



UNIVERSITY OF MINNESOTA
TWIN CITIES

All University Senate Consultative Committee

220 Biological Sciences Center
1445 Gortner Avenue
St. Paul, Minnesota 55108

Telephone (612)373-3226

MINUTES

MEETING: V.P. KELLER, SENATE FINANCE AND CONSULTATIVE COMMITTEES
November 20, 1981

Douglas Pratt convened a joint meeting of the Senate Finance and Consultative Committees with Vice President Keller in b-12 Morrill Hall at 1:10 on Friday, November 20. Present were Tracy Allen, Robert Brasted, Marcia Eaton, John Howe, Hugh Kabat, Stanford Lehmberg, Rick Linden, Gail Lorenz, Tom Scott, Bruce Thorpe, and Daily reporter Larry Oakes.

1. Salary increase settlements. V.P. Keller clarified press reports of the state universities' and community colleges' settlements: 9% is the salary increase; fringe benefits bring total increase to slightly over 10%. The University hopes to be able to provide about 10% salary increase. Central administration hopes to present the package to the Regents December 10 and then to the Legislative Commission. The increase will show in the paycheck within two months--most likely at the end of January. The retroactive pay will follow as soon as each employees's is computed. For civil service employees who were paid from now-expired grants, making up the retroactive pay presents a serious problem. Regarding faculty salary increase distribution, Keller emphasized that sizeable flat sum across-the-board awards greatly reduce the availability of merit awards in the lower paid units, while enhancing it in the relatively highly paid units.

2. Financial exigency. John Howe asked what the implications are of declaring financial exigency. Keller said his view is that it would remove the protections of the tenure system and reduce severance notice requirements to almost nothing. However, it would not allow the University to selectively dismiss individual faculty. No appeals procedure is currently in place. He spoke of balancing the protection of individuals against the health of the University and said now is a good time for the faculty to develop a set of ground rules. He volunteered to distribute copies of Bonita Sindelir's study on relevant legislation and court findings in other states.

Bob Brasted asked if a cash cut-off could eliminate due process. Keller replied that the University can take the deeper cuts later, as long as it balances the books by June 30, 1983. It seems right, he said, to make cutting decisions before the start of the next academic year.

3. Borrowing. Committee members asked if the U could borrow for a short term to flatten out costs. The Vice President indicated the administration is looking into that as a way of avoiding financial exigency. The U, however, would have to convince lenders or bond purchasers of its plan for payback while it met other obligations and debt service. Borrowing could only be undertaken with the Legislature's approval, as repayment would depend upon their appropriations.

4. Consultation on specific proposals. Marcia Eaton asked how committees such as Finance and Consultative can be sufficiently informed to judge the budget executive's specific program assessments. Keller made an analogy to representative government as opposed to the town meeting and said there is no way around the problem except the degree of confidence in the administration. We are faced with problems of choice, he said, not of the merits of individual programs. Discussion and choice within units is needed. He called translating an abstract budget principle to a specific program a heavy problem. When the document is published naming programs, the individuals affected will marshal their forces to defend themselves.

Bob Brasted recommended as one area where consulting can be useful: determining which programmatic retrenchments would be irreversible and which reversible. Keller seconded reversibility as a significant criterion. He called high quality the most irreversible element, for when excellent faculty leave, they do not return.

5. Using the planning process. Stan Lehmborg asked whether the budget executive is well advanced in its plan to meet the "best case" scenario-- that of a \$10 million cut. Keller replied that the planning process would very nearly accommodate that, since a 5% contraction for a biennium would equal approximately \$17 million. The budget executive could adjust its planning process to deal with that, but would prefer one more year to carry out the changes. Lehmborg asked if the University can pay more attention to contracting as opposed to cutting, and Keller replied he hoped that would be possible.

The meeting adjourned at 2:10 p.m.

Meredith Poppele, SCC Secretary,
Recorder



UNIVERSITY OF MINNESOTA

Office of the Vice President for Academic Affairs
213 Morrill Hall
100 Church Street S.E.
Minneapolis, Minnesota 55455

November 17, 1981

TO: Doug Pratt, Chairman, Senate Consultative Committee

FROM: Kenneth H. Keller, Vice President *KHK*

SUBJECT: Fact Sheet on 1981-83 Budget Reductions

This fact sheet has been prepared for wide distribution in the community and I thought you would like to have copies of it for members of your committee.

:sl
Enclosures

1981-83 BUDGET REDUCTIONS - UNIVERSITY OF MINNESOTA

On October 21, 1981, the University was asked to prepare plans for budget reductions of \$37 million, \$47 million, and \$57 million, and to submit those plans to the Governor by October 30. The reductions were to be planned for the current biennium, and the levels corresponded to 8%, 10%, and 12% of the University's direct state appropriation for this two-year period.

At an emergency meeting on October 26, the Board of Regents unanimously passed a resolution stating that 1) the proposed reductions would make it impossible for the University to continue serving the State as a major contributor to its economy and to its cultural and intellectual vitality, 2) the University could absorb, despite a negative impact, a reduction of up to \$10 million, and 3) if reductions of \$37 million or more were required, the Regents would have to declare a state of fiscal exigency, with potential termination of University personnel and students.

The materials submitted to the Governor argued that the levels of the proposed reductions made it impossible to prepare plans in the nine days allowed. Reductions of that magnitude far exceeded any previous cutbacks imposed on the University and could only be accomplished by steps with drastic consequences. In the materials and in direct discussions with the Governor, some of those consequences were spelled out. They were presented as illustrations of the effects of the proposed cuts, not as plans for carrying them out. A summary of those possible consequences is attached.

The following, in greatly abbreviated form, is an outline of University responses to their key questions and issues raised in the budget reduction proposal.

Why didn't the University submit the plans the Governor requested?

Reductions of the size proposed simply cannot be imposed without major damage to the University's clients and programs, and the University wanted to make that clear from the outset. Plans for such major reductions cannot be made sensibly and rationally in nine days.

Why wouldn't the University's current planning process, already in place, cover contingencies like the Governor's proposal?

