

Spectrum

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Public higher education not 'discretionary expense,' Pacheco says

UM System President Manuel T. Pacheco told the Board of Curators that the latest round of state withholdings has revealed a serious structural flaw in the way public higher education in Missouri is funded.

"While the state budget is \$19 billion, only about \$3 billion of that amount falls in to the category state officials call 'discretionary funding'," Pacheco said. Higher education normally receives about one-third of those funds, but when fiscal hard times hit, the governor and the legislature often look to this part of the budget to make up the shortfall.

"No university, or business for that matter, can be run efficiently in the long term under this kind of funding arrangement," Pacheco said.

"The State of Missouri has unwittingly embarked on a course that threatens to dismantle our system of public higher education and permanently relegate Missouri to the status of a '40-something state'," Pacheco told the curators. He said this course did not result from deliberate public policy decisions, nor was it the result of a binding vote of the people, but that the result would be a diminished system of public higher education.

The University started the fiscal year with \$457 million in state revenues for operations. The total of all state withholdings for the University's general operating budget for the year will total roughly \$80 million. The University will finish the fiscal year with a budget of \$377 million, equivalent to its state appropriation in FY93.

Pacheco said that Missourians were just beginning to realize the full extent of the damage done by the repeated withholdings in FY02 and the impending 10 percent cut in the University's core FY03 budget.

"We're going to have to 'power down' just to survive," he said. "It will take a decade or more to recover from the damage that has been done in just one year."

Pacheco said that he was reluctant to come to the Board with proposals to reduce the University's workforce by offering employees an early retirement incentive program and to add an educational surcharge to students' educational fees for the upcoming fall and winter semesters. He said the withholdings left him no choice but to recommend the measures.

Pacheco said that the University would ultimately prevail because it has good people who will continue to look for solutions to the fiscal problems. He added that he recently wrote to the governor to offer his assistance in finding a solution to the long-term funding problem. "Higher education should no longer be treated as a 'discretionary expense'," Pacheco said.

Board approves VERIP-2002 for eligible UM faculty and staff

The University of Missouri System Board of Curators approved a voluntary early retirement incentive program at its special meeting May 31 in Jefferson City. The retirement program (VERIP-2002) became effective June 1.

The program is being recommended in the context of the latest round of state withholding, which was announced May 10. "Were it not for this crisis," said Vice President for Human Resources Ken Hutchinson, "we would not be recommending this program."

"It is clear to me that the terms of this offer are very generous," said Board of Curators President John A. Mathes. "I am expressing my remorse at having to take such drastic action."

All current employees who are now eligible for retirement, or who will become eligible on or before Jan. 1, 2003, would be eligible for VERIP. While the University currently provides early retirement options, most involve accepting a reduction in benefits depending on the employee's age at retirement. The current early retirement provisions require a minimum age of 55 with at least 10 years of service or a minimum age of 60 with at least 5 years of service.

Election to retire from the University and participate in VERIP must be made during the "window period" of June 1 through Sept. 30, 2002. Those participating in the program should consult with their supervisors about retirement dates. All retirements must commence no later than Jan. 1, 2003.

New to VERIP is an additional eligibility class, according to Hutchinson. Those staff and faculty members whose age and eligible University service, when added together, total 85 points or more are eligible for VERIP. For example, a person with 31 years of service and 54 years of age would receive 85 points and would be eligible for VERIP.

Rehiring of employees who take early retirement would be allowed, but only on a case-by-case basis when the reemployment meets an operational necessity and is in the best interest of the University. No retired faculty or staff member has any entitlement to be reemployed. Appointment of retirees to non-benefit eligible assignments of less than 75 percent FTE will be permitted with certain guidelines applicable.

According to Hutchinson, 2,079 faculty and staff out of 17,447 benefit-eligible employees are eligible for the program. Of ranked faculty, 656 out of 2,757 are eligible for the program.

"Faculty and staff electing the program will be able to continue their medical and dental program as a retiree of the University of Missouri," Hutchinson said.

