UPBAC Workgroup report
January 26, 2010

Executive Summary

A subcommittee of UPBAC (referred to as the Workgroup) has met for many hours over the last six months primarily to discuss a set of ideas about how MSU can be more efficient or reduce expenditures. These 170+ suggestions were submitted as a result of a community wide email solicitation. The suggestions came from faculty, staff and students. Most were received from named individuals but many were submitted anonymously.

The Workgroup discussed each suggestion and where appropriate asked for additional information from relevant unit administrators. The Workgroup has had a very rich series of discussions about the suggestions. It is impossible to adequately represent all of those discussions in this brief report but the report is an attempt to pass along the primary conclusions that resulted from those hours of discussion.

Suggestions were actually received over a period of several months but early in the process the Workgroup identified eight suggestions that seemed, if viable to have the potential to generate substantial savings. The Workgroup has identified these suggestions as “First Look Suggestions” and they are discussed in their own section of this report.

As the Workgroup discussed the other suggestions, they seemed to fit into (at least) one of five general categories. Nearly sixty of the suggestions described activities in which we are already engaged. That is good evidence that our actions across campus already look to efficiencies and decreasing expenditures where possible. It is also evidence that we have not been very successful at publicizing these cost saving activities. One finding of this report is that we must do a better job of communicating both internally and externally how hard we are working to be efficient and conserve our resources. These suggestions are discussed/listed in the Category 1 section of this report.

A second set of nearly thirty suggestions form a category that the Workgroup thinks have potential but need further consideration. Depending on the nature of the suggestion, we subdivided these into three subcategories. One subset seemed specific enough to recommend them for consideration to a unit administrator or executive. A second subset seemed broad enough that a campus committee might consider them. The third subset of these suggestions seems to have impact beyond MSU and would require consideration by the Montana University System authorities or even the Montana Legislature. These three subcategories are discussed/listed in the Category 2 section of this report.

A third set of about twenty suggestions consists of ideas that the Workgroup thinks either generate minimal or no savings or require an upfront investment that only generates a positive return after a long period of time. Several of the latter group are actually good ideas in some respects but because of our current fiscal situation, we are not recommending them at this time. These suggestions are discussed/listed in the Category 3 section of this report.

A fourth set of about thirty-five items might or might not have merit but are very focused on specific offices or even specific individuals. We think they go to a level that we consider micromanagement and
not appropriate for UPBAC consideration. We did however pass all of these ideas along to the relevant unit administrators to make them aware of the suggestion.

The final group of about forty suggestions were discussed and determined to not be in the institution’s best interest or simply not possible. Some of these ran counter to MSU’s strategic plan and others would not be allowed under state or federal law. We did share these with relevant unit administrators but we are not recommending any further consideration of them.

The Workgroup members would like to thank all those community members who submitted these thoughtful ideas. The vast majority of these suggestions were meritorious ideas. Many of them are currently “in progress” while others deserve further consideration.

Workgroup background – a brief history

The Montana Legislature adjourned on April 28, 2009. A month later the Board of Regents met (May 28-29) to set campus budgets. At that time, MSU Bozeman was projected to have a $1 million shortfall in FY10. UPBAC met on June 2, 2009 to discuss how to proceed.

Projections for Fall 2009 enrollment were looking very good. Tuition revenue was likely to exceed projections but that was not a certainty. A proposal was made to distribute the $1 million reduction across executives (Vice Presidents) levels based on share of total budget. These across the board cuts were not popular with UPBAC because they lacked any strategic direction but given the short timeline required, they were judged to be the best option.

At that June meeting, UPBAC decided to create a smaller subcommittee (the workgroup) to develop a plan for how any additional revenue might be redistributed to areas in a strategic manner. The subcommittee was also instructed to look at options for “vertical” cuts for long-range planning purposes.

