

# The University Senate of Michigan Technological University

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## PROPOSAL 15-02

### PROCEDURES FOR A FINANCIAL CRISIS

#### A. Introductory Statement

1. These procedures are prescriptive for circumstances of a Financial Crisis at the University, from its recognition by the President through its declaration and eventual termination by the Board of Control.
2. In approving these procedures, the President and Board of Control relinquish none of their constitutional or statutory authority.
3. These procedures are intended for contingencies in which the University is confronted with a financial shortfall due to circumstances largely out of the control of the University, such as an unexpected and sharp decline in enrollments, or an unexpected failure of budgeted support from the State.
4. These procedures are intended for situations requiring decisive action within a period of about one to six weeks. Contingencies that permit action over a more extended period are covered in the Procedures for Periods of Financial Stress (*q.v.*).
5. A period of time is required to implement these procedures and for expenditures to be reduced. To enable the University to meet its financial obligations during this period, it is incumbent on the University to plan for periods of financial distress. Financial contingency plans must be prepared for this eventuality.
6. Titles of University administrators may change with time. Hence, where particular administrative titles are used in these procedures, "or equivalent" is always implicit.
7. At a time of financial crisis, any departures from these procedures should be made in good faith and must be reported by the President to the Board of Control and the University Senate.

#### B. Committee Membership

Three committees are involved initially in the declaration and management of a financial crisis. The function of these committees is described below in Sections C and D.

1. Financial Emergency Committee (FEC): An advisory committee consisting of the Officers of the University Senate (President, Vice President, and Secretary), and those members of the

Senate Finance Committee who have been appointed to that committee by the Senate. Chaired by the President of the Senate.

2. Executive Budget Council (EBC): An advisory committee consisting of administrative officers holding these titles: the Provost and Senior Vice President for Academic and Student Affairs, the Vice President for Administration, the Vice President for Governmental Relations, the Senior Vice President for Advancement and Marketing, the Vice President for Research, and the Director of Planning and Budgeting. Chaired by the Provost and Senior Vice President for Academic and Student Affairs.
3. Reconfiguration Committee (RC): A working advisory group consisting of the Executive Budget Council (above), the Officers of the University Senate, two members of the Senate Finance Committee designated by the Senate, the President of Staff Council, and the Deans of the Colleges and Schools. A representative from Human Resources shall serve without vote. Chaired by the Provost and Senior Vice President for Academic and Student Affairs.

### **C. Declaration of a Financial Crisis**

1. The decision to initiate a state of Financial Crisis rests with the President. The procedures below will be followed when the President determines that a financial emergency exists which may justify declaration of a Financial Crisis. The emergency will 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.
2. Procedures for Declaration of a Financial Crisis
  - a. The President will call the Financial Emergency Committee into session. The President will inform the Committee of the nature and severity of the Financial Crisis and will present a timetable for sending the President's recommendation to the Board of Control.
  - b. The Financial Emergency Committee may confer, and comment or respond immediately to the President. The Committee should provide a written response to the President and the Board of Control indicating the Committee's view of the financial crisis. The response may include supporting documentation, and may include recommending an independent audit of the financial status of the University.
  - c. The Senate President will call a meeting of the University Senate. At that meeting, the President and other administrative officers, and the Financial Emergency Committee, will inform the Senate of the nature of the financial emergency. The Senate will make its recommendation on the financial emergency expeditiously in a proposal communicated by the Senate President to the President and the Board of Control.
  - d. A state of Financial Crisis will exist upon declaration of the Board of Control.

### **D. Procedures for a Financial Crisis**

The procedures below will 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 and two non-voting liaisons from the Financial Emergency Committee will provide the vice presidents, vice provosts, deans, and directors with guidelines, including deadlines, for preparing plans for reductions of budgets. These guidelines will 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 Presidents, vice provosts, deans, and directors will generate plans for budget reductions.

These individuals will actively and systematically seek input from appropriate faculty, staff and students; the existence of this input will be documented when the plans are submitted.

