

# The University Senate of Michigan Technological University

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## PROPOSAL 1-99

### POLICY AND PROCEDURES FOR A FINANCIAL CRISIS

#### A. Introductory Statement

1. This policy is intended for contingencies in which the University is confronted with a financial shortfall due to circumstances largely out of the control of the University. This policy is intended for situations requiring decisive action within a period of about one to six weeks. Action over a more extended period is covered in the Policy for Financial Stress (*q.v.*).

2. It is incumbent on the University to plan for periods of financial distress. The procedures of this policy require some time to be implemented. Financial reserves should be set aside and/or a financial contingency plan must be prepared to enable the University to meet financial obligations during the period in which these crisis procedures are carried out.

#### B. Committee Membership

1. Financial Emergency Committee: A committee of faculty and staff consisting of the Officers of the University Senate (President, Vice President, Secretary), and Senate-approved members of the Senate Finance Committee. Chaired by the President of the Senate.

2. Executive Budget Council: Executive Vice President and Provost, Chief Financial Officer, Vice President for Governmental Relations, Senior Vice President for Advancement, Director of Budgeting and Planning. Chaired by the Executive Vice President and Provost.

3. Reconfiguration Committee: The Executive Budget Council (above), the Officers of the University Senate, two members of the Senate Finance Committee selected by the Senate, President of Staff Council, and the Deans of the Colleges and Schools. A representative from Human Resources shall serve without vote.

#### C. Declaration of a Financial Crisis

1. The procedures below shall be followed when, on the basis of information from the Executive Budget Council, the President believes that a financial emergency exists which may justify declaration of a Financial Crisis. The emergency shall be an extraordinary one threatening the University as a whole so that usual procedures of planning, management, budgeting and cost-reduction are not adequate to meet necessary budget reductions within the time available. Factors other than the financial emergency, including a need to reorganize the University or to implement long-range educational policy, shall not be used to justify the declaration of a Financial Crisis. However, declaration of a Financial Crisis shall not preclude consideration of these factors in resolving the emergency.

#### 2. Procedures for Declaration of a Financial Crisis

a. The President shall call the Financial Emergency Committee into session. The President shall inform the Committee of the nature and severity of the perceived Financial Crisis, and shall present a timetable for sending a recommendation to the Board of Control.

b. The Financial Emergency Committee shall draft a Senate recommendation on declaring a Financial Crisis. The recommendation in proposal form shall be distributed to all senators.

c. The Senate President shall call a meeting of the University Senate. At that meeting, the President and other administrative officers shall inform the Senate of the nature of the financial problem. The Senate shall determine whether, in its judgement, a declaration of Financial Crisis is warranted. The Senate shall record this determination expeditiously as a recommendation in a proposal communicated by the Senate President to the President.

d. The Financial Emergency Committee shall separately determine whether there exists a Financial Crisis as defined above, and may call for an independent audit of the financial status of the University. This committee shall communicate its decision to the President.

e. If the Financial Emergency Committee and the President agree that a Financial Crisis exists, then a joint recommendation for declaring its existence shall be forwarded to the Board of Control. If the Financial Emergency Committee and the President do not agree, their separate determinations shall be forwarded to the Board of Control. In either case, supporting documents shall be attached, and the recommendations shall include a termination date for the proposed period of Financial Crisis.

f. In either instance (C.2.e. above) the Senate recommendation shall be sent as a separate document to the Board of Control.

g. A state of Financial Crisis shall exist upon declaration of the Board of Control.

#### D. Procedures for a Financial Crisis

The following procedures below shall be followed when the Board of Control has declared the existence of a Financial Crisis.

1. Immediately after the declaration of a Financial Crisis, the Executive Budget Council shall provide the vice provosts, deans, and directors with guidelines for preparing plans for reductions of budgets. These guidelines shall also be furnished to the Financial Emergency Committee.

Guidelines may include incentives for cutting costs, such as arranging for some portion of the budget given up by a unit to be returned to that area as discretionary funds.

