

The University Senate Of Michigan Technological University

PROPOSAL 4-99

BOARD OF CONTROL POLICY FOR A PERIOD 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.

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

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. 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) 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.
- d. Each recommendation for reconfiguration shall be reviewed by a Review Committee of faculty.
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 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