The UPBAC Subcommittee/Working group membership is:

Jeff Butler (Prof employee), Jeff Jacobsen (Dean), Paula Lutz (Dean), Wes Lynch (Faculty), Robert Marley (Dean), Dan Moshavi (Dean), Jim Rimpau (VP), Craig Roloff (VP), Teresa Snyder (Pres. ASMSU)

In late July, the Board of Regents notified MSU that we should not expect about $3 million per year in stimulus funding to be replaced in the next biennium (FY12-13). We were also told that we should not expect to increase tuition to backfill the stimulus funds.

So in July 2009, the workgroup mission expanded to cover not only the redistribution of additional tuition dollars (if they materialized) but also how to make up for the now projected loss of approximately $3 million from our budget in FY12 forward.

The campus community was contacted (via email) and asked to submit ideas for either reducing expenditures or enhancing revenue. More than 170 different ideas were received. The workgroup considered each of those ideas testing both the feasibility and advisability of the suggestions. In most cases, additional information was solicited and received from the units impacted by the suggestions.
In August when we began the Fall 2009 semester, we did indeed have a record enrollment. Our tuition revenue exceeded our projections by approximately $2.5 million. The workgroup proposed and UPBAC subsequently approved a redistribution of that revenue. Details of that distribution are available on the UPBAC web site.

In January 2010, the Workgroup completed its discussions about the suggestions submitted by the university community and presented the attached report and recommendations to UPBAC for consideration.

Current Fiscal Environment - January 2010 Budget Status

Throughout the Fall of 2009, the Legislative Fiscal Analyst responsible for State revenue forecasts reported a slump in revenue collections, and projected a biennial revenue total that would fall below the target set by our 2009 Legislature.

In the latest revenue report (issued January 6th) the fiscal analyst reported that:

a. Total general fund revenue collections through December are showing further weakness.
   i. Total general fund revenues are now estimated to be $270M less than anticipated by the 61st Legislature. [note: The November projection was a $243M shortfall.]
   ii. The newest projected shortfall is about 7.6% of biennial revenue totals. [note: The November gap was 6.7%.

b. This projected shortfall creates a projected fund balance of only $16.9M, which far below the statutory “floor” for the fund balance [$36.4M; 2% of the state budget].

c. If projected revenues fall below this “floor”, the Executive must submit proposed spending reductions to the Legislative Finance Committee for their review and the potential proposal of alternative recommendations.

In response to this report, the Governor’s Budget Director issued a letter to all State Agency Directors, as well as the Commissioner of Higher Education, and asked for the submittal of 5% budget reduction plans. The specific points in this letter were as follows:

a. A shortfall may exist. So, the Governor’s Budget Office is initiating the process of identifying potential budget reductions – for FY2011, in accordance with statute.

b. Each agency must submit a 5% budget reduction proposal and analysis, to state the impact of the reduction and whether the affected service is mandatory or permissive.

c. It is possible that reductions will be continued forward into the 2012-13 biennium.

d. Agencies must submit their 5% reduction proposals by January 29th.

e. The Governor will provide formal notice of a deficit to the Revenue Committee on January 29th.

f. The Governor will submit his formal spending reduction recommendations to the Legislative Finance Committee on February 19th.
For the MSU campuses and agencies, a 5% reduction is $3.85M. In addition to this potential loss of funds in FY11, the MUS and many other State Agencies are also facing the loss of Federal Stimulus Funds in FY12 and 13.

**Workgroup Consideration of Suggestions**

The campus community submitted more than 170 different suggestions for ways to save money. The workgroup considered each of those ideas testing both the feasibility and advisability. In most cases, additional information was solicited and received from the units impacted by the suggestions. Early in the process the Workgroup identified eight suggestions that seemed to have the potential to generate substantial savings. We refer to these as “First Look Suggestions” and they are discussed in the following section of this report.

The Workgroup also discussed each of the remaining suggestions and divided them into five categories, two of which had subcategories. The discussion of those five categories follows the First Look Section in this report.

**First Look Suggestions**

1. **Cut State funding for the Big Sky Institute**

The UPBAC WG recognizes the critical role that the Big Sky Institute plays in outreach to the Big Sky community. Although we see the value in such activities a high priority could not be placed on the use of state funds for this purpose in the face of severe budget reductions. The WG’s recommendation is to phase out state funding for the Big Sky Institute by the end of the calendar year 2011 (i.e., no base funding after Dec. 31, 2011). In recognition of BSI’s value in outreach, we encourage attempts to replace the lost state dollars with external funding. We understand that plans have been made to fold BSI into the EPSCoR “Center for the Environment” as the CFE’s outreach arm. We endorse this proposal.

