

The University Senate of Michigan Technological University

PROPOSAL 3-99

BOARD OF CONTROL POLICY 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 a 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.

2. Vice provosts, deans, and directors shall generate plans for budget reductions.

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, or may be original with the committee.

4. The Reconfiguration Committee shall propose to the President all feasible measures of cost reduction short of removal of staff and faculty.

5. If the President determines that the budgetary measures to be implemented (D.4. 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.

6. 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.

7. 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.

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

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