

# The University Senate of Michigan Technological University

---

## PROPOSAL 2-99

### POLICY AND PROCEDURES FOR PERIODS OF FINANCIAL STRESS

#### 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 permitting planned action over a period of about one year. Financial emergencies requiring decisive action in a matter of weeks is covered in the Policy for a Financial Crisis (*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 periods in which this policy is being implemented.

#### 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 Financial Stress

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 period of Financial Stress. The emergency shall threaten the University as a whole so that the normal 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 Financial Stress. However, declaration of a period of Financial Stress shall not preclude consideration of these factors in resolving the emergency.

#### 2. Procedures for Declaration of Financial Stress

- 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 emergency, 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 Financial Stress. 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 Stress 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 Financial Stress 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 Financial Stress 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 Stress.

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 Stress shall exist upon declaration of the Board of Control.

#### D. Procedures for Financial Stress

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

1. After the declaration of Financial Stress, 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 stress in the short term and to allow orderly planning over longer terms.

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 period of Financial Stress 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 Stress, the President shall ask the Reconfiguration Committee to recommend program reconfiguration which involve the removal of faculty and staff.

#### 8. 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. Recommendations for reconfiguration shall be developed following these principles:

1) Consistent with the role and mission of the University, recommendations will protect academic programs and educational needs of students.

2) 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.

3) The recommendations shall protect the University's commitment to equal opportunity and affirmative action.

4) High financial priority shall be given to granting of at least a year of notice to tenured faculty, and to granting adequate notice to nontenured faculty and to staff.

5) 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.

#### 9. Review of Proposals for Reconfiguration: Program Review Committee

a. When the Reconfiguration Committee begins to consider any proposal for reconfiguration, it will appoint a Program Review Committee specific to the program. The Review Committee will be composed

of at least four faculty and one undergraduate or graduate student. No faculty or student from the program being reviewed nor member of the Reconfiguration Committee will serve on the Review Committee.

b. The Reconfiguration Committee will provide the Review Committee with a written statement of reasons for the proposed reconfiguration.

c. Upon appointment of the Review Committee, the dean or director of the program will notify in writing each faculty and staff member of the program that the review has begun. Students in the program shall be given public notice. Such notification will inform the affected persons of their right to present their views to the Review Committee.

d. The President of the University Senate shall similarly notify and inform the Senate.

e. Criteria for Consideration of Proposals for Reconfiguration

1) The Review 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.

f. 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.

#### g. Procedure for Review Committees

1) The Review Committee is encouraged to hold open meetings, and to inform affected persons of such meetings and of the progress of the review. It is expected to keep a complete record of its proceedings, and of documents considered in its deliberations.

2) The Review Committee is expected to conclude its review within 60 calendar days (excluding the period between spring commencement and fall matriculation).

3) When the Review Committee has decided it has sufficient information to make a recommendation to the Reconfiguration Committee, it shall hold an open meeting to solicit responses and comments. Before this meeting, the Committee shall prepare a synopsis of its procedures, findings, and preliminary conclusions. At least 48 hours before the meeting, the synopsis shall be made available to faculty and staff in the program being reviewed. The synopsis shall also be made available to all who attend the open meeting.

4) The Review Committee shall present to the Reconfiguration Committee a written report containing a description of its procedures, the information collected, a summary of the comments at the final open meeting, and its findings and recommendations on the proposed reconfiguration.

5) Within 30 calendar days after the Review Committee submits its report, the Executive Vice President and Provost shall announce in writing the results of the Reconfiguration Committee's consideration of the report. The announcement shall include the reasons for accepting or rejecting the recommendations of the report.

6) Within 14 calendar days of the announcement by the Executive Vice President and Provost, any faculty, staff, or student within the program may present a written petition to the Reconfiguration Committee asking it to reconsider a decision to eliminate a program. Such reconsideration must be based on a failure of the committees to follow established procedures, or on new information which could not have been available to the Review Committee. The Reconfiguration Committee shall consider all appeals expeditiously, and shall reply in writing to the petitioner.

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 period of Financial Stress 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.

#### E. Termination of Financial Stress

1. The President and the Reconfiguration Committee shall monitor closely the financial situation of the University during the period of Financial Stress. 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 the conditions of Financial Stress no longer exist, a recommendation for early termination shall be submitted to the Board of Control.
3. The period of Financial Stress shall cease to exist upon declaration of the Board of Control.

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