

Creating a Culture of Stewardship and Economic Restraint

Executive Summary

November 10, 2008

On October 13, as a result of the current budgetary situation in the State of Tennessee, President Stanton appointed a Task Force to plan for identified and potential state budget reductions. The Task Force was charged with developing a plan of action to address the anticipated reductions with a report due to the President by November 10. The Task Force membership included representation from the Council of Chairs, Faculty Senate, Staff Senate, and Student Government Association in addition to administrative officers of the University. The Task Force met as a group for approximately 24 hours over seven sessions in addition to small group meetings to complete this report.

The charge to the Task Force was to develop a comprehensive plan for dealing with all aspects of anticipated budgetary reductions for the remainder of this fiscal year and forward into the budget for FY 09-10 keeping in mind the current financial climate is likely to last for several years. This reduction planning was to include elements of cost reductions/efficiencies, cost elimination, cost collaboration, and sources of new revenue whenever possible.

At the initial meeting of the Task Force, the group identified principles that would guide our discussions and decision-making processes. These “First Principles” are included in the report and reflect the values of the University and preservation of our core functions.

Actual and Potential Reductions FY 08-09 and FY 09-10

At the beginning of Fiscal Year 08-09, the University faced a total budgetary reduction (including the College of Medicine and Family Medicine appropriations) of \$4,367,000 consisting of a 5.8% reduction to the General Academic Campus and 2.0% for the College of Medicine and Family Medicine. In October 2008, the state requested an additional 3.4% reduction from all appropriations totaling \$3,240,200 resulting in a total reduction to date of \$7,607,200. Academic and administrative units have met this challenge using a combination of across the board reductions, involving frozen positions and reduction to operating budgets, as well as the use of reserve funds.

Reductions

In addition to these actual reductions, the University has been informed by the TBR to be prepared for a 3% to 5% reduction in January 2009 and an additional 3% to 5% cut from the FY 2009-2010 budget, or potentially as much as 19.2% in reductions in a twelve month period for the General Academic Campus and 15.4% for the College of Medicine and Family Medicine. Reductions at this level exceed what can be accommodated by across the board cuts in general operating budgets alone.

January Reduction Preparation

To meet projected reductions in January, the Task Force has determined that there will be a need for the University community to identify approximately *\$1 million* in personnel costs reductions from existing or future vacancies and *\$1 million* from operational dollars. While an across the board percentage is not being recommended, each unit in the University is being requested to identify potential strategic cuts, reduce overall spending, identify vacant positions that can be frozen or hiring delayed, and practice fiscal restraint for the remainder of the year. The Task Force believes these savings can be realized by a culture of stewardship among all academic and administrative units for the remainder of the year. This approach emphasizes the responsibility for sound fiscal decision making for all expenditures. “Guidelines on Cost Reductions” that provides suggestions and expectations and a “Protocol for Monitoring” progress toward meeting anticipated January/February reductions are included in this report.

Strategies for Short Term, Intermediate, and Long Term Actions

The body of the report is structured around identification of short, intermediate, and long term strategies for cost reduction, cost elimination, cost consolidation, and revenue generation in the four key areas of “Administrative Services and Support,” “Programs,” “Personnel,” and “Miscellaneous.”

The strategies were developed following a “brainstorming” session where many ideas were put on the table. These ideas came from staff, faculty, students, and administrators. The pros and cons of each strategy were discussed. Some strategies were not included because they were not deemed cost effective or would be a detriment to the University. While implementation plans are yet to be developed for some of the strategies, the Task Force identified either ownership or referral entities for all strategies.

Short term strategies are those that can be implemented immediately or require that processes be put in place for review and assessment. Intermediate strategies identify areas for potential budget reductions for implementation in the next fiscal year. Long term strategies are directed to activities and processes that will be necessary should the University be faced with continued state budget reductions. It should be noted that the effect of the budget reductions reach a level of severity more rapidly in the College of Medicine and Family Medicine and these units may have a need to implement some of the long term strategies before the rest of the University.

All of the strategies begin the process of having the University look toward “re-engineering” how we educate our students and perform our business functions. The importance of carefully assessing cash flow for programs and services must also be balanced against mission and value of the activity to the long term goals of the institution. As we plan for a future in times of continued financial restraint, the University is challenged to look at different paradigms for achieving our goals. While being good stewards of the University’s resources, we must also make decisions that do not limit our position in the academic market. Therefore, this report is not just a plan for budget reductions, but rather a call to action of the University community.

This is not a final report, but rather a developing plan. We would caution that while some units have been named as “examples” in the report as areas where possible consolidation or elimination of services could take place – these are only illustrative and do not represent a recommendation, but may indicate the need for further assessment. In presenting these preliminary strategies to the University community, the Task Force is asking for your feedback and suggestions on how the strategies can be expanded and improved. Also, if you have particular concerns about the impact of implementation of any strategy, please feel free to share those with the Task Force. A website will be available at www.etsu.edu/calltoaction that includes the entire report and provides an opportunity for your comments.

Call to Action

An institution’s greatness is revealed in its response to challenges in times of trial. East Tennessee State University has weathered significant crises in its nearly one hundred year existence through the good will and collaborative efforts of not only the immediate college community but also through the steadfast support of outside constituencies of the greater East Tennessee community. It is our recommendation that these valuable stakeholders be called upon to participate in solving this crisis. Toward that end, the Task Force, in concurrence with President Stanton, issues a “Call to Action” to each of the members of our University community. The final pages of this report describe ways each of us can work together to make our University stronger as we meet the financial challenges ahead.