The University does have a long-range planning process underway. Briefly, that process is aimed at developing five year plans that anticipate stable or declining enrollments and provide ways for campuses, colleges, and departments to direct their resources to their highest priority programs. The proposed reduction levels of \$37 to \$57 million go far beyond the reductions anticipated by current plans, but those plans would be useful in carrying out the reductions of up to \$10 million to which the Regents' resolution referred.

Were the "consequences" listed chosen for political or public relations impact?

No. They were chosen to illustrate the fact that reductions of this size cannot be made without serious impact. Earlier retrenchments, coupled with all kinds of cost increases that have far outstripped University budget increases, have already taken away the "easy" solutions. To impose tuition increases and budget cutbacks that would reach the \$37 to \$57 million dollar

levels within the nineteen months remaining in this biennium would require actions that would have the kinds of consequences we described, even if some of the details would differ. It is our responsibility to let the decision-makers know about those consequences before they act.

Aren't there all sorts of University programs that could be cut?

Yes. Under the best of circumstances, programs are phased out as units make decisions on priorities. Our current planning efforts anticipated cutting programs to meet predicted budget levels and to make room for higher priority programs. Further, in order to meet the reduction level in the Regents' resolution, even more programs would have to be cut. At the \$37 to \$57 million level, however, program cuts would not be enough; entire colleges or campuses would have to be cut to maintain the basic quality of the University. It must also be said that all program cuts have impact on some constituency, either inside or outside the University, and many program cuts have little or no effect upon the budget.

How many academic programs has the University dropped or added lately?

The University has formally dropped fifteen academic programs since July, 1976. Twenty-five new programs have been submitted to the Higher Education Coordinating Board over the same period. Of the twenty-five added, fourteen programs involve no new costs to the State, since they were developed with internally reallocated funds. Even those that did require new State funds were primarily funded through reallocation. For the entire twenty-five new programs, only 13% of the costs were new costs to the State; 87% of the costs were covered by reallocation of existing budgets.

How much of the budget reductions could be accomplished by tuition increases?

A 20% tuition increase, starting in winter quarter, would raise about \$20 million over the remainder of the biennium. University tuition, however, was raised 13% this year, and another 10% increase is already budgeted for next year. Another 20% increase would have the effect of raising tuition 43% over the biennium, and any tuition increase must be seen in the context of 1) decreasing availability of State and Federal student financial aid, 2) decreasing availability of jobs for students, and 3) increases in most, if not all, of the other costs of living that affect students' lives.

Would tuition have to be increased in order to make the reduction of up to \$10 million?

That has not been decided. A tuition increase is an option that would have to be considered and weighted against the consequences of making budget cuts at any given level.

What's wrong with imposing across-the-board reductions, with the managers who are closest to each program making the priority decisions?

That process has been used before. It spreads the pain, but totally ignores institutional priority decisions and cuts the most important and least important program equally. Moreover, budgets are now so tight that there is little room for making wise choices locally and the real effect is to lower the quality of all programs.

Can't the University avoid personnel cuts and program reductions by reducing the supply budgets?

Any level of budget reduction will involve some cuts in supplies but supplies account for only 22% of the University's budget. Moreover, supply costs have risen much faster than appropriations in recent years, and supply budgets already suffer from previous retrenchments. For example, fuel and utility costs, which are part of the University's supply budget, have increased over 112% -- in constant dollars -- over the last nine years. All these costs continue to increase, so that the combination of inflationary loss of buying power and actual reductions through retrenchment severely curtail our ability to buy the goods and services we need..

Last year, to meet the State's budget problems, the University retrenched about \$17 million; why can't the same steps be taken this time?

Some might be, even to meet the reduction level suggested by the Regents. Last year's cuts were promised to be temporary, one year actions, and they were approved on that understanding. Longer range reductions might have to be decided on different grounds. About \$3.5 million of last year's reductions were handled through a 10% tuition surcharge added mid-year. That 10% increase subsequently became permanent and is built into the current budget. Budget cuts last year totalled \$5.8 million, and another \$1.7 million was cut from reserve funds which were thus depleted and are not available to use this year. \$750,000 was carried over into the current fiscal year as a budget deficit that must still be met, and another \$5 million was to come from the sale of University property, which is still in process, and which obviously cannot be a part of this year's solution.

Can the University make cuts in some of the high cost programs where the demand for graduates might be decreasing?

Yes. This was already built into the University's long-range planning, and, in certain cases, this kind of cut makes sense. It cannot be done on the basis of year-to-year State budget crises, however. By their nature, these programs cannot be turned on and off like a faucet, and if the State wants to decrease the enrollment on the basis of demand for graduates, it is important that the workforce supply and demand situation be well understood before action is taken. Further, these programs may also contribute through research and service to the State and may involve considerable non-State funding. Reductions of State support may have the effect of eliminating these other contributions and of reducing non-State financial support and the multiplier effects that come along with it.

Are there other program retrenchments already planned by the University for the current biennium?

Yes. To supplement the State appropriation for salary and fringe benefit increases, the Board of Regents has already approved a retrenchment of \$4.2 million each year, or \$8.4 million for the biennium. Further retrenchment will be necessary to fund required civil service staff salary increases next year. Added to this is the \$750,000 budget deficit carried over from FY 81. The salary supplement is a reallocation of funds within the University, but since the money must come from programs, the effect on programs is essentially the same as a retrenchment.

How much has the University retrenched and reallocated over the past several years?

Over the last ten years, from FY 72 through FY 81, the University retrenched \$36,586,797, of which \$7,933,619 was reallocated to other University budgets, leaving a net retrenchment of \$28,653,178. That total includes the one-year, temporary retrenchment of \$17.9 million last year, and since the amount has been put back into the University's budget base this biennium, the total of funds lost in the eleven year period is \$10,675,251.

The State appropriation only represents part of the University's total budget; why can't the University apply the proposed cuts to the total budget?

