Response by the Joint Retrenchment Committee

To the President's Preliminary Report to the Faculty Senate

Concerning Retrenchment

July 18, 2003

The Joint Retrenchment Committee (JRC) is a body of administrators, faculty, and students that has been charged, along with other committees at the University of Northern Colorado (the University), to engage in comprehensive planning in preparation for a possible restructuring. The JRC has a role mandated by the Board of Trustees (Board).

Specifically, this document is a response to President Kay Norton's report to the Faculty Senate on May 2, 2003 regarding a potential Reduction in Force (RIF) based on the grounds of financial exigency, a report submitted in accordance with Board policy [*Board Policy Manual (Board Policy)*, Reduction in Force, 2-3-1301(5)(c)]. The *Board Policy* defines "Reduction in Force" as "the partial or complete separation from service to the University of tenured faculty, or the removal of tenure-track or term faculty prior to the end of the specified term of their contract." [*Board Policy* 2-3-1301(5)(a)(XIV)] Following the President's report, the JRC was then created. By policy, the JRC had 60 days from its formal creation, May 21 to July 20, to submit a reply to the President reflecting its analysis of the situation [see *Board Policy* 2-3-1301(5)(a)(VI) and 2-3-1301(5)(b)(I)(A) through (D)].

This report discharges the first responsibility of the JRC under Board policy. The JRC will continue to meet to consider the issues connected to retrenchment. If and when the Board determines that a RIF is necessary because of financial exigency, the JRC would, in consultation with the President, prepare a RIF plan, as prescribed by policy [see *Board Policy* 2-3-1301(5)(c)(B), and subsequent provisions].

After meeting, the JRC resolved that its particular responsibilities at this stage should include the following: determining if a financial exigency may or may not exist; if a financial exigency may exist, recommending means, short of a RIF, which may be utilized to prevent or minimize a RIF; and weighing whether a legitimate basis, after exhaustion of all other alternatives, exists for the Board to initiate a RIF. The JRC judged that no other factors may exist at the present time to give rise to a RIF except a possible financial exigency [*Board Policy* 2-3-1301(5)(b)(I)(A) through (D)].

The JRC needs to make clear at the outset that it lacks the information and data at this time to recommend a RIF. The JRC does note that a financial exigency may exist based on "A substantial reduction in the legislative general fund revenues appropriated and available to the University." [*Board Policy* 2-3-1301(5)(a)(IV)] However, it does not have now the information and data that would clearly demonstrate the existence of a financial exigency. The JRC does accept its prescribed role to consider the possibility that a RIF may be required and its responsibility to consider, in a preliminary way, the costs and benefits of alternatives to a RIF and the costs and benefits of a RIF itself. None of the cost-cutting alternatives discussed in this report is desirable in itself. The JRC recognizes, as should all members of the University community, that these measures, if adopted, may lead to a decline in quality at the University.

The JRC is well aware of the possibly serious consequences to the institution and the University community of a RIF, which, by definition, would involve the dismissal of tenured faculty. It is also mindful of the guidelines of the American Association of University Professors (AAUP) concerning financial exigency and a RIF, copies of which have been distributed to the JRC; by its own composition, the JRC ensures "early, careful, and meaningful faculty involvement in decisions" and is aware of its need to weigh heavily the importance of "the retention of a viable academic program" and the importance of "rights under academic tenure." (AAUP, *On Institutional Problems Resulting from Financial Exigency*).

The JRC is obligated under Board policy to consider alternatives to a RIF, recognizing that these alternatives may have their own serious drawbacks. The University could, and probably would, adopt a combination of several in preference to resorting to a RIF. These measures could include, but would not be limited to, the following: increasing revenues from private grants; lobbying to win the agreement of the Legislature and Governor to a substantial tuition increase; developing incentives for senior faculty to encourage them to take early retirement; implementing a complete hiring freeze on campus; cutting faculty salaries and/or imposing a furlough; and not rehiring term faculty (and thus increasing the class load of permanent faculty). A further discussion of these alternatives and others can be found on pages four (4), five (5) and six (6). .