2. **Implement a series of furloughs**

The Workgroup received a number of suggestions involving the concept of employee furloughs. The specific concepts included ideas such as having employees take off the week between Christmas and New Years, taking off one day each month, or reducing the work week to 32 hours – either as voluntary decisions or mandatory actions. In all cases, the assumption is that employee pay would be reduced by an amount commensurate with the reduction in work hours.

By FY12 Montana could be in a more severe financial crisis than what it has experienced to date. As a result, the MUS will most likely have to contend with a greater loss of State funding than just the $17.6M “stimulus” funds that have been mentioned to date. It is possible that, in order to mange an unanticipated, severe loss of General Fund revenues, our State Agencies and the MUS may have to rely on the use of temporary employee furloughs – like a number of other states and universities have already implemented.

At its November 10th meeting, UPBAC decided that MSU should suggest that the Regents may wish to explore the actions that would be necessary for campuses of the MUS to mandate furloughs for their
employees, done only as a last resort, and as a temporary measure that would allow other, more strategic decisions to be developed. This suggestion was presented to the Regents on November 19, 2009.

3. Implement a 4-10 work schedule

The Workgroup also received suggestions involving the concept of having employees conform to a 4x10 work week schedule so that campus offices and classes would only operate four days per week.

The only savings this would generate would be a reduction in energy costs. This could be as much as $250,000 for the year – but only if access to all campus buildings was rigorously controlled over every long weekend.

Campus sentiment regarding this concept is mixed. Some are attracted to the idea of always having a long weekend. Others are more concerned about such complications as the public’s access to campus, family issues due to day care schedules, and the work schedules for departments which must maintain service and a presence on campus for 5-7 days each week. ASMSU Senate has formally expressed its concern that a 4-day week could be detrimental to the quality of education because of longer class periods, increased class sizes, and less time to meet with instructors.

Given the above, it is recommended that, at this time, a 4x10 Work Week schedule not be pursued further at this time unless it can be shown that the outcome would result in more than just a change in work schedules.

4. Consolidate services across all four MSU campuses

The Workgroup thinks this is an idea worth pursuing. The recommendation to UPBAC for the distribution of tuition revenue included $150,000 to fund this suggestion. UPBAC approved that funding at its December meeting. The work has begun with the appointment of an oversight committee that includes representatives from each MSU campus and OCHE.

5. Pool support staff

The Workgroup thinks this is a good idea but will only work in some circumstances. Without delving into the specific operations of many units, we are not comfortable making specific recommendations. We are including this in a set of suggestions that we recommend to unit administrators and/or executives.

6. Explore creating voluntary retirement options

The Work Group received several submittals suggesting that MSU offer early retirement options to its employees as a way to reduce budgets. The suggestions included voluntary and forced options, which would affect the various employee classes differently (TIAA-CREFF, TRS, and PERS).

In general, early retirement options can be effective cost saving measures only when reductions in staffing levels are desired. Since MSU is not currently planning a significant reduction in its total number
of staff, most retirements would lead to increased costs (retirement payouts, recruitment, new employee relocation costs, and most often salaries that are close to or more than those of the retiring employees).

Unless these vacancies are left unfilled or eliminated there is no financial benefit for the University to offer early retirement options.

7. Explore the closing of some buildings

Several members of the campus community suggested that the Workgroup explore the potential savings from closing buildings, either during the Christmas Break, or permanently. Buildings can be closed either on a temporary basis or permanently. Under a temporary closure, it would be expected that the building would be reopened at a future date. For that reason, custodial costs and a portion of the utilities would be saved, but the University would still have to maintain the building in much the same manner as if it was occupied, but closed for a holiday period. Under a permanent closure, it would be expected that the building would be demolished.