The money from other sources is simply not available. Income from the hospitals, clinics, dormitories, food services, parking, and the like is set at levels designed to cover the costs of providing these services. Cutting these budgets would mean cutting the services and reducing the income. There would be no savings to apply to the State's problem. Federal and private funds, with only the most minor exceptions, are provided for specific purposes. Those funds cannot be used for other purposes. In some cases, Federal and private funds are granted with the understanding that certain levels of State support must also be provided as matching funds, so some reductions in State funds would result in the further loss of non-State funds.

Would personnel cuts fall most heavily on non-tenured faculty and Civil Service personnel?

That depends upon the level of reductions actually imposed, so it is too early to tell. In the past, certainly, retrenchments in personnel have tended to fall on non-tenured faculty, usually graduate assistants and "unassigned instruction" budgets. Retrenchments of tenured faculty positions have been and can be accomplished through attrition, but it is extremely difficult to reduce tenured positions in response to an immediate problem where the savings are needed immediately.

What is the process for reducing tenured faculty positions?

First, the University must prove that a true financial exigency exists and that any terminations affecting tenured faculty are due to that exigency. It is not clear whether all financial flexibility, such as unassigned instruction, must be exhausted before tenured positions could be cut, nor is it clear how "financial exigency" must be defined and proven. It is perfectly clear that terminations of tenured faculty would be tested in court, so that very real possibility effectively removes much of the budget savings the State could realize from the termination of tenured faculty during the next nineteen months.

Can reductions in the Civil Service personnel produce more immediate budget reductions?

Yes. Civil Service employees who are not in bargaining units can be terminated with two weeks' notice, although the University recommends four weeks. In the bargaining units, notice requirements vary from one to four weeks. Those reductions, however, all have potential impact on the programs and services of the University, and workloads have increased more than funding for Civil Service positions for several years.

Would reductions in State support to the University have negative effects on the State economy?

To a large degree, that depends on the amount of the reductions, and the potential effects are impossible to spell out with certainty. If drastic cuts cause fundamental harm to the quality of the University, the State's economy will also be harmed. University teaching, research, and service are vital to this State's economy and quality of life. It should be obvious that Minnesota's current economic problems will become permanent problems without new industries, new jobs, improved productivity, and more effective solutions to the whole array of problems facing this State. The University is this State's greatest center of creativity. Crippling it now to solve an immediate budget crisis can only prolong and deepen the problems that produced the crisis.

Attachment

EXAMPLE A

Consequences of a \$57 Million Across-the-Board Reduction

Reduce nearly all budgets by 12.8% in fiscal 1982-83.

Impose a 20% tuition increase starting Winter, 1982.

Maintain existing staffing ratios (about 15 to 1 for the whole system, as high as 31 to 1 in some areas) by limiting enrollments.

Some Consequences

- o Lay off at least 427 faculty.
- o Lay off at least 690 civil service employees.
- o Turn away 6350 students including:
 - o 1820 in College of Liberal Arts
 - o 1040 in Institute of Technology
 - o 370 in General College
 - o 360 in School of Management
 - o 70 in Veterinary Medicine
 - o 950 at Duluth
 - o 235 at Morris
- o Lose about \$9.4 million in supply and expense budgets already hard-hit by inflation and retrenchment.
- o Incur up to \$4.3 million of unemployment compensation costs.
- o Unknown amounts of legal costs, payment of accumulated leave, tax losses to the state.
- o Unknown effects of delays in students' graduation.

EXAMPLE B

Consequences of Specific Programmatic Actions To Meet \$57 Million Reduction

ACTION	EFFECT ON BUDGET	LOSS OF STUDENTS	LOSS OF JOBS
<u>Tuition Increases</u>			
Raise tuition 20% above planned levels, starting Winter Quarter, 1982	\$19,855,100 ⁽¹⁾	2,185	
<u>Reductions in Administrative and Support Units</u>			
Cut Health Sciences Support Services by 20%	\$ 125,000		
Cut State subsidy to Intercollegiate Athletics by 67% (Possible loss of Big 10 and NCAA membership)	1,518,100		35
Cut Physical Plant, Twin Cities, by 17.5% (Mainly custodial; reduced services)	3,429,000		135
Reduce State subsidy to Central Service units	1,667,400		10
Reduce State subsidy to academic Computer Center and raise fees to outside users	1,500,000		
Cut bulletins and publications budgets	600,000		
Reduce and consolidate data analysis units	495,700		12
Reduce Student Services programs or raise fees	446,700		5
Reduce support to Police, University Relations, and Personnel Department	460,000		10
<u>Reductions in Research and Public Service</u>			
Cut Agricultural Extension by 15%	\$ 2,089,700		78
Cut Agricultural Research by 15% (Includes closing Experiment Stations at Lamberton and Grand Rapids)	3,205,900		92
Cut Alcohol and Other Drug Abuse Program by 50%	262,000		
Cut Center for Urban and Regional Affairs by 50% in Special and 100% in O&M fund	739,100		20
Cut Bureau of Business Research 100%	114,100		3
Cut UMD Business and Economic Research 100%	43,300		2
Cut Industrial Relations Education 50%	391,200		9
Cut Minnesota Geological Survey 50%	425,000		10
Cut Mineral Resources Research Center 50%	231,300		11
Cut Elderhostel Program 100%	37,500		2
Close KUOM and WPTH	690,800		21

ACTION	EFFECT ON BUDGET	LOSS OF STUDENTS	LOSS OF JOBS
<u>Coordinate Campus Program Closings</u>		\$13,408,300	
Close Morris Campus	\$ 4,740,100	1,690	580
Close Crookston Campus	3,463,200	1,160	375
Close Waseca Campus	3,035,600	1,100	280
Close Duluth Medical School	1,887,600	96	110
Close UMD School of Social Development	281,800	105	21
<u>Twin Cities Campus Program Closings and Reductions</u>		\$13,475,300	
Close General College	\$ 174,300	3,416	82
Close College of Education	6,492,800	1,951	300
Close College of Home Economics	403,200	1,386	124
Close Library School	238,400	68	11
Close School of Social Work	291,500	80	21
Reduce Law School by 25%	562,100	178	19
Cut Dental School first year enrollment by 33%	5,313,000	50	189
Close Dental Hygiene Program		131	
Cut Nursing B.S. first year enrollment by 50%		81	
Cut M.D. first year enrollment by 21%		49 (2)	
Cut Family Practice Residency Program by 35%		76	
Cut Rural Physicians Associate Program by 50%			
Eliminate External Master's Program in Nursing			
SUBTOTAL	\$65,210,500	11,617 (3)	2,567
Allowance for unknown legal costs, unemployment compensation costs, and accumulated leave costs	- \$ 8,411,400		
TOTAL	\$56,799,100		

(1) If the units listed are closed or cut.

