that indicator.

Our **Student Success share** came in at 10.9%. Here’s a breakdown of that component with gains in green and loses in red.
With the exception of URM Degrees (underrepresented minority), which is a full two points below target, all other components are above or very near or 10.8% target.

Performance Funding

- EKU gained $1.7 M above its contribution to the formula based on performance (not including the additional allocation)

- There was a 1% stop loss in place for FY19 so the institutions that would have lost funding due to performance did not lose to the extent noted in this table. The additional funds allocated to performance fund covered those losses and provided additional funding for the other institutions.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Contribution</th>
<th>Outcomes Total</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>152,994,000</td>
<td>157,452,600</td>
<td>$4,458,600</td>
</tr>
<tr>
<td>UofL</td>
<td>111,523,900</td>
<td>110,752,900</td>
<td>($771,000)</td>
</tr>
<tr>
<td>EKU</td>
<td>54,278,600</td>
<td>56,008,100</td>
<td>$1,729,500</td>
</tr>
<tr>
<td>KSU</td>
<td>14,356,400</td>
<td>7,566,500</td>
<td>($6,789,900)</td>
</tr>
<tr>
<td>MoSU</td>
<td>31,578,800</td>
<td>28,099,800</td>
<td>($3,479,000)</td>
</tr>
<tr>
<td>MuSU</td>
<td>37,363,300</td>
<td>36,831,000</td>
<td>($532,300)</td>
</tr>
<tr>
<td>NKU</td>
<td>42,702,400</td>
<td>46,173,000</td>
<td>$3,470,600</td>
</tr>
<tr>
<td>WKU</td>
<td>60,085,900</td>
<td>61,999,400</td>
<td>$1,913,500</td>
</tr>
</tbody>
</table>

Full implementation of the performance funding model is not due until 2022, but it is already clear that the comprehensive universities are much less likely to prosper under this plan.
The **long-term projection** shows EKU meeting five components. You will notice the bachelor’s degree component is not checked. This is because the projections are based on a rolling 3-year average within the sector, and even though we outperformed on this item, somebody else grew faster than we did and we are projected to lose ground on this component.

With UK performing above the sector average in all categories - and despite the fact that EKU ranks third with 5 categories marked - it is probably useful to see this slide as a predictive indicator of the areas where we are likely to find future success under this model. So, EKU is performing well. But the challenging part for us is that the R1 institutions are resourced in such a way that, while we may perform above the sector average and above our own goals, we still may lose funds under this model.

The governor was at a town hall forum in Richmond last week, was asked about performance funding, and remains committed to full implementation of the model in 2022 without any safety nets.

The model is set for review in 2020 and discussions have already begun with the hope of separating the R1s from the comprehensive’s sector.
The comprehensives carry the burden of a pension obligation that the R1s don’t and we are under-resourced for competition with UK. President Benson is in conversation with other regional university presidents who are committed to pushing for a rebifurcation of the sectors when it comes up for review in 2020. He pointed out that we want UK and UofL to do well, but we are fundamentally different institutions. Benson told the Board, “We will compete with everyone below that UofL line, and look how well we did.” The administration believes EKU will compete quite well within the group of regional institutions.

The Board also agreed to delegate authority for management of the university’s Optional Retirement Plan to the president. This “housekeeping item” rectifies an omission that probably ought to have been handled at the time the ORP was established. As I understand it, the Board set up ORPs some number of years ago but failed to grant the president the authority to make adjustments in a timely fashion. Changes had to await approval by the Board. That kind of delay can hamper the institution in making timely adjustments in its investments as economic factors change. Typically, one would want their investment advisors to move quickly when opportunities appear.

The resolution calls for the creation of an oversight committee. In fact, a small ad hoc faculty and staff committee, including Ben Woodruff and Burke Christensen from Finance, has been operating for a little while. With passage of the resolution, the committee will now be formalized into the university’s committee structure. Members will be required to have an appropriate level of financial acumen.

**Eastern Kentucky University**

**Board of Regents**

**RESOLUTION**

WHEREAS, KRS 161.567 authorizes an optional retirement plan for certain eligible, designated employees of public postsecondary education institutions;

WHEREAS, KRS 161.567 requires the Board of Regents to select two (2) to four (4) companies from which to purchase contracts under the optional retirement plan under a statutorily-designated set of criteria;

WHEREAS, the Board of Regents is vested with authority to delegate responsibility to the President of the University;

WHEREAS, the President may utilize an appropriate committee(s) and/or consultant(s) to assist with the development and execution of the Retirement Plan Investment Policy Statement;

**BE IT THEREFORE RESOLVED** that the Eastern Kentucky University Board of
Regents hereby delegates authority and responsibility to the President of Eastern Kentucky University for the selection of the optional retirement plan providers;

**BE IT FURTHER RESOLVED** that the President is authorized to execute and amend Retirement Plan Investment Policy Statement to provide parameters to the retirement carriers and consultants as it relates to adding and removing investment "fund" choices for the Plan; and

**BE IT FURTHER RESOLVED** that the Eastern Kentucky University Board of Regents recognizes that the President may utilize an appropriate committee(s) and/or consultant(s) to assist with the development and execution of the Retirement Plan Investment Policy Statement.