2. Vice provosts, deans, and directors shall generate plans for budget reductions. The procedures for generating plans shall insure that adequate input is sought actively and is received from faculty, staff and students; this input shall be documented in writing when the plans are submitted. Vice provosts, deans, and directors may review their plans with Human Resources to ensure protection of rights of affected individuals.

The proposed plans are expected to consider the possible unequal treatment of units. Vice provosts, deans, and directors may expect that areas will not be treated equally.

The proposed plans shall be submitted to the Office of the Executive Vice President and Provost. Only those plans meeting the guidelines (D.1. above) will be forwarded to the Reconfiguration Committee.

3. The Reconfiguration Committee will review the proposed plans and make its recommendations to the President. These recommendations may be modifications of the submitted plans, in which case the modifications should be noted. Or, the recommendations may be original with the committee, for example the merger or termination of areas.

The Reconfiguration Committee should be provided with all the information needed for its deliberations, including supporting data from the areas, program reviews, and upon request, explanations of the proposed plans.

4. In its deliberations, the Reconfiguration Committee shall

- a. verify adequacy and accuracy of documented employee input into the proposed plans (see D.2. above);
  - b. seek alternatives to any plans that would result in involuntary termination of positions of faculty and staff;
  - c. determine that all plans are consistent with existing policies of the University;
  - d. identify, create (if necessary), and evaluate plans avoiding the termination of faculty and staff, including such measures as temporary furlough, reduced time appointments, severance pay for resignation, and incentives for early retirement, to meet the crisis in the short term and to allow orderly planning over longer periods.
5. The Reconfiguration Committee shall propose to the President all feasible measures of cost reduction short of removal of staff and faculty.
6. Hiring of new faculty or staff during a Financial Crisis shall be limited to extraordinary circumstances (*e.g.* replacing a recently deceased employee) where an existing program would be otherwise seriously affected. Any such hiring must be approved by the Reconfiguration Committee.
7. If the President determines that the budgetary measures to be implemented (D.5. above) are not adequate to resolve the Financial Crisis, the President shall ask the Reconfiguration Committee to recommend program reconfiguration which involve the removal of faculty and staff.

Such recommendations for reconfiguration shall be developed following these principles:

- a. Consistent with the role and mission of the University, recommendations will protect academic programs and educational needs of students.
  - b. The recommendations shall protect the University's commitment to tenure. Thus, elimination or reconfiguration of a program or department is the only procedure by which tenured faculty may be removed.
  - c. The recommendations shall protect the University's commitment to equal opportunity and affirmative action.
  - d. The recommendations shall provide that the budget for salaries and wages of the Administration's first, second, and third echelons as a unit shall be reduced by the same percentage as the budgeted salaries and wages across the University.
8. The recommendations from the Reconfiguration Committee shall be presented to the University Senate concurrently with their presentation to the President.

#### 9. Recommendations for Reconfiguration of Programs

- a. Definition: Programs are defined as departments, degree programs, majors or options within departments, interdepartmental degree programs, and units.
- b. Definition: Reconfiguration may involve one or a combination of the following, any of which result in a loss of jobs: absorption of one or more programs unto another program; merger or consolidation of two or more programs to form a new program; separation of a program into two or more programs; elimination.
- c. When the Reconfiguration Committee begins formally to consider reconfiguration of a program, the dean or director of the program will notify in writing each faculty and staff member of the program that such consideration has begun. Students in the program shall be given public notice. The President of the University Senate shall similarly notify and inform the Senate.

#### d. Criteria for Consideration of Proposals for Reconfiguration

- 1) The Reconfiguration Committee shall base its consideration of the proposed program reconfiguration on criteria of quality, centrality, need, and cost. A list of more specific considerations is provided below.
- 2) Not all criteria will have equal weight nor should proposals be evaluated on some algebraic formula based on the criteria. The listing is to be considered as a reminder of factors to be included in review of proposals for reconfiguration.
- 3) Criteria may have different implications in different contexts. For example, "accreditation status" of a program might count against a proposal for merger if the resulting unit could not be accredited; however, it might favor a proposal for elimination of a unit on the verge of losing accreditation.