(2) If first year enrollment cuts are continued, the eventual enrollment loss is 1,085.

(3) Losses due to tuition increases duplicate those due to program reductions.

EXAMPLE C

Consequences of Closing All Optional University Operations and Laying Off Employees, Spring Quarter, 1983 To Meet \$57 Million Reduction

Estimated Gross Savings:	\$103 million
Less:	
Estimated Tuition Loss	\$ 20 million
Estimated Unemployment Compensation Cost	\$ 16 million
Net Potential Savings:	\$ <u>67 million</u>

But the following are not considered:

- o Employees could claim accumulated vacation and sick leave.
- o Employment contracts, written or implied.
- o Lawsuits by students, employees, clients.
- o Costs of interrupting research projects.
- o Costs of minimal protection and maintenance of facilities.
- o Unavoidable fixed costs.



UNIVERSITY OF MINNESOTA

Office of the Vice President for Academic Affairs
213 Morrill Hall
100 Church Street S.E.
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November 11, 1981

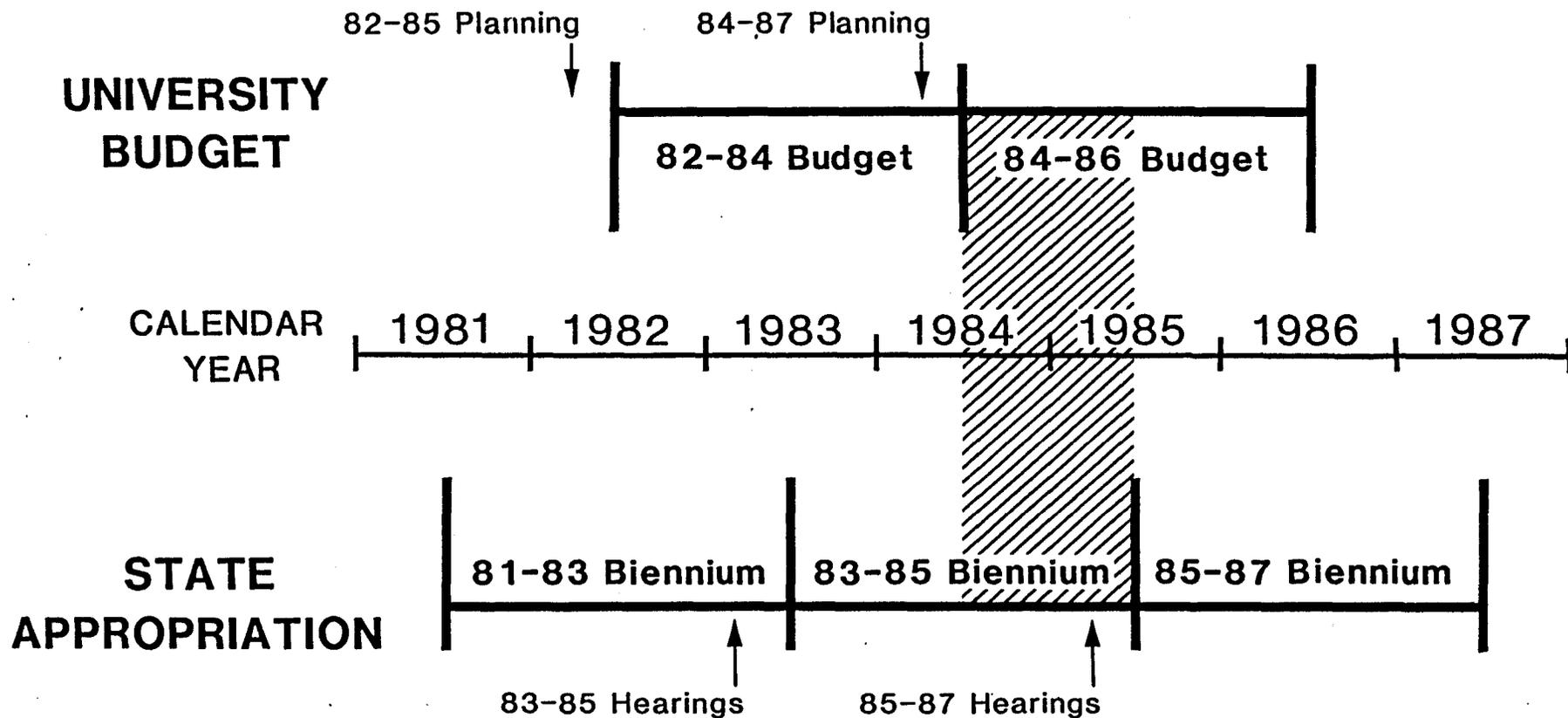
TO: Board of Regents

FROM: Kenneth H. Keller, Vice President for Academic Affairs
Nils Hasselmo, Vice President for Administration and Planning

Over the past three years, the Planning and Budgeting processes at the University have undergone significant change. Through careful design and attention to the calendar followed by the state government, the University has moved to a two-year planning and budgeting process. For ease of reference, the first year may be termed the Long Range Planning Year; the second year called the Biennial Budgeting Year. (1981-82 is a Biennial Budgeting Year.) During the Planning Year, units are updating their long range plans and meeting with central administration to discuss them. This is also the year during which appropriations hearings take place in St. Paul. During the Biennial Budgeting Year, plans for the next three years are agreed upon, a two-year budget is formulated, and an appropriations request is produced. This two year budget cycle is purposely "opposite" the legislative biennium so that we have adequate lead time for University consultative and decision-making processes (see diagram on next page).