Done this the 24th day of September, 2018, by the Board of Regents of Eastern Kentucky University.

Consistent with Policy 4.8.1, the Board of Regents concluded an **evaluation of the president of the university** at Monday’s meeting. Chairman Turner asked me to lead the process which put before the members data collected from the faculty, staff and a number of external stakeholders. The president also submitted a self-evaluation of his first five years at EKU. I believe it is accurate to say that for the first time in university history the Board of Regents discussed the performance of the president in public session.

**Executive Summary: Evaluation of President Michael T. Benson**

When the EKU Board of Regents set out in 2013 to attract the University's 13th president, it declared that it was seeking an innovative and visionary leader with demonstrated abilities in budgetary and financial management, one who was committed to academic excellence, diversity and fundraising, and accomplished in interpersonal communications and human relations, including success in the external political environment.1

Recent surveys of EKU faculty, staff and external stakeholders confirmed general satisfaction with the performance of President Michel Benson, particularly his representation of the University around the state, as he enters his sixth year at the helm.

The faculty survey obtained a strong 55 percent return – typical response rates for internal surveys range from 30 to 40 percent. Since it was decided to poll
every faculty member rather than conduct a random sample, the results cannot be generalized, but the strong response produced useful information.ii

Overall, 55 percent of faculty and 69 percent of staff rated President Benson as effective or very effective. Both groups scored the president most highly on governmental relations, meeting the ongoing commitments of the University’s Strategic Plan, exhibiting integrity and compassion, offering vision, effective communications, visibility, personal relations, and maintaining a safe campus. iii

The surveys suggested opportunities for improvement in the areas of maintaining positive morale, delegating authority to appropriate individuals, evaluating performance, obtaining and distributing resources for personnel development, and offering competitive salaries. Since 2013, $15.3 million have been added to the total faculty and staff payroll, including various across-the-board and equity raises, plus the attendant fringe benefits.iv Unfortunately, increases in faculty and staff spending power were significantly offset by rising benefit costs as the University grappled with continued declines in state appropriations and resulting budget cuts.v

In a separate survey, 100 percent of external stakeholders rated President Benson as either effective or very effective.iv

President Benson’s tenure has been distinguished by a comprehensive campus revitalization initiative designed to transform the living and learning experience of EKU students. In the last two years alone, the University has opened the second phase of its Science Building, three new residence halls, a new dining hall and a parking garage, among other improvements, generally financed by innovative public-private partnerships. In late 2019, the University will open a new recreation center and a renovated student union, both financed by a Student Senate-approved student fee.

Other recent accomplishments include record levels of private support, a very successful national re-accreditation, a doubling of the four-year graduation rate and improvements in freshman retention, and near-record enrollments.

President Benson’s new book, co-authored with former colleague Hal Boyd, is titled “College for the Commonwealth: A Case for Higher Education in American Democracy” and will be available October 22.

After an open discussion of the evaluation, the Board approved the following statement: “The Board thanks President Benson for furthering the lives of EKU students and for sustaining the mission and values of the University. We appreciate his great work, his leadership and his impact on students. President Benson has a talent for personal relations, and that contributes greatly to the mission of the University and to our development efforts.”
The Board also said in its statement that it is “encouraging the president to look for opportunities to raise faculty and staff salaries to competitive and equitable levels.”

Board members were also advised that a new revision of KRS 164.321 has necessitated a review of University Policy and Board of Regents Bylaws regarding “an annual evaluation of the president of the university.”

While the law does not directly address annual evaluations of the president as a requirement, it does list failure to conduct an annual evaluation as one factor that “shall be cause for the governor to remove all appointed members of the board...” What constitutes an annual evaluation is not specified, so it would seem the Board has some latitude to describe in policy how such evaluations would occur. An abbreviated process most years, with a formal review every three years, or so, would fit our current practice.

My initial thoughts were that a formal annual evaluation of the president was overly ambitious. But after going through this process, I find myself increasingly favoring a process that annually reviews the president, at the same time we annually review our institution’s progress against the strategic plan.