#### e. Specific Criteria for Evaluating Proposals for Reconfiguration

##### 1) Quality

- a) Productivity of a program as indicated by applicants for admission, credit hours generated, degree recipients, scholarly publications, and service internal or external to the University.
- b) Quality of products compared with similar programs at the University and elsewhere.
- c) National or international reputation of a program.
- d) Status of accreditation
- e) Conformation of the proposed reconfiguration with national patterns of organization, to enable recruitment, retention, and recognition of students, faculty, and staff.

##### 2) Centrality to University mission

- a) Necessity of a program or its products because of external mandate, including University charter, legislative pressure, laws, and governmental regulation.
- b) Effects of reconfiguration on other programs at the University.
- c) Extent of internal support available for the program.
- d) Whether a program is of a class that should be present in every university, or at least in every technological university.

##### 3) Need - Present and Projected

- a) Demand for the program, including measures such as market demand for graduates, demand by applicants, and demand by other programs at the University.

##### 4) Cost

- a) Cost of operating the program and the size of the program relative to its contribution to the University's mission, compared with equivalent programs in peer institutions.
- b) Ratio of effective production to University fiscal input to the program.
- c) Comparison of cost of the program to the revenue generated by the program, including tuition, grants, contracts, gifts, endowments, etc.

- d) The University's investment in a program's facilities that can not be redirected easily.
- e) Possible economies available with a merger of programs that are similar in goals, orientation, clientele, etc.
- f) Possibility of shifting fiscal support of a program, for example to external grants or contracts.
- g) Effect of the proposed reconfiguration on the University's image and support by the public.

10. Procedures for removal of faculty and staff shall involve the following:

- a. Prompt and explicit notice to affected personnel.
- b. The mechanisms in place for separation or laying-off of personnel shall be followed.
- c. For faculty and/or staff who are removed, special provision shall be made including, but not limited to the following:
  - 1) Every effort shall be made to provide suitable placement elsewhere in the University.
  - 2) Preferential rehiring of removed persons to fill any vacancy for which they are qualified within the University, for a period of at least three years after their removal.
    - a) Faculty who were tenured and who are rehired as faculty will be rehired with tenure.
    - b) Persons who are rehired shall not lose credit for previous years of service, and shall have the same fringe benefits as current employees.
  - 3) Any faculty member removed during a Financial Crisis shall be appointed as an adjunct faculty member, and shall be entitled to continuation of at least these prerogatives: access to library, parking, computing, cultural, and recreational facilities afforded non-removed faculty; status as graduate faculty; use of granting and contract offices. Regular full- and part-time staff who are removed shall be afforded similar prerogatives.
  - 4) Faculty and staff who are removed are eligible to continue health insurance at their own expense for at least eighteen months.
  - 5) Eligibility for employee education programs and tuition reduction incentive programs will continue for three years after removal.

11. Removal of tenured faculty must be approved by the Board of Control.

12. A tenured faculty member who is removed during a financial crisis has a right to a hearing before the University Academic Tenure Committee.

- a. A written request for a hearing must be filed within 30 days from the date of initial notice of removal. A copy of the request must be filed at the same time with the Provost.
- b. The request for a hearing must include either or both of the following:
  - 1) A citation of the specific procedure(s) of the policy on financial crisis which the member thinks have been violated;
  - 2) A summary of information that the member thinks is either new, or was not considered by the Reconfiguration Committee in its deliberations.

c. The recommendations of the Academic Tenure Committee (or its designated alternate) shall be made to the President through the Provost within 90 days of receipt of the written appeal. The report shall indicate whether or not the procedures under this policy have been violated, or whether in the Committee's opinion the information supplied during the hearing should alter the recommendations of the Reconfiguration Committee.

#### E. Termination of a Financial Crisis

1. The President and the Reconfiguration Committee shall monitor closely the financial situation of the University during the Financial Crisis. The President of the University Senate shall report the situation regularly to the Senate.

2. If the President or the Reconfiguration Committee should determine that a the conditions of Financial Crisis no longer exist, a recommendation for early termination shall be submitted to the Board of Control.

3. A state of Financial Crisis shall cease to exist upon declaration of the Board of Control.

**Adopted by Senate: October 27, 1999**