For a Biennial Budgeting Year such as this year, the planning and budgeting architecture translates into three specific processes: Planning-Decision Conferences, Biennial Budgeting Conferences, the Appropriations Request. Each of these is described in the pages which follow with an accompanying schedule laid out for 1981-82.

Appropriations & Budgeting Cycles



SCHEDULE FOR THE BIENNIAL BUDGET YEAR (1981-82)

Planning-Decision Conferences (Fall/Winter, 1981-82)

During Fall Quarter, Vice Presidents are holding "Planning-Decision Conferences" with each unit reporting to them. These administrative meetings have the specific purposes of reviewing the long-range planning memorandum and discussing specific program priorities within each unit. (A description and sample agenda for the conferences being held by Academic Affairs is attached.) These conferences will conclude in late November. In December each Vice President will be presenting specific program recommendations to the Budget Executive which in turn will prepare a final set of program priorities for submission to the President. After consultation with University constituencies, the President with the assistance from the Budget Executive will prepare a final planning memorandum for each unit and an institutional document entitled "University Program Priorities." These materials will recommend specific program priorities for the next three years (1982-83, 83-84, 84-85) and possible items to be included in the 1983-85 Appropriations Request.

A draft of this document will be completed in early January. Consultation with University constituencies will take place in January with submission to the Regents at its February meeting for action in March.

Biennial Budgeting Conferences (Winter/Spring, 1982)

Budgeting Conferences will be held with each unit for the expressed purpose of translating the program priorities agreed upon into a two-year budget plan (1982-83; 1983-84). Questions and discussion will focus on the most effective and efficient expenditure of resources to accomplish the units' priorities. The culmination of this activity will be the Two-Year Budget plan and final agreement on items to be included in the 1983-85 Appropriations Request. In contrast to previous requests, the 1983-85 legislative submission will contain major program items in only the second year of the biennium (1984-85). Therefore the upcoming two-year budgeting process is focused primarily on allocating available resources.

It is proposed that Budgeting Conferences take place in March; the draft Two-Year Budget Plan and items for the Appropriations Request will be prepared for University consultation in late March with submission for information to the Regents at the April meeting. Action will be taken at the May meeting of the Board. This calendar is two months later than two years ago. The recent events and this more comprehensive process necessitates this later schedule. However, the difficult program priority decisions will actually be made earlier.

Appropriations Request (Spring, 1982)

The Appropriations Request will build on the University Program Priorities as decided through the Planning-Decision Conferences and any new insights gained through the biennial budgeting process. To ensure adequate preparation time, as soon as the administrative recommendations are made on the Two-Year Budget (April, 1982) selected units will be asked to prepare materials for the Request. Only units designated for a request item will be invited to submit materials. A draft of the Request will be submitted to the University consultative bodies in May and to the Regents for information at the June meeting with action scheduled for the July meeting.

:jhh

Attachment: October 21, 1981 Memorandum to Provosts, Deans and Directors
 Reporting to Academic Affairs

1981-82 Planning-Budgeting Activities

82-85 University Program Priorities

(October - March)

Oct - Nov : Planning Conferences in
Vice Presidential Areas

Dec : Budget Executive Recommends
Program Priorities to President

Jan : Internal University
Consultation

Feb : Regents - Information

March : Regents - Action

82-84 Budget Plan

(March - May)

March : Budgeting Conferences
Budget Executive
Recommends to President

April : Internal University
Consultation
Regents - Information

May : Regents - Action

83-85 O & M Request

(April - July)

April - May : Appropriations Request
Materials Developed
Budget Executive
Recommends to
President

June : Internal University
Consultation
Regents - Information

July : Regents - Action



UNIVERSITY OF MINNESOTA

Office of the Vice President for Academic Affairs
213 Morrill Hall
100 Church Street S.E.
Minneapolis, Minnesota 55455

October 21, 1981

TO: Provosts, Deans and Directors Reporting to Academic Affairs
FROM: Kenneth H. Keller, Vice President 
SUBJECT: Upcoming Planning-Decision Conferences

As I indicated at the most recent C.A.O. meeting, I have scheduled conferences with each unit reporting to Academic Affairs to discuss planning and resource allocation. These "planning-decision conferences," as we have named them, are intended to link planning and budgeting. To date our planning process has been open-ended and focused on long term programmatic changes. During the last biennium, the budgeting process has been refined to encompass a two-year time span in order that we might more effectively counteract the vagaries of the appropriations cycle. This planning-decision conference will afford us an opportunity to integrate these two processes by deciding on specific program priorities for the next three years. The first two years of this period cover our two-year budget for 1982-83 and 1983-84. The last year, 1984-85, is the second year of the next Legislative biennium and the year in which changes resulting from our next Legislative Appropriation would be expected to be in place. I would like to emerge from this conference with a clear understanding of the programs you wish to develop during this period and the support which will be required to accomplish these plans. At the same time, I will need to know the programs which you wish to de-emphasize over this same three-year period. Subsequently, I will present my overall recommendations to the Budget Executive for its concurrence. With the program priorities agreed upon, a final planning memorandum will be written to conclude the first cycle of all-University planning, and a set of budget principles will be recommended to the Board of Regents which will designate the areas of new emphasis and de-emphasis.

Budgeting conferences will be held early in winter quarter to discuss the specific budget for each unit based on the program priorities agreed upon. Similarly, items to be included in the 1983-85 Appropriations Request will flow from these program priorities. Thus, as you can see, I regard these planning-decision conferences as the essential, final step in completing our first cycle of planning. By focusing our attention at the programmatic level we shall ensure that we do not lose sight of the fundamental purposes of the University.