Actual savings for the University will depend on the participation rate of faculty and staff. The planning target for the program is \$12 million in general operating savings, based upon a participation rate of 45 percent and a replacement rate of 50 percent. Administrators say savings could be as high as \$17 to \$20 million if more employees than projected take the offer.

Historically, faculty generally participate at a lower rate than do staff. When the University last offered an early retirement incentive program in 2000, 33 percent of eligible faculty and 49 percent of eligible staff enrolled, for an overall rate of 41 percent.

Employees interested in learning more about VERIP should visit the UM faculty and staff benefits web site dedicated to VERIP at <http://www.system.missouri.edu/hrs/pics/verip2002.pdf>. In the near future, each employee who meets VERIP eligibility requirements will receive an information booklet containing program details as well as instructions on how to participate in the program.

Board approves educational fee surcharge for 2002-2003

The Board of Curators approved an educational fee surcharge for fiscal year 2003 at its May 31 special meeting in Jefferson City. The surcharge of \$9.00 per credit hour will apply to enrollments during the fall and winter semesters of academic year 2002-2003.

The total surcharge varies with the number of credit hours taken and is capped for students in programs where a plateau education fee is in place. The surcharge for undergraduate students enrolled for 30 hours per year, for example, is \$270, while the surcharge for graduate students enrolled for 24 hours per year is \$216.

"We believe the \$9 per credit hour surcharge is the most equitable for all students," said Interim Vice President for Finance and Administration Nikki Krawitz.

In early May, with only six weeks left in the fiscal year, the state notified the University that an additional \$41.2 million would be withheld in FY02. With classes having ended and students already on their way home for the summer, the University's options to address the shortfall were limited, according to Krawitz.

The educational fee surcharge is anticipated to offset 27 percent, or roughly \$10 million, of the shortfall in FY02 state appropriations.

"We find no pleasure in addressing this," said Curator Paul W. Steele. "It is a difficult choice for all of us to make."

Other steps administrators are taking to meet the remaining 73 percent of the FY02 withholding include the elimination of more than 400 jobs system-wide through a combination of early-retirement programs and layoffs; FY02 expenditure reductions; and drawing down reserves.

In March, the Board approved an 8.4 percent increase to student fees for academic year 2002-2003. Of the total increase, 3 percent represents increases in the cost of continuing operations. The additional 5.4 percent increase is required to partially offset the 10 percent reduction in state appropriations recommended by Gov. Bob Holden for FY03.

The surcharge would be removed when the budget shortfall has been remedied, provided the state does not impose additional withholdings. "The goal will always be to get a surcharge taken off as quickly as possible," said Curator Thomas E. Atkins.

President appoints task force on academic program costs

In response to drastic cuts in state support to higher education, UM System President Manuel T. Pacheco has appointed a task force to examine ways to reduce academic program costs. The task force is chaired by UM System Vice President for Academic Affairs Stephen Lehmkuhle.

The membership of the task force consists of the four chief academic officers, a representative selected by the Intercampus Faculty Council and a faculty member appointed by the chancellor from each campus. The faculty members will be appointed later.

"It is now clear that the fiscal outlook for the University will require us to think about new and different ways to offer and provide access to high quality academic programs," Lehmkuhle said.

The task force will discuss ways to increase instructional efficiency and eliminate or consolidate programs that would minimally affect program quality and access.

"The immediate challenge for members of the task force will be a willingness on their part to think differently about how to deliver academic programs," Lehmkuhle said.

The task force report will include findings and recommendations in three key areas. The first is the instructional cost associated with programs with low enrollments and/or completions. As part of the review, the task force will examine a variety of productivity measures, including the student credit hours and research and public service funds generated by each faculty member.

The second area concerns a review of duplicate programs, particularly those that are costly or duplicated across the four campuses of the University.

The final area of review is the faculty workload policy in the Collected Rules and Regulations (310.080) and similar policies for each campus. The task force will consider variations in the workload policies, together with the possibility of capping enrollments, as ways to lower instructional costs and maintain academic quality.

The task force will issue its report to the president by Oct. 1, 2002, or earlier.