

The University Senate of Michigan Technological University

PROPOSAL 9-00

SENATE RESOLUTION ON THE 2000-2001 ACADEMIC YEAR BUDGET

The University Senate of Michigan Technological University resolves:

That Michigan Tech must continually reallocate existing resources. An open reallocation process should follow a strategic plan designed to promote improved quality and pursuit of the University's missions; and

That the current process for assembling a budget for 2000-2001 should be reconsidered, in favor of an open, participatory process in which the administration provides full information about its budget scenarios and discusses alternative priorities; and

That involuntary personnel cuts should be the last resort in achieving a balanced budget; and

That to better address underlying budgetary difficulties, Michigan Tech must develop improved budget reporting and better management and budgeting capabilities; and

That Michigan Tech should explore a carefully constructed voluntary separation program designed to encourage the orderly turnover of administration, faculty, and staff.

BACKGROUND

The University Senate agrees that Michigan Tech must continually reallocate existing resources. An open reallocation process should follow a strategic plan designed to promote improved quality and pursuit of the University's missions. The University Senate contends, however, that the current budget exercise of identifying possible 5 percent budget reductions is better characterized as a short-term budget-balancing action. This process has not been driven by the Strategic Plan, still in draft form. It is specific budget priorities chosen by the administration that yield a projected deficit. The administration has then proposed cuts to meet that shortfall. The Senate believes that a budget built on other choices and priorities might eliminate both a deficit and the need for budget reductions.

To address the uncertainty surrounding the development of the 2000-2001 academic year budget the University Senate resolves:

1A. The current budgeting reduction exercise should be reconsidered and a more open process established. The current effort requires contemplation of deep cuts that threaten morale and compromise basic missions of the University. Units are asked to propose cuts without full knowledge of strategic initiatives. Subsequent explanations of this approach have not identified a process or decision-making priorities for the exercise, so confusion or uncertainty remain. The Senate requests a full explanation of the priorities incorporated into the administration's budget scenario. While appreciating the President's stated intent of creating a salary increase pool of 6 percent, the lack of information about the process to be followed, the principles upon which decisions are to be made, and the other priorities embedded within this budget have created an unhealthy dynamic on campus. This can be dispelled through a dialogue about budget parameters, priorities, and possible alternatives.

2A. If expenditure reductions are required, the Senate proposes the following core principle to guide decision-making: **Involuntary personnel reductions must be the last resort.** All other avenues for reducing expenses must be considered first. Options include delaying building opening or construction

plans, instituting a hiring freeze, and changing other spending priorities. The fact is, budgeting priority decisions have created the current shortfall; this situation is not forced upon MTU by outside events beyond our control. We simply cannot do all we would like to do with the resources we have.

This is the second straight year of serious, difficult budget decisions, while a general pattern of budgetary difficulties has an even longer history. To address underlying causes, the Senate resolves:

1B. The administration and Board of Control should improve budgeting, reporting, and budgetary management capabilities. In July 1999, the administration promised that the difficulties then being experienced would not be repeated. The current round of difficulties suggests a thorough overhaul of MTU's management, budgeting, and financial structure is required. Specifically, the Senate recommends that the administration: (a) Present financial information and the budget in terms of combined current funds and combined all funds to give a clear picture of the University's overall financial picture; and (b) Develop improved financial controls, an open budget development process, and better oversight mechanisms.

2B. The administration also should explore a different approach to reallocating administration, faculty, and staff resources. Currently, we are attempting to recruit more students, but that takes time, if it happens at all. In the meantime, MTU faces current deficits and costly demands that threaten quality in some programs. The University Senate recommends a different approach: Reallocate administration, faculty, and staff in line with strategic priorities via a carefully constructed voluntary separation program. Encouraging voluntary turnover of personnel need not be expensive and eliminates the morale problems caused by involuntary terminations. Such a program should be **permanent**, since regular turnover allows greater flexibility in strategic reallocations. It should also be **consistent** for all, **predictable**, and **fair**. It should recognize the significant contribution of long-term employees to Michigan Tech.

The University Senate directs that this resolution be conveyed to the administration, the Board of Control, and to the campus community through the Michigan Tech Lode. It requests a response from the administration.

Adopted by Senate: March 22, 2000

Administration responded: April 7, 2000