Preparation Required

In thinking through the best ways to structure these discussions, I suggest that we cover three general areas. First, we should use this opportunity to discuss

October 21, 1981
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your most recent plan and any planning issues which you feel have not been resolved to date. Second, please come prepared to indicate which programs the college would like to develop during this three-year period; and third, we shall want to discuss the programs which will be de-emphasized. These program plans should be cast in terms of the magnitude of resources required or saved and the time frame over which we can expect this to occur. As a guideline in thinking about how much program shift should occur, it would be useful to take as a working hypothesis that the overall University budget may diminish by 5% over the next two years and programmatic changes should allow the unit to bear its share of such a retrenchment as well as allowing for some new growth.

Agenda and Format

I regard this conference as a very important yet informal meeting. Present from our office will be those staff members who work most closely on planning and budgeting; I expect that you will bring one or two of your colleagues as well. Because of his responsibilities for University planning, I have asked Nils Hasselmo to sit in on the conferences. A suggested agenda for the conference appears on the next page.

If you have any questions, do not hesitate to contact me (3-2033) or Rick Heydinger (3-2495) who is assisting me with the staff work.

:jhh

Attachment

cc: President C. Peter Magrath
University Vice Presidents

AGENDA FOR ACADEMIC AFFAIRS PLANNING DECISION CONFERENCES

- I. Purpose, Format and Products of Conference
- II. Summary of the College's Plans
- III. Discussion of Program Development and Program Cuts

Program Development

list of programs
timetable
Appropriations Request

Program Cuts

list of programs
timetable
retirements
process

in terms of

quality
connectedness
integration
uniqueness
demand

- IV. Update on Capital Request (when appropriate)
- V. Summary of Agreements and Priorities

CRITERIA FOR RESOURCE RE-ALLOCATION FOR ACADEMIC PROGRAMS AT

THE UNIVERSITY OF WASHINGTON

APPROVED BY THE FACULTY SENATE

29 JANUARY 1981

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5. Process of Allocation Decisions

CRITERIA FOR RESOURCE ALLOCATION

 OVERRIDING COMMITMENTS

 PROGRAM EVALUATION CRITERIA

 Program Quality

 Need for the Program

IMPLEMENTATION OF THE CRITERIA

INTRODUCTION

The University of Washington has been placed in a difficult position by demands from the Office of Financial Management (OFM) in Olympia for a severely reduced target budget. At the present time the State's shortfall for the 1981-83 biennium is estimated to be anywhere between \$.8 - \$1.4 billion.

The budgetary pressures brought upon the University have been extensively commented on by President William Gerberding for the Faculty Senate at its meeting on October 30, 1980.* The University of Washington has experienced a growth in student enrollment from about 32,000 students in 1968 to 37,000 students in 1979. State tax fund support per student in constant dollars during this period has decreased from about \$2,200 to \$1,800, and would under the proposed target budget dip to less than \$1,600 for 1981-83. The severity of the problem is clear as the University's estimated carry forward budget to maintain current operating levels is pegged at \$366.4 million, while OFM has specified a maximum target budget of \$312.8 million.

In response to the President's letter of October 15, 1980, the Faculty Senate has developed this report on criteria for resource allocation at the University of Washington. The task has been difficult and exacting. It has been carried out under the assumption that the University should always be willing to re-evaluate its own program and its own organizational structure independently of the pressures for retrenchment that have been brought to bear upon the University from time to time.

The criteria, approved as a resolution by the Faculty Senate, are submitted to the President in the expectation that they will be used in the assessment process concurrently carried out in programs, departments, and schools and colleges, and eventually at the central University level--with faculty and student involvement throughout this program review process. This document has been prepared in some haste as part of the response to the problems of negotiating the 1981-83 biennial budget. Though it presents a number of fundamental criteria for budgetary reorganization at the University, it should not be regarded as representing the Faculty Senate opinion beyond the spring of 1981 without explicit revision by the appropriate faculty committees.

STATEMENT OF OBJECTIVES AND ROLES OF THE UNIVERSITY OF WASHINGTON

For its deliberations, the Faculty Senate has considered the fundamental role of the University and the principles that must be respected in any allocation of scarce resources. Thus the Statement of Objectives and Roles expresses the University's most general aims. It calls for a variety of attributes without specifying in detail the level of priority which each will receive at any particular point in the history of the University. It presents a clear picture of the overall character of the University of Washington and the philosophy that governs its operations. Any allocation of resources should be consonant with this statement and seek to maximize in the given circumstances the University's ability to fulfill its central mission.

*For the text, see Faculty Senate Report, Class C Bulletin No. 254, November 20, 1980, pp. 6-9.

Objectives and Roles

The primary functions of the University of Washington are in equal measure the preservation, development, and dissemination of knowledge. The University preserves existing knowledge through its libraries and collections, its courses, and the scholarship of its faculty. It develops new knowledge, synthesizes existing knowledge, and rediscovers or reinterprets old knowledge through many forms of inquiry and discussion. It disseminates knowledge and promotes learning through the classroom and the laboratory, and through varied means of communication, including scholarly exchanges, practical application, and contacts with the general public. The University must provide an environment in which objectivity and imaginative inquiry can flourish and must insure the free exchange of diverse facts and ideas.

Since proficiency in any one field entails the general ability to learn, the University emphasizes the mastery of essential methods of inquiry. In order to instill the capacity to make humane and informed decisions, the University fosters those qualities of mind that encourage mature and independent judgment. These include an appreciation of the range and diversity of human achievement displayed in the liberal arts and sciences, a sense of the values and experiences of past eras and other cultures, and a capacity for critical thinking and effective self-expression. The University views these qualities as fundamental attributes of the educated mind, and regards them as essential in any profession or specialized field of learning, and for meaningful participation in society.

The work of the University of Washington is exacting. It is concerned with scholarship at the most advanced levels. By tradition and reputation the University has the obligation to provide academic leadership in the arts, sciences and professions through excellence in teaching and research. This requires that the members of the University should be of the highest quality and should maintain the highest standards in all phases of the University's work.

While the appropriateness of its activities must always be judged in terms of its primary functions, the University is also a resource which assists in the solution of problems of public concern and has the obligation to provide professional and specialized instruction to prepare students for service to the State and Nation. Moreover, since it is an integral part of its community, the University must reflect the diversity of our society. Hence access to the University should be based solely on potential ability to contribute to or benefit from the University's pursuits.