Further, the law seems to establish a baseline expectation for each Board of Regents:
- to hold quarterly meetings
- to elect a chairperson annually
- to establish a quorum
- to adopt an annual budget
- to set tuition rates
- to conduct an annual evaluation of the president of the university
- to carry out its primary function to periodically evaluate the university's...progress in implementing its mission, goals, and objectives to conform to the strategic agenda
- or to otherwise perform its duties

The Board agreed to charge the Executive Committee of the Board of Regents with reviewing current policy and bylaws and outlining a new process for annual evaluation of the president.

The next meeting of the Board of Regents is scheduled for December 3rd at 10:30am in Martin Hall.

Respectfully,

Richard

1 OK, so technically, the Board was seeking its 12th president at the time Benson was selected. But subsequently, Mary Roark was retroactively declared to be EKU’s 2nd president and Benson became #13.
Under Policy 4.8.1, the faculty-at-large contributes to this review by completing a survey conducted by the Faculty Senate Executive Committee which assesses the president’s leadership, management, communication, personal relations, fairness, and an overall evaluation. The Faculty Senate went beyond the policy adding a new section to the survey which assesses the institution’s progress against its Make No Little Plans: Vision for 2020 Strategic Plan. An objective summary of faculty input was reported to the Board in March, 2018.

The faculty’s view of the president is generally positive but opinions are spread widely. Overall, 55.26% of the faculty rated the president as effective or very effective. But 26.43% rated him as ineffective or very ineffective, with 18.32% neutral on the question. The assessment of the staff was more positive with 69% rating the president as effective or very effective overall, but that percentage is down from 71.15% in 2015.

This is a total of $10.5 million base funds; with an estimated 46% composite fringe rate, that adds another $4.8 million, for a total salary and benefits of $15.3 million.

- $3.7 million 2.5% across-the-board increase Fall 2013
- $500K Step-in-Grade Program Spring 2014
- $1 million IPEP Phase I (29% of total need) Spring 2014
- $1.3 million IPEP Phase II (67% of total need) Summer 2015
- $3.0 million 2.5% across-the-board increase Fall 2015
- $1.0 million FLSA requirements left in place Fall 2016

Part of the challenge of accurately reading survey data is to find the story that the numbers tell. This is not fully possible without random sampling, but with a survey of this type, it is more important that all constituents “have their say” than it is to structure the survey in order to employ the benefits of inferential statistics. But if we look to the extremes, it is possible to get a sense of how the president is viewed in terms of strengths and weaknesses. For example, if we were to arbitrarily accept that any item where more than 2/3rds of the respondents identified a strength, is a strength - and similarly that any item where more than 1/3 identified a weakness, is a growth area - then we might conclude the following based on the faculty results: President Benson exhibits integrity; is visible; represents the University effectively; shows respect for students, faculty, staff and other administrators; has plans for accomplishing long- and short-term goals; uses appropriate channels to convey information on a timely basis; is genuinely concerned with the needs of others; shows consideration for others’ time and effort; adheres to procedures in the Faculty handbook; and is compassionate. He is an advocate for increased support for higher education, and is committed to promoting service and maintaining a safe campus. Growth areas for the president include maintaining morale; choosing competent subordinates; delegating authority to appropriate persons; obtaining resources to further personnel development; and avoiding giving preferential treatment to individuals, departments and colleges/units. He should increase support for the liberal arts core; promote financial efficiency and transparency; and raise faculty and staff salaries to competitive and equitable levels.

Overall Performance Rating Percentage by Respondent Type

<table>
<thead>
<tr>
<th>respondent type</th>
<th>inappropriate</th>
<th>ineffective</th>
<th>neutral</th>
<th>effective</th>
<th>very effective</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty (N=333)</td>
<td>11.41%</td>
<td>15.02%</td>
<td>18.32%</td>
<td>30.03%</td>
<td>25.23%</td>
<td>100%</td>
</tr>
<tr>
<td>Staff (N=379)</td>
<td>5.54%</td>
<td>11.08%</td>
<td>14.78%</td>
<td>33.77%</td>
<td>34.83%</td>
<td>100%</td>
</tr>
<tr>
<td>EKU Internal Boards¹ (N=29)</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>27.59%</td>
<td>72.41%</td>
<td>100%</td>
</tr>
<tr>
<td>External Stakeholders² (N=17)</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>5.88%</td>
<td>94.12%</td>
<td>100%</td>
</tr>
</tbody>
</table>

¹Includes Alumni Board, Foundation Board, and Board of Regents
²Includes Higher Education peers, local community leaders, and state leaders