The Temporary Closure of 100,000 gross square feet (gsf) of state-funded building space would represent an estimated annual savings of ~$370,000 at the estimated average of $3.70/gsf. Following are examples of estimated savings for temporarily closing several specific buildings (based on the 5-yr average for the state-funded portion of each building):

[These building were randomly selected as EXAMPLES so the Workgroup could better understand the impact of closures.]

- Plant Bio/Plant Growth (79,356 gsf state-funded) - $492,420 (~$6.21/gsf state-funded)
- Leon Johnson (82,542 gsf state-funded) - $337,800 (~$4.09/gsf state-funded)
- Cobleigh (92,568 gsf state-funded) - $373,560 (~$4.04/gsf state-funded)
- Museum of the Rockies (92,381 gsf state-funded) - $331,720 (~$3.59/gsf state-funded)
- Reid Hall (91,167 gsf state-funded) – $304,820 (~$3.34/gsf state-funded)

Permanently removing 100,000 gsf of state-funded building space would represent an estimated annual savings of ~$556,000 at the estimated average of $5.56/gsf. Following are examples of estimated savings for demolition/removal of several specific buildings (based on the 5-yr average for the state-funded portion of each building):

- Plant Bio/Plant Growth (79,356 gsf state-funded) - $678,460 (~$8.55/gsf state-funded)
- Leon Johnson (82,542 gsf state-funded) - $516,475 (~$6.26/gsf state-funded)
- Cobleigh (92,568 gsf state-funded) - $532,770 (~$5.76/gsf state-funded)
- Museum of the Rockies (92,381 gsf state-funded) - $501,000 (~$5.42/gsf state-funded)
- Reid Hall (91,167 gsf state-funded) – $429,270 (~$4.71/gsf state-funded)

Closing a major building would result in major savings, but the Workgroup recognizes that it is unreasonable to expect that the University could close one of its major buildings at this time. However, the Workgroup would like to pursue further the possibility of closing one or more smaller
buildings on campus. Therefore, it is recommended that this question be forwarded to the University Space Management Committee, for its investigation.

8. Develop a “Shop Smart” program to allow units to benefit from more volume discounts.

The Workgroup received a number of suggestions involving the concept of cost savings that could be achieved through the combined purchasing power of departments, colleges, and campuses, collectively referred to as “Shopping Smart.”

With the assistance of the Internal Audit department, the University’s FY 09 purchasing card and invoice payments were analyzed to discern spending patterns. In reviewing the report provided by Internal Audit, and based on University Business Services’ analysis, it appears that some cost savings could be achieved through implementing the above referenced suggestions. The data does not support large increases in direct savings, as our expenditures are not as significant as larger universities, and because our spending patterns are quite diverse because of our varied educational and research foci; however, the consolidation of purchases, where appropriate, will likely result in savings and can also show peripheral benefits for risk management, vendor management, and administration time savings for departments.

Implementation of the suggestions will require adoption of best business practices by the campus, which involves a shift on the purchasing model spectrum from a more decentralized model to a more centralized model for some purchases. For example, currently a department has autonomy to purchase goods and services under $5,000, whenever within its budget and from whatever vendor it deems appropriate, while limited competitive bidding practices must be employed for items ranging from $5,000 to $25,000.

For many purchases, such as lab supplies, office supplies, and minor equipment, the change would require the department to (1) purchase from specific vendors for goods and services that have been pre-bid by purchasing using requirements from the departments and (2) to use internal department practices to consolidate purchases within its department or college.

To facilitate this change, the purchasing department would (1) bid out more campus-wide contracts than are currently mandated, (2) require departments to use pre-bid (but currently non-mandatory) state contracts or consortium agreements, and (3) provide campus-wide calls for equipment that is currently purchased on a sporadic basis throughout the year and from a variety of vendors.

Specifically, it is recommended that Shop Smart and cooperative purchasing be implemented as a business practice with the following initial actions. Additional evaluation and practices will be recommended by the Purchasing Department and will be sought from departments, as opportunities are presented.