The University's tasks, by their very nature, demand high levels of energy, dedication and intelligence if they are to be carried out effectively. The members of the University community are partners in this effort, and the survival and development of knowledge depend largely on the successful achievement of these tasks.

GUIDING PRINCIPLES

1. Knowledge and Instruction

The primary functions of the University are in equal measure the preservation, development, and dissemination of knowledge. Ultimately all other activities, tasks, and functions must take second place to these primary functions. Since all knowledge is of potential service to the individual and to the community, boundaries which limit its development cannot be narrowly or sharply defined, regardless of utilitarian pressures that may be applied in a climate of budgetary stringency.

The University's conduct in pursuit of its aims should be efficient, but "efficiency" must be appropriately defined in terms of these aims.

This University is committed to the principle that good undergraduate and graduate education is possible only when the teaching faculty are also actively engaged in extending knowledge in their fields. It should therefore never allow too great an imbalance to arise between teaching and research.

The instructional purposes--education and research--must at all times be regarded as carrying first priority in any claim on resources. The quality of the University is defined by the quality of its faculty and students and the opportunities afforded them. Grounds, buildings, laboratories, and equipment do not constitute an adequate description of the University--they and the administrative support services are instruments by which the University is made operational.

The University Libraries constitute an integral component in the University mission. The maintenance and development of its collections and the access to them by the faculty and students are essential parts of the academic programs. The priorities in collection development and library services should reflect the nature and level of academic programs.

2. Academic Freedom and Tenure

The importance of the principles of tenure and of academic freedom for the excellence of this University must be emphasized. For the University, tenure entails careful evaluation and high standards of faculty; for the faculty, tenure ensures academic freedom as well as the security necessary to attract the best to the profession. The reallocation of resources must not abrogate the principles of tenure, academic freedom or due process which are essential to the stability, integrity and excellence of the institution.

The criteria for resource re-allocation, with their attendant consequences for programs, must be applied only under conditions of exceptional constraints on resources imposed by legislative budgetary mandates.

The criteria presented in this report, though highly relevant for continued evaluation of program activities and priorities, must not be seen as condoning the use of a crisis or retrenchment as an opportunity for reorganization, program reduction, or program elimination without involvement of faculty, due process, and appropriate provisions of the Faculty Code.

3. Affirmative Action

In any allocation of its resources, the University should keep in mind that there are issues of vital concern which must be safeguarded in the process of resource allocation: affirmative action, educational opportunities for ethnic minorities and women, and due process. These are areas in which the University has ethical and legal obligations whose fulfillment must not be allowed to depend on economic necessity.

4. Relationship with Community

The University must enjoy a close relationship with the community in which it operates. Indeed, the maintenance of the University's excellence enhances the overall quality of life within the community at large. The emergence of a body of knowledge cannot be wholly determined by the availability of external resources or the demands of clients. At the same time, the University must retain autonomy and the capacity to act as a constructive critical force within the society it serves.

5. Process of Allocation Decisions

The quality of the University is affected by the morale of the faculty and students, and their enthusiasm in pursuing the University's central mission. It is therefore important that any re-examination and re-organization being undertaken be conducted in a manner designed to enhance rather than depress morale. This presupposes a high level of information exchange within the University and a willingness on the part of all concerned to arrive at difficult decisions cooperatively. The allocation of resources should reflect the University's long-range goals, and the process should be orderly and readily understandable. In the short term, the continuation of existing programs should be given priority over current levels of administrative and auxiliary support services, materials and physical plant. Clearly identified review and appeal procedures should be a part of the re-allocation process.

CRITERIA FOR RESOURCE ALLOCATION

OVERRIDING COMMITMENTS

The founders of a new university would need to concern themselves only with the mission and fundamental principles and temper them with the external needs, opportunities and constraints of the environment to determine the inventory of programs and their priorities. However, the problem of redefining the inventory of programs within an existing university is more complex. Not only the mission, basic principles and environmental context must be considered, but also the existing internal strengths and capabilities of the faculty, students, and support systems.

Any set of criteria must identify these strengths; it must always foster the preservation, development, and dissemination of knowledge; and it must be sensitive to external needs, constraints, and opportunities.

The following fundamental premises should serve as the general basis for program evaluation.

1. The University is committed to excellence in teaching and research, which we consider integrated pursuits, at both the undergraduate and graduate levels. It is committed in the future as in the past, to undergraduate liberal education as a major function of the University. Fundamental to this are the tasks of confronting students with accumulated knowledge and the processes by which knowledge is expanded, and of challenging them to improve their thinking in order to provide a basis for continuing intellectual growth.

2. The University has an equal commitment to scholarly research. Through scholarly research the University contributes directly to the scientific, social, and intellectual reserves on which individuals and society depend. Students benefit not only from the information they gain from faculty engaged in generating new knowledge, but also from association with faculty and participation in the process that is vital to the continuing growth of knowledge in an environment greatly enriched by the process itself.

3. The University is committed to graduate and professional education. The very existence of modern society depends on the availability of well-prepared professionals. It is the University's duty to make high quality professional training available in the Northwest. This entails a further commitment to the research activities which support such preparation.

4. The interrelationship of undergraduate education, scholarly research, and graduate and professional education must be reflected in the allocation of the University's resources.

5. The University is necessarily involved in providing services to the local, regional, national and international communities; however, such services must be consonant with the basic purposes of the University.

6. Review of every program should include careful consideration of its place in the educational structure of the whole University. The coherence of this structure, which is implicitly defined by the statement of objectives and roles, should be preserved to the maximum extent with a minimum amount of duplication of effort.

PROGRAM EVALUATION CRITERIA

The unit of review for these criteria is a "program". A program is an area of specialization which has one or more of the following characteristics:

- a. has "program" as part of its title;
- b. grants a degree or a credential;
- c. has a sequence of courses with a common prefix;
- d. has been identified as a program by a distinct faculty action.