Turning to a RIF, this strategy for dealing with financial exigency has to be recognized as drastic. It has been used only once in the history of the University. In 1982, after years of declining student enrollments, the Legislature directed the University to deal with the problem, and the result was a RIF. Several departments were eliminated, others were cut in half, and a number of tenured faculty members were dismissed, in some cases bringing their careers to an end. The RIF was followed by a number of lawsuits (some of which the University lost), led to an investigation by the AAUP, and resulted in an AAUP censure (which was in effect for ten years). The lingering bitterness caused by the RIF affected the campus for the rest of the 1980s. The RIF did deal with the problem of over-staffing, and led also to the development of a RIF policy for the future, embodied in the present Board *Policy Manual* provisions on a RIF.

As the AAUP has shown, at some colleges and universities claims of financial exigency have been used as a pretext for a university-wide reorganization carried out primarily for other reasons. As a response to the real financial problems that the University faces, however, a RIF does have some advantages. It can reduce substantially a university's expenses for personnel (salaries and benefits), and these costs are a large part of the operating budget of an institution of higher education. Though it is an extreme measure, a RIF, once completed, can deal with most or all of a university's financial problems.

A RIF does have serious drawbacks. First, it can end the careers of tenured faculty members who have served the University students for decades. Second, it can eliminate or damage severely departments and programs that enrich the University's offerings. Third, it can lead to grievances and legal actions that may reduce the financial advantages of the RIF itself. Fourth, a RIF can contribute to a negative atmosphere of resentment and distrust that can affect administrators, faculty members, and students for years. Fifth, once the financial crisis is over, the RIF can make it difficult to recruit and retain promising young teacher-scholars who may feel that the value of tenure at the University has been undermined.

The sections to follow respond to the President's report, which was organized in accordance with specified sections of Board policy. Each part will begin with a heading noting the Board policy it addresses.

***Board Policy* Section 2-3-1301(5)(c)(II)(A):**
Description of the nature and degree of financial crisis faced by the University which gives rise to a claim of financial exigency.

The JRC concurs with the President's factual report, which indicates a substantial decline in State support for the University during Fiscal Year 2002-2003. Further, we agree that it is possible that further reductions in State support will be instituted in Fiscal Year 2003-2004 and that TABOR limits will hinder the University's ability to rebuild the level of base funding from the State should Colorado's economy improve.

We do not believe that the President has made a clear case that financial exigency exists. Whether the decline in State support and subsequent reduction in the University's budget threatens the University's ability to deliver the statutorily mandated mission is yet to be determined. Financial exigency may or may not exist depending upon a number of factors including, but not limited to, further State reductions, the effects of changes in admission standards, and measures available to the University to increase revenue and decrease expenditures.

***Board Policy* Section 2-3-1301(5)(c)(II)(B):**
A list of alternate measures already taken and those which could be taken to avoid resorting to a reduction in force, including dollars and FTE positions saved by normal attrition, and an identification and review of all vacant positions.

There appears to be general agreement within the University community that it will take a number of years before the University's budget will receive any substantial increase from the State of Colorado under our current funding system. The combined impact on Colorado's budget from the TABOR amendment, the Gallagher amendment, and Amendment 23, coupled with a dramatic downturn in the Nation's and the State's economy, makes enhancement of State fiscal resources a long-term challenge.

The overhaul of the University budget, which has taken place over the past several years, has resulted in a reduction in administrative costs and budget realignment to reflect changing University priorities including enhancements to instruction and faculty salary increases. As a result of the overhaul, many difficult budget decisions have already been made, reducing the number of non-essential areas from which further cuts could be taken.

Actions already taken to address Fiscal Year 2003-2004 Base Reductions, three rounds of budget cuts, the hiring freeze, spending reviews, and travel restrictions, have, to date, successfully addressed the reduced resources for the University's base budget.

Before a RIF is recommended, the impact of the cuts and reductions already taken, and any that may be needed in the future, should be evaluated by the University community in the context of the University's mission. A review should include an assessment of the benefits and drawbacks of each method for both the short and long-term stability and health of the University.

Other Colorado state supported universities and state funded universities across the country also have to deal with reduced budgets. A review of what actions other schools in Colorado are taking and what our peer institutions are doing to deal with their budget shortfalls would be informative and helpful in devising long-term strategies. Further review of the University's operations should be accomplished through a long-term approach. Data on the various components, activities, and personnel at the University should cover an historical perspective and include projections for the future.

***Board Policy* Section 2-3-1301(5)(c)(II)(C):**
A statement of the reasons those measures and normal attrition are not adequate to alleviate the financial crisis.