1. Office Supplies; Equipment and Furniture
   a. Departments bulk buy by Colleges wherever possible – i.e. mini College central stores
   b. Departments commit to being judicious in its internal purchasing - evaluate and use standard office supplies, consolidate office equipment and reuse furniture from property management when possible.
   c. Use Corporate Express for all office supplies, as prices have already been bid by the State, unless the department can document a bid to show better pricing
d. Use Western States Consortium Agreement and State Term Contracts to purchase copiers
e. Purchase toner for copiers and printers only from ITC (already bid); also recycle toner cartridges through ITC

2. Laboratory Supplies – Use state term contracts; unless bid substantiates lower pricing

3. Scientific and Other Equipment
   a. Minimize the number of sole source purchases
   b. Encourage bid of used equipment where appropriate (with strict parameters so it is good quality and certified where appropriate)
   c. Communicate within College and other departments to consolidate purchases for volume pricing. Purchasing will assist by publishing purchases that are requested on the Purchasing List Serv so that others that may be interested will have an opportunity to add their purchases to the bid.
   d. Budget and negotiate maintenance contracts when equipment is purchased, rather than once the vendor has already got its “foot in the door.”

Category 1: Suggestions that we are already doing or are in progress.

There were fifty-seven suggestions that recommended actions that are already being taken or are already in a planning stage. These are good suggestions but don’t require any specific action at this time. The Workgroup feels that it is unfortunate that the campus’ money-saving actions are not higher profile. The Workgroup discussed several ways that information about these activities (many involved energy conservation) might be better publicized, including better use of university web sites and perhaps President Cruzado’s new Monday Morning Memos.

The suggestions in this category ranged from increasing our distance education offerings to reducing the number of light bulbs in each fitting. A complete list of these suggestions and a brief comment are listed in Table 1.

Category 2: Suggestions that have merit and should be investigated further.

The Workgroup identified 28 suggestions that seem to hold potential but require further investigation. We divided these 28 into three groups based on the level of consideration needed for action.

Category 2A: Recommend to an area executive or administrator.

The Workgroup recommends that 15 suggestions be forwarded to unit administrators or executives for consideration. These suggestions included items such as eliminating low enrollment majors and discontinuing the use of trays in cafeterias.

The complete list of these suggestions along with brief comments is attached in Table 2A.

Category 2B: Recommend to an UPBAC Subcommittee
The Workgroup recommends that 4 suggestions be forwarded to an existing university committee for further consideration. Those four suggestions along with brief comments are attached in Table 2B.

**Category 2C: Recommend that OCHE explore statutory or bargaining constraints.**

The Workgroup identified 9 suggestions that merit further consideration but would require MUS or possible legislative intervention. These included items like changing the benefits rate for less than full-time employees.

The complete list of these suggestions along with brief comments is attached in Table 2C.

**Category 3: Only small (or zero) savings identified or Return on Investment (ROI) is very long.**

The Workgroup identified 18 suggestions that generate no to minimal savings. The Workgroup divided these 18 items into two groups based on whether the item has minimal (or zero) fiscal return or the ROI is very long term.

**Category 3A: Not recommended as the item generates minimal savings.**

The Workgroup put two suggestions into this category. They are listed on Table 3A.

**Category 3B: Not recommended as the ROI is very long term.**

The Workgroup identified 17 suggestions that generate some savings but the Return on Investment (ROI) stretches over such a long period that they would not help us in our current situation. This category includes ideas like developing a wind farm and installing waterless urinals. The complete list is included on Table 3B.

**Category 4: Items that should be the purview of unit directors or executives.**

The UPBAC Workgroup identified 36 suggestions that might have merit but should only be considered at the level of individual units. These ideas often involved specific staffing recommendations in various campus units. Such detailed and specific personnel decisions have not been the purview of UPBAC in the past.

**Category 5: Untenable items.**

The Workgroup identified 44 ideas that we recommend should not be pursued for a variety of reasons. Some have been discussed previously on campus and determined not to be viable options. Others led in a direction that runs counter to our strategic plan, and for some, the Workgroup was unable to decipher the intent of the suggestion (e.g. reduce staffing in overstaffed areas).