Ordinarily a program shall be smaller than an administrative unit such as a department and larger than the activities of a single faculty member. The criteria for program evaluation are set forth in terms of program quality and need for the program, both of which interact with one another without rank-order being implied.

Program Quality

The quality of an academic program depends upon five essential and inseparable components:

- A. Faculty;
 - B. Students;
 - C. Library and collections;
 - D. Support services and facilities;
 - E. Program characteristics.
- A. The quality of the faculty is measured in a limited and practical way by their records of achievements as specified in Section 24-32 of the Faculty Code. Thus the criteria are:
 1. Teaching, evaluated by, e.g., peer reviews, student opinion, performance of students, accessibility to students;
 2. Research, evaluated by, e.g., scholarship, inquiry and publications, conference presentations, honors, awards, and, where appropriate, grants and contracts, artistic production, participation in learned societies;
 3. Service, evaluated by, e.g., professional services to the University, the public and professional organizations.
- B. The quality of students may be measured both before and after completion of a program of study. There are few universally accepted criteria for assessing the quality of students, and there is probably no substitute for the collective opinions of experienced teachers. Some criteria which may be appropriate are:
 1. Standardized test scores;
 2. Academic honors;
 3. Scholarships or other financial aid based on merit;
 4. Faculty estimation of their students' level of performance;
 5. Professional record of graduates.
- C. The library or the collection in a given field and the extent to which it is used can, in some cases, provide an indication of the energy and effectiveness of the program as long as account is taken of levels of library funding and the nature of the program. The library also has a bearing on the ability of the program to operate effectively. Among criteria which could be applied are:
 1. Rate of growth of the collection in recent years;
 2. The nature and quality of the collection;
 3. Utilization of the collection.
- D. Support services and facilities which various academic programs require for teaching and research vary widely. The specific criteria which should be applied are the adequacy and quality of:

1. Staffing;
 2. Classrooms, laboratories, and support facilities;
 3. Instructional and research equipment and services;
 4. Field work sites and facilities for professional practice.
- E. A program as a whole can make a contribution that is distinct from the sum of individual contributions. Appropriate criteria for assessing this wider contribution are:
1. National and international recognition or rating, grants and contracts where appropriate, accreditation status, external review when available;
 2. Ability of the program to stimulate objective and imaginative inquiry and the free exchange of ideas in its field;
 3. Organized departmental co-curricular activities at the graduate or undergraduate level;
 4. Potential of the program to generate new knowledge rather than confine itself to the existing boundaries of inquiry;
 5. Ability of the program to prepare future generations of scholars and professionals;
 6. The extent to which the program's practices and curriculum reflect the best standards.

Need for the Program

Whether a program is needed may be measured by:

- A. The extent to which it is central to the objectives and roles of the University;
 - B. Comparative advantage in relation to other internal programs and institutions elsewhere, including, where appropriate, consideration of the rarity of such programs and their locations;
 - C. Enrollment considerations;
 - D. Services to the University and the community.
- A. Centrality is implicitly defined in the statement of objectives and roles and refers to the range of activities which must be represented in some degree at the University of Washington, given its particular place in the educational world. Each program should establish its claim to centrality, employing such criteria as:
1. Contribution to a challenging liberal education which instills an understanding of the major ideas and achievements of mankind and a sense of the values of our own and other cultures and ages;
 2. Contribution to all aspects - disciplinary, humanistic, and ethical - of preprofessional education;
 3. Contribution, in kind and quality, to the range of professional education available;
 4. Supportive relationship of the program to other programs, including functional interrelationships with...

- B. Comparative advantage is a factor that assesses a program's significance in light of the University's location or a distinctive feature of the program that warrants its continued support when compared to a similar program within this or other institutions. The criteria for assessment are:
1. Unique demographic, industrial, geographic, or cultural attributes of the area which make it essential to maintain the program at the University;
 2. Such characteristics as a distinctive approach, demand, or especially high quality;
 3. The number and location of such programs in other universities, and particularly in other public universities, in the state, region, or nation.
- C. Enrollment considerations. The University must be capable of planning beyond short cycles of demand. Present experience may be quite different from needs in the future. Moreover, a program has demands both from students who wish to major in the specific field and students in other programs who wish to enroll in its courses. Further, graduate and undergraduate enrollment demands may be quite different. The criteria by which this factor should be assessed are:
1. The number of students who apply for admission to major in the given field;
 2. The enrollment credit generated from the program's own students;
 3. The number of credit hours generated by students from other fields who enroll in the program's courses;
 4. Indications of whether short-term and long-term demands for courses are growing, stable, or decreasing;
 5. The relationship between demand and supply in employment for graduates where it is relevant, recognizing that it is not so in some disciplines (particularly at the undergraduate level).
- D. Services to the University and the community. The extent to which the program provides such services is also a factor in assessing its value. The following criteria should be applied in making this determination:
1. Non-instructional services to other academic programs on campus;
 2. Services to administrative units on campus;
 3. Service to other public agencies;
 4. A concentration of its collective resources on the solution of practical problems referred to it by the state or community;
 5. An affirmative action program to recruit members of ethnic minority groups and women;
 6. Services to professional and non-profit agencies;
 7. Service to private agencies, business, industry, and other commercial concerns;

8. Services to the general public, specific categories of citizens or informal organizations.
9. Service to the state as specified by state law (RCW) or Washington Administrative Code (WAC) or an official relationship with a program or department of the state government.
10. Demonstrable benefit to the growth and development of the state and community.

IMPLEMENTATION OF THE CRITERIA

It is vital that the following principles be observed:

1. There must be faculty and student participation in all aspects of the implementation of these criteria and the making of decisions based on them, in accordance with a resolution by the Faculty Senate on the process of implementation.
2. Implementation must be preceded by a definition, based on these criteria, of the units that will be regarded as "programs" for the purposes of the current budget exercise.
3. A procedure must be established for faculty, staff and students affected by the reorganization or elimination of any program in the current budget exercise to present a case against such action, using these criteria as a basis for their appeal.

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