

Remarks to Financial Emergency Committee
By Robert D. Clark, President
December 15, 1971

Since our meeting two weeks ago Monday night, I have received your substantial and carefully deliberated replies to the items that were laid on the table for discussion. They have been helpful, indeed, and I am deeply appreciative.

At that meeting my purpose was to summarize with you the extent and seriousness of the financial emergency that confronts us--and through you, the faculty, the students and the public; and to solicit your advice and creative thought on possibilities for solution.

In essence, I presented to you the following overall assessment of the situation:

The compelling objective is to meet the University's budget deficiency through systematic priority review of programs, rejecting the procedure of dependence simply on across-the-board cuts in educational programs as a satisfactory mechanism for budget reduction. It must also be our objective to establish a level of financial discretionary capacity that will enable redeployment and reallocation among educational programs as indicated by the priority analysis. We must make the most careful, stringent program review--and qualitative analysis--of which we are capable: including examination of student-teacher ratio, class size, how each program fits into the mission of the University, and so forth.

Our efforts must result in a reduction in the annual operating level of staff and services. Some of you have protested to me that we ought not talk about a reduction in staff, lest it cause a morale problem. I have said that we shall try to make our reductions through retirements and resignations, even though that results in some temporary dislocation of staff that may require two or three years for readjustment. We shall make proportional reductions in all major areas of the University operation. But when that is said, the simple fact remains that through

these adjustments, we must make a reduction of 75-100 staff members, divided as nearly equally between faculty and classified staff as our analysis will justify. Inevitably, this means some programs must be eliminated and some must shrink. Some may be impaired so badly that they would be judged better dropped than continued in their impaired state. But we must also gather the funds necessary to balance our budget and hold together for the fiscal year immediately upon us during the period of internal redeployment resulting from priority review. Thus, certain short term accommodations are inevitable.

To establish an efficient mechanism for the careful, systematic priority review required, I asked you to consider the Minnesota Plan, or some variation thereof. The mechanism is simple. It assumes that to establish meaningful priorities, both within and among departments, priority analysis must extend beyond the anticipated level of financial reductions expected for the University overall. The Minnesota Plan consisted also of a lengthy questionnaire to obtain relevant information. Because there is some semantic confusion about what is meant by the Minnesota Plan--some people think of the percentage mechanism and some the questionnaire--I will not hereafter use the term Minnesota Plan, but simply outline our own priority assessment procedural alternatives.

Recognizing that the sources of recoverable funds, even from the most stringent priority review, must still basically be found in faculty-staff, material and expense, I also identified for you (1) several short-term possibilities for sequestering part of the funds necessary to meet our deficit and to allow reallocation from priority analysis, (2) discussed retirement policy and the new legislation affecting retirements, and (3) asked your advice regarding other possibilities for improved efficiency and potential fund recovery in both the academic and administrative areas.

I would summarize your replies as follows:

1. You recognize clearly the nature and enormity of the financial emergency.

2. You agree almost unequivocally that inasmuch as possible, budget reductions should proceed from priority analysis, rather than from across-the-board cuts.

3. You agree that some funds must be sequestered for short-term purposes to enable priority reallocation.

4. You feel with some exceptions that the form passed out last week is not appropriate to the task at hand.

5. You recommended that HPUP play a more significant and aggressive role as the hearing body.

With respect to individual items by and large you:

1. Preferred the approach of a lower salary rate for summer session.

2. Urged a firm policy of retirement of faculty members at age 65 with the one-term or 600 hour option available--recognizing that this would bring proportionally greater value to the University than salary expended to the retiree. To this I must respond that we can be guided by such an approach--indeed the law urges it--but the law also appears to forbid class action and to require that cases be treated individually with the view to making exceptions.

3. Felt that there was no possibility of improved efficiency in the equipment budget which has been bare bones for the past three years. You did, however, concede the necessity of not restoring the equipment budget eliminated this fall.

I propose now to approach our task on the basis of the following assumptions:

1. The first analysis of priority assessment must be made by deans, department heads, and administrative unit heads. (I assume they will consult with faculty and with students during the process.)

2. To establish--as I said--meaningful priorities and program reductions the analysis must extend for each department beyond the expected level of reduction overall for the University.

3. The analysis level must be deep enough so that a dean is left in a position in which he can redeploy internally--not just cut back.

4. Following internal analysis at the department-school-college level, intensive review is required to make judgments among schools and departments.

5. Analysis by the Budget Office will identify small economies which accumulated may result in substantial savings. The resultant consequence will be offset by a lessening of the reduction in staff. Mr. Sunderland estimates that the total may range from \$50,000 to \$100,000.

6. As quickly as possible we shall establish firm budgets so that you can proceed with your planning for next year.

I propose to proceed as follows:

1. A written memorandum will be distributed to you from the Budget Office asking each school and college dean, and administrative unit head (through the appropriate Vice President) to transmit to the Budget Office by January 15, 1972:

a. a list, ordered according to priority of importance, of all the programs and functions of all departmental budgets, with specific detailed, naming, description and dollar costs of those programs that fall lowest in the total priority order equivalent to 10-12% of the beginning 1971-72 base budget for the department.

b. analysis of the criteria and bases on which each program was included in the lowest 10 or 12% and assessment of the impairment to the department overall that would result from elimination of said programs.

c. responses to Section A only of the attached Program Evaluation form.

It is not possible to predict the effect at this time on any single department. In some cases departments based upon the priority review will be able to justify redistribution. In other cases it is possible that departments will not receive a redistribution or indeed, based on the priority information that is submitted, it is possible a specific department may have a deeper cut in the final authorized budget.

