

University of Idaho
FACULTY COUNCIL MINUTES

2002-2003 Meeting #21, Tuesday, April 29, 2003

Present: Bitterwolf (chair), Wagner (vice-chair), Bailey, Baillargeon, Chandler, Cloud, Fairchild, Guenther, Haggart (w/o vote), Hatch (w/o vote), Hong, Lillard, McCaffrey, McClure, Nelson, Pikowsky, Reese, Rinker, Stegner **Absent:** Daley Laursen, McGuire, Schekler **Observers:** 3

Call to Order. A quorum being present, Faculty Council Chair, Professor Thomas Bitterwolf, called the meeting to order at 3:36 p.m. in the Brink Hall Faculty Lounge.

Minutes. The council accepted the minutes of the April 22, 2003 meeting as distributed.

Chair's Report. Chair Bitterwolf noted that the Idaho legislature may be able to wrap up its record setting session later this week. He said that there is a good chance that higher education may see a 3% increase in funding for FY04.

Vandal Pride Endorsement. Tom Morrison, the U of Idaho Athletic Department Marketing and Promotions Director appeared before the council seeking its endorsement of the *Vandal Pride* ticketing plan. This plan allows faculty and staff to purchase family passes to all sporting events for a substantially reduced price of \$103. The council participated in this promotion last year and once again believed that this was a value package that it should endorse. It was **moved and seconded** (Nelson, McClure) **that the Faculty Council endorse the Vandal Pride All Sport Family Pass for 2003-2004.** The motion was **adopted** by unanimous voice vote.

Report on the Fiscal Emergency Committee. Acting Provost Chuck Hatch brought the council up-to-date on the deliberations of the Fiscal Emergency Committee (FEC). This committee was activated following the revelations in connection with the bonding of the University Place building in Boise and the loans made by the U of Idaho to the U of Idaho Foundation. An audit conducted by the university revealed that both the university and its foundation faced serious budget problems for the immediate future. While a formal investigation of this matter is still in the planning stages with the SBOE/Regents, the U of Idaho is using the FEC to help guide the university administration in making critical budget decisions for FY04 and beyond.

Hatch said that he made several changes in the make-up of the committee. These changes reflect the current university organizational structure and key standing-level committee structure adjustments during the last 18 months. The notable additions to the FEC were the expanded membership of the Planning and Budget Advisory Committee (old Budget Liaison Committee) and key leadership of the NASC accreditation group. He said that all of the changes and additions are within the spirit and intent of the original structure of the Fiscal Emergency Committee as currently described in the *Faculty-Staff Handbook*.

Hatch provided the council with an overview of the activities of the FEC since it started work on April 10th. He said that the committee was attempting to work as "transparently" as possible. All meetings have been open and will remain so unless sensitive personnel matters are being discussed.

The FEC began its work by examining the financial condition of the U of Idaho. They reviewed the audited financial report and also compared the university's financial condition to peer institutions. The committee also reviewed what had changed during the past year that helped precipitate the current budget crisis.

The committee easily recognized that there were basically only two obvious ways to bring revenues and expenditures into line. One is to grow revenue and the other is to reduce expenditures. The committee then proceeded to the more difficult task of outlining a financial planning process for the university. The FEC also determined that in order to proceed with any meaningful planning, the university community needed to understand the financial issues it faced.

Those issues included:

- current account deficits – red ink
- costs associated with University Place and the Idaho Water Building projects
- costs associated with the U of Idaho Foundation and fixing them – the problem being that how you fix the foundation might seriously affect income for the university and vice versa
- discretionary costs (those you have control over) vs. mandatory costs (those over which you have little control – like utility charges and insurance rates)
- revenues and fees

Hatch reported that there is no doubt that there will be a multi-million dollar gap between revenues and expenditures. The next job of the Fiscal Emergency Committee (FEC) is to develop alternative plans for FY04 revenue and expenditures that will address that gap. The final plan will be the result of several “budget exercises” that try a variety of measures to increase revenues and decrease spending. Hatch then listed several strategies that could be employed in meeting the goal of a balanced budget:

- borrowing the funds to cover the FY04 gap
- reducing salaries of administrators, faculty, and staff
- selling property the U of Idaho owns
- increasing student fees
- freezing hiring and purchases
- shifting more benefits costs to the employee

The most controversial strategy would be salary reductions. Hatch said that the down-side to this strategy is probably too great. It is not just a matter of morale, and that is important in its own right. Faculty and staff can and will leave the university. When they leave they also take away the potential for generating revenue – such as grants and contracts. Although salary reductions are seen as a last resort by many people, this strategy will remain on the table until the FEC decides that it should be removed.