As stated in the President's report to the Faculty Senate dated May 2, 2003, a total reduction of $7.8 million for Fiscal Year 2002-2003 was accomplished by a combination of cuts from one-time funding ($6.8 million) and permanent base reductions ($1 million). Due to the State's poor economic condition for the past 12 months, the State General Fund appropriation to the University for Fiscal Year 2003-2004 is $11.2 million less than the original General Fund allocation for Fiscal Year 2002-2003. The reduction in the State appropriation has been partially offset by an increase of $2.2 million in tuition revenue, based on steady enrollment and a 10% increase in tuition rates for Fiscal Year 2003-2004. To balance the Fiscal Year 2003-2004 budget, an additional $8 million cut was made to the base budget for Fiscal Year 2003-2004. These budget reduction strategies included:

A. Elimination of annual salary increases for all employees
B. Reductions in faculty FTE (43.35 FTE)
C. Reductions in classified and exempt staff and graduate assistants FTE (34.34)
D. Increase in faculty instructional workload (seven courses per FT faculty in the academic year)

In addition, the hiring freeze, initiated in July 2002, and the restrictions on overnight travel have been continued.

Budget reductions during the last two years have been significant and may permanently impede our ability to deliver quality academic programs as required in the University's mission, and thus the University must develop strategies for aligning programs and available resources. While the measures listed above have resulted in a currently balanced budget for Fiscal Year 2003-2004, these measures may not be in the University's best interest as long-term strategies for budget management. Further, if the State's economic growth does not meet the targeted goal (6.1%) for Fiscal Year 2003-2004, we may experience additional reductions. While enrollment for Fiscal Year 2003-2004 appears to be stable, the effects of State policies may result in enrollment decreases in the next three to five years. Some alternate measures that can be taken to avoid a RIF are listed below:

A. Cost-Saving Strategies

1. Implement early retirement plans for qualified tenured faculty and exempt staff members.
2. Implement a differentiated staffing plan and increased teaching load.
3. Decrease the frequency of course offerings, especially for electives and low enrollment classes.
4. Realign and/or consolidate academic programs.
5. Increase the cost-effectiveness of the general education program.
6. Increase efficiency of operations, including administrative and academic areas.
7. Implement further reductions in classified and exempt staff FTE. *
8. Implement further reductions in term faculty and TA FTE. *
9. Keep vacant positions open or fill the positions with qualified part time persons.
10. Continue the salary freeze.

*A total of 78.3 FTE plus pools of hourly, part-time term faculty, and student employee dollars not associated with FTE were cut to balance the Fiscal Year 2003-2004 budget.

B. Revenue Enhancement Strategies

1. Increase off-campus program offerings and integrate off-campus programs into the on-campus program planning.
2. Increase grant and contract procurements with incentive plans and differentiated staff practice.
3. Expand summer programs.
4. Increase tuition and explore the possibilities for implementing the differentiated tuition rate for high cost program areas.
5. Connect fund-raising activities with academic program needs.
6. Expand 2 + 2 programs to increase transfer students from community colleges.
7. Increase user's fees to support programs needs.

***Board Policy* Section 2-3-1301(5)(c)(II)(D):**
A statement of the reasons the financial crisis is of sufficient severity to justify the belief that a reduction in force may be required.

The JRC agrees that the University may consider a RIF, among other measures, to deal with long-term fiscal reductions. The outlook for the State budget in the coming years remains grim, making it incumbent upon the University to look at long-term options. Given the percentages of the University budget dedicated to tenured and tenure-track faculty as outlined in the President's report, it is important to examine those expenditures and weigh the adverse consequences cuts would have against the adverse consequences of cuts in other areas.

The JRC, with this report, has completed the initial phase of its work. The JRC will now accept the President's charge as outlined in her report. It will consider the following:

A. The most desirable configuration of programs, faculty and staffing to retain and improve the academic quality and reputation of the University in the face of permanently reduced State General Fund levels.
B. Alternative or refined goals and structures that could be adopted.
C. Revenue-enhancing strategies and programs that should be implemented.
D. What reductions, if any, in tenured/tenure-track faculty are implicit in a reconfigured University?

To that end, the role of the JRC includes, but is not limited to, the following:

A. To contribute to and review the Comprehensive Plan for the University.
B. To recommend criteria to be used to evaluate programs and services. The JRC intends to make those recommendations by August 25, 2003.
C. To consider the implications of a RIF and to evaluate alternatives.
D. To draft, in consultation with the President, a Reduction in Force Plan, should it be determined by the Board of Trustees that a RIF is necessary.