We recognize that in some instances, small departments for example, an actual percentage cut of 10 or 12% could not be sustained. We emphasize again that these are analytic levels and that the main task at hand for deans and department heads is to present their priority information so that judgments regarding the final approved budget level can be made intelligently and efficiently.

2. The memorandum will provide for you your beginning base budget of 1971-72-- with one exception. Instead of listing the salaries of the persons to be retired, the budget will be adjusted to list those positions at the assistant professor amount as a basis for beginning the priority review. For example, if a faculty member retires, the department will be given in his place, as a part of the base budget, an assistant professor at the average salary level. If the department then retains the retired professor on a one-term basis the assistant professorship will be reduced proportionately. Hopefully, in a year or two the two-thirds FTE position can be upgraded to full-time and the department can proceed with regular recruiting. Departments which have retirements to be effective this year should be neither penalized nor favored in this analysis--nor should the retirement per se enable an "easy" budget reduction without priority analysis. This adjustment will provide a "comparable" baseline for each department of the University. Let me take an extra moment on this particular item for I do not want to be misunderstood. The retirement policy will be enforced, but retirements should not inadvertently allow a department to make an across-the-board cut. To adjust the beginning budget in this manner simply avoids the possibility of a department inadvertently using retirements instead of priority analysis.

3. The following is a partial checklist of items that can be used to meet the 10-12% reduction:

- a. Funds--usually personnel or material and expense--recoverable from systematic elimination or reduction of an educational or administrative program resulting from:
 1. low priority ranking to program

2. increase in instructor teaching assignment
3. reduction in number of small classes
4. other

b. Other funds recoverable from retirement and resignation of both faculty and classified staff provided replacements are not planned and provided savings in retirement are calculated at the assistant professor level; from termination of visiting and part-time appointments and classified staff, equipment, material and expense, etc.

c. Other economies to be identified by the Budget Director.

4. Needed data will be collected as follows: The Budget Office, the Office of Academic Affairs and the Graduate School will provide relevant statistical data thus alleviating the deans and department heads from providing enormous masses of important statistical data which already exist elsewhere. Deans and department heads will, for the most part, therefore, be asked to reply to judgmental and qualitative questions. We will distribute for your information the several data-collection forms but you will be asked to respond only to the one section.

5. Let me now briefly talk to the several points.

1. Summer Session adjustments will be made primarily through a reduction in the rate with proposals for load adjustments expected for the 1973-75 session.

2. Sabbaticals will be honored where merited and where they are in the best interest of the institution. Generally, a course offering or a research program will be cut back or absorbed by the department during the period of the sabbatical.

3. Leaves of absence without pay where demonstrated to be important to the person or the institution should be encouraged, with the course or research program cut back or absorbed by others in the department during the period of the leave of absence.

No department shall lose a position because of a sabbatical or a leave of absence. Any person who is absent a year on the basis of approved sabbatical or leave of absence shall be guaranteed his return without detriment to him or his department.

4. Both positions and equipment for instructional and non-instructional departments will continue to be frozen. Any funds distributed for 1971-72 only on a non-recurring basis will be sequestered.

You volunteered other suggestions. The overhead rate has been reevaluated and increased.

It is effective immediately, although it will be several years before it takes full effect. Several of you have made suggestions of a volunteer salary reduction by all faculty and staff as a means of meeting the emergency. As well intentioned as these suggestions are, they actually do not meet the intent of the Legislature, which is to proceed through the process of priority allocation, review and reallocation.

The review will involve fully the instructional, administrative, and support areas. A period of intensive staff review shall take place between January 15 and February 15. Preliminary tentative decisions will begin to be made at that time with hearings as appropriate, or requested by deans or department heads, through HPUP.

In the meantime, concurrently, we must for January 6 present a budget to the State Board of Higher Education indicating how we intend to meet the emergency. We will present such a budget, but it will be categorical, reflecting our expected overall totals rather than detailed known reductions which will result from priority review between early January and mid-spring.

Special attention and comment is warranted with the respect to leaves of absence, short-term appointment.

1. Sabbatical and leaves of absence

At first glance it might seem to be economically beneficial if leaves were eliminated--or indeed departments would naturally act to eliminate them if procedures resulted in the freezing or loss of the position. We should continue to honor sabbaticals and unpaid leaves of absence for faculty who are eligible and to ensure that the department will not lose a post permanently on the basis of a sabbatical.

Unpaid leaves of absence and sabbaticals need not constitute an additional budget constraint. In fact, in a sense, they can offer a small degree of short-term alleviation. The fundamental condition, of course, would be that the program or area of the faculty member on leave would, to some extent, have to be curtailed for that particular year just as is the practice in private colleges and universities.

2. Short-term appointment possibilities

To retard the erosion of quality the most creative, imaginative approaches possible to procurement of staff resources and use of short-term appointments need to be identified. In situations where replacements are needed and no continued appointment potential exists the department should:

- (1) investigate the possibility of one-term or six week appointments, or some other variation.

- (2) appoint at the assistant or even instructor level.

- (3) hire our own doctoral candidates or graduates on a limited annual appointment basis.

With some imagination short-term instructional periods can be worked into the regular term, e.g., students might meet two hours a day for a five week period during the regular quarter rather than following the usual calendar. Other variations are possible. Aside from the financial exigency, the short-term variation offers the potential of superior qualitative expansion of the curriculum by enabling outstanding persons to come to campus who could not possibly be made available for a year, or even a quarter--and for whom the overall cost would still be less.