Hatch said that most responsibility centers are managing their deficits well and have solid plans to meet their financial goals for FY04 and beyond. He said that multi-year financial plans use “differential targets” that take into account that some centers are more efficient and others may have greater access to external funding. The goal is for all responsibility centers to become more efficient in enhancing revenue and managing expenditures.

However, a critical budget planning issue facing the university involves two budget categories that have been in place for decades. One is labeled “common good” expenditures and the other “unfunded obligations and mandates.” Hatch used the Lionel Hampton Jazz Festival as an example of a “common good” expenditure. After many years of deficit buildup it was seen that the festival should be removed from the oversight of one college and placed under the supervision of the central administration. That takes the financial deficit burden away from the college. However, the festival still does not generate enough revenue to cover its expenses, and the deficit continues. Yet many see a “common good” for the university coming from the festival. Hatch said that it is clear that policies that have allowed these types of obligations to be started and continued, despite building deficits, need careful examination. These policies will be reviewed, discussed, and most likely revised.

Hatch stressed that there was also the need to have independent “arms length” oversight of these obligations. Management control is needed and no new obligation should be approved without a solid management plan. There also needs to be control of resource allocation and better internal audit procedures that can then be relied upon for planning. It was also noted that, despite the “common good” of many of these obligations, no one seems to be able to discover their true cost to the university. The use of “auxiliary” accounts often hides the true costs of such “common good” obligations like the jazz festival, university press, and motor pool.

The time frame for the Fiscal Emergency Committee (FEC) to complete its task is sometime between the 15th and 23rd of May. The FEC will finalize its plan and make its recommendations to the acting president. The acting president has decided to have an outside higher education agency review the budget plan before it is implemented. Further complicating the budget planning process is the fact that the Idaho legislature is still in session. No higher education budget has been recommended by the Joint Finance and Appropriations Committee to be sent to the House of Representatives and Senate. Thus the SBOE/Regents have no way to estimate the total amount of appropriated funds that will go to the U of Idaho.

Budget Comments and Questions. The council had many comments that they wanted directed to the attention of the FEC and several questions for the acting provost to respond to at the meeting. The council began by complimenting Hatch on his openness and candor on the budget issues.

A number of councilors commented on the great down-side that would be generated by any attempt to reduce faculty and staff salaries, comments with which Hatch was in full agreement. It was also pointed out that the faculty salary scale in all disciplines at the U of Idaho was near the bottom of any comparative scale.

Councilor Nelson recommended that the university seriously consider re-evaluating its strategic plan. The plan was developed in better times, and our world has changed drastically and the overall strategy of the university needs to be similarly adjusted to a more realistic viewpoint.

Councilor Lillard raised the issue of the funding of athletics. Hatch responded that all of the studies show that, because of a multitude of financial obligations, the best short-term solution would be for the U of Idaho to join the Sun Belt Conference in all sports.

Councilor Bailey (and several other councilors) were concerned about the lack of current information on the deliberation of the FEC reaching the faculty and staff in a timely manner. He said that there were just too many opportunities for rumor and miscommunication to occur in that sort of atmosphere. He said that there is no link to the FEC at the university website and no printed information available. Councilor Reese noted that the *Boise Statesman* and other Idaho newspapers seemed to be doing a better job of reporting events surrounding our financial problems than our own administration. The administration always appears to be reacting or giving the appearance of covering up for some mistake. Hatch acknowledged that the administration has erred in many respects in communicating with its own employees. He promised that the information flow problem would be addressed immediately.

Councilor McClure, who is a member of the FEC, told the council that it was important to understand that the university can not simply “walk away” from its financial obligations. The utility bill must be budgeted for and paid. She said that since 75% of our budget is associated in some fashion with employee salaries and benefits it was natural to look at those funds for possible savings. However, everyone, including Councilor McClure, still saw the cutting of current employees salaries as only a last resort kind of solution.

Adjournment. Chair Bitterwolf thanked Acting Provost Hatch for his presentation to the council. It was then **moved and seconded** (Lillard, McClure) to adjourn. The motion was **adopted** by unanimous voice vote, and Chair Bitterwolf adjourned the meeting at 5:03 p.m.

Next Meeting. The final meeting of the 2002-2003 Faculty Council and first meeting of the 2003-2004 Faculty Council will be May 6th. The Spring General Faculty meeting is May 5th.

Respectfully submitted,

Peter A. Haggart
Secretary of the Faculty Council