Vice presidents, vice provosts, deans, and directors must review their plans with Human Resources (or equivalent successor division) to ensure that they are consistent with University policy where individual employees are affected.

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 will be submitted to the Office of the Provost and Senior Vice President for Academic and Student Affairs. Only those plans meeting the guidelines (D.1. above) will be forwarded to the Reconfiguration Committee. Plans not meeting the guidelines will be returned for revision.

3. The Reconfiguration Committee will review the proposed plans and prepare recommendations for the President following these guidelines:

- a. verify the adequacy and accuracy of documented employee input into the proposed plans (see D.2. above);
- b. seek feasible alternatives to any plans that would result in elimination of faculty and staff positions;
- 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.

4. The Reconfiguration Committee will submit its recommendations to the President.

The recommendations may include plans submitted to the committee, unchanged or modified. Recommendations may also be original with the committee.

5. In the event the President determines that resolving the Financial Crisis requires program reconfiguration involving the removal of faculty and staff, the President will ask the Reconfiguration Committee for recommendations for reconfiguration.

Such recommendations for reconfiguration will 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 will protect the University's commitment to the principle of tenure. Thus, elimination or reconfiguration of a program or department is the only procedure by which tenured faculty may be removed because of a financial emergency.
- c. The recommendations will protect the University's commitment to equal opportunity.
- d. The recommendations will provide that the budget for salaries and wages of the Administration's first, second, and third echelons as a unit will be reduced equitably with reductions in budgeted salaries and wages across the University.

#### 6. Recommendations for Reconfiguration of Programs or Administrative Units

- 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 position: 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. Reconfiguration also applies to administrative units.

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

- 1) The Reconfiguration Committee will 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.

#### d. Specific Criteria for Use in 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

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, or from endowment earnings.
  - g) Effect of the proposed reconfiguration on the University's image and support by the public.
7. The recommendations from the Reconfiguration Committee will be presented to the University Senate concurrently with their presentation to the President.
8. Hiring of new faculty or staff during a Financial Crisis will be limited to extraordinary circumstances (for example, replacing a recently deceased employee) where an existing program would be otherwise seriously affected.
9. In the event the President approves reconfiguration of a program, the dean or director of the program will implement the reconfiguration plan and will notify in writing each faculty and staff member of the program immediately. Students in the program will be given public notice. The President of the University Senate will similarly notify and inform the Senate.
10. These following procedures will apply when approved program reconfiguration involves the loss of faculty or staff positions:
- a. Prompt and explicit notice to affected personnel.
  - b. The mechanisms in place for separation or laying-off of personnel will be followed. Such mechanisms include, for example, established university procedures or collective bargaining agreements.
  - c. For faculty and/or other non-union employees who are removed, special provision will be made including, but not limited to the following:
    - 1) Every effort will 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 will not lose credit for previous years of service, and will have the same fringe benefits as current employees.

3)  
Any faculty member removed during a Financial Crisis may be appointed as an adjunct faculty member, and will 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 non-union staff who are removed will be afforded similar prerogatives.

4)  
Faculty and staff who are removed are eligible to receive health insurance at rates available to them under COBRA.

5)  
Eligibility for employee education programs and tuition reduction incentive programs will continue for at least 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 (or its designated alternate).

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 Financial Crisis procedure(s) 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 Financial Crisis procedures

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 will monitor closely the financial situation of the University during the Financial Crisis. The President of the University Senate will report the situation regularly to the Senate.
2. If the President determines that the conditions of Financial Crisis no longer exist, a recommendation for termination will be submitted to the Board of Control.
3. A state of Financial Crisis will cease to exist upon declaration of the Board of Control.

**Adopted by Senate: January 16, 2002**

**Approved by President: February 7, 2002**

**Subject to confirmation that the tenure sections of the new promotion and tenure procedures currently being written by Senate are consistent with the tenure sections of Proposal 15-02.**

**Amended with Proposal 11-04**

**Became Senate Procedures 901.1.1**