



IUPUI

OFFICE OF THE
FACULTY COUNCIL

INDIANA UNIVERSITY–PURDUE UNIVERSITY
Indianapolis

Policy on Dealing with the Effect of Financial Difficulties Upon Faculty at IUPUI

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Effective: *March 1996*
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Faculty Council Committee:

Scope

Faculty and schools affected by financial difficulty.

Policy Statement

General Principles

Academic organizations face the risk of serious financial problems which can be solved only by extraordinary means. As one of those extraordinary measures, suspension or dismissal of any faculty or librarians should be approached with great care and implemented according to plans and policies developed outside an atmosphere of impending financial stress. Removal of the people with the primary responsibilities for carrying out the mission of the university places into immediate jeopardy the vitality of the institution and its ability to respond to the needs of its constituents. Accordingly, consideration of removal of persons with tenured or tenure-track academic appointment should never be considered as a tactic to be employed before other measures have been given a chance to work, much less as a routine or automatic step in the process of financial

recovery, but rather as a measure of last resort, and the proponents of such action bear the burden of proving its necessity.

Risks of impairment to the mission and stature of the institution are posed by remedial measures and must be borne across the campus when an even greater threat to its very survival exists. Faculty should be prepared to bear part of that risk equitably with the other components of the institution. If such extraordinary circumstances exist, and reduction in force becomes a reality, all constituents of the university must be assured that faculty and administrators have worked together to address the problem and alternative solutions. Starting with the proposition that precipitous and ad hoc measures taken in the face of financial difficulties magnify the risk of institutional degradation, this statement of policy has been developed to guide the cooperative efforts needed to avoid or repair the difficulties. Persons whose jobs have been eliminated as part of the measures for ameliorating financial difficulties should be able to draw some assurances from these guidelines that their sacrifices are indeed extraordinary and that all lesser measures with any reasonable potential for addressing the financial difficulty have been implemented prior to the call for their sacrifice.

Reason for Policy

Because of the many different kinds and levels of financial difficulty that can arise on a campus as large and complex as IUPUI, it is necessary to have a flexible policy for response. To minimize the likelihood of an abrupt or sudden financial exigency and to assure members of the university community that all measures have been taken to remedy the financial problems, it is essential to outline a structure for the responses to all levels of financial problems and assure broad cooperative participation in the development and implementation of the process. In light of the financial structure of IUPUI, it is imperative that the focus of solutions to problems should be as close to the source as possible. The following statement of guidelines is organized to respond to financial difficulties as a process that can develop from relatively minor problems to matters of grave and serious concern.

Faculty Involvement in Academic Affairs

The chancellor has ultimate responsibility for the financial health and integrity of the campus. Accordingly, the chancellor and those administrative officers who are directly responsible to the chancellor are expected to be directly involved in campus budgetary affairs. However, faculty also should be routinely involved in monitoring the financial health of the institution. The respective roles of faculty and administration in budgetary affairs provide a basis for collective action in addressing problems when the financial health of the institution is in question.

Early responses to impending financial difficulties hold potential for maximizing corrective effect at minimal cost. Conditions affecting the financial health of an educational institution certainly can change suddenly and with little or no warning. However, most conditions of financial difficulty are predictable with careful monitoring of the budgets of both academic and support units over a significant period of time. Overall or broad-based

developments such as declining enrollments can also have obvious negative financial impact and must also be monitored. The predictability derived from the monitoring process can expand the lead time for response, allow remedial measures to be exerted at an early date in the development of conditions producing the difficulty, and allow the negative impact of remedial measures to be spread over a wider time frame.

Effective responses to financial difficulties require the cooperation of administration and faculty. The best way to ensure informed faculty participation is through faculty budget committees at the school or unit level and at the campus level which have ongoing responsibilities in the development and review of budgeting. The nature and role of the school or unit budgetary committee provides decision makers immediate perspective on the financial difficulty and its history as well as a concrete view of the ramifications of solutions. The complexity of organization and financial management principles on the campus also makes it crucial that faculty be involved at the earliest stage of identification and consideration of alternative solutions to the problem.

The nature of the campus Budgetary Affairs Committee places it in a unique position to detect impending financial difficulties. It can bring to bear the experiences and insights of a broad base of faculty representatives knowledgeable in budgetary matters for review or development of plans to address financial problems at the campus, school or unit level. While the annual budget hearings in which the campus Budgetary Affairs Committee participates is the best mechanism for monitoring overall developments, budget committees at the school or unit level should be encouraged to communicate to the campus Budgetary Affairs Committee any information and concerns pertinent to the early stages of financial problems whenever they arise.

Impending Financial Difficulties

For a particular school or unit, financial difficulties can be recognized by administration and faculty at two different levels:

- A. internally through the efforts of deans and faculty-selected school or unit budget committees; or
- B. externally through the review function of the campus Budgetary Affairs Committee and the campus administration.

When the problem arises and is recognized or predicted at the school level, the dean and school committee should analyze it and formulate a plan for correction at their earliest opportunity. The information pertinent to the problem and the corrective plan should be communicated to the chancellor's office.

At this early stage of consideration of financial difficulties, for example, when it is anticipated that financial reserves are exhausted; when flexibility from carryover is gone, a range of actions that hold promise of averting the problem should be considered and implemented. Discussion of corrective measures should give strong consideration to

measures that increase revenues as well as those that reduce costs for such things as physical plant and equipment, or administrative and support services and personnel.

If the problem or the plan for addressing it arise from or affect other schools or other support units, the information pertinent to the problem and the plan for correction must be sent to the campus Budgetary Affairs Committee for review and recommendations prior to implementation. The plan will also be reviewed by the campus Budgetary Affairs Committee when the school or unit budget committee and dean are in disagreement. At any time, the school or unit budget committee may request information from or communicate its concerns to the campus Budgetary Affairs Committee.

When the problem arises within or from actions taken by a support center, faculty review may take place at the unit level in the appropriate faculty advisory committee. In any case, since financial difficulties in a support unit will inevitably affect other support and academic units, the problem and plans for its remedy will be reviewed by the campus Budgetary Affairs Committee.

Whenever the campus Budgetary Affairs Committee is involved in the formulation or review of a plan for correction of financial difficulties, the final plan should be the product of joint efforts of the committee and representatives of the chancellor's office and the Council of Dean's.

Financial Crisis

Conditions may arise which will indicate that the financial difficulty presents a financial crisis that if not addressed decisively and with dispatch could seriously jeopardize the financial health of the institution. Financial crisis exists when any one or a combination of the following conditions present themselves, but it may present itself in ways other than those listed here:

- A. A problem presenting financial difficulty may be recognized in the early stages of analysis as one that cannot be resolved at the school or unit level.
- B. An earlier recognized difficulty may not be responsive to measures designed and implemented at the school or unit level to correct it.
- C. New circumstances may arise which actually worsen the financial condition despite the application of corrective tactics.
- D. An unanticipated and externally-generated problem may suddenly present itself, for example, deep reductions might be mandated by the General Assembly or sudden and unexpected enrollment declines might occur.

In crisis conditions it becomes necessary to broaden lines of communication and to consider more serious remedial steps. Since the problem can arise from and affect both school or unit and campus levels, the remedial tactics to address the crisis will be formulated by different constituent groups and have different attributes depending upon the level of origin and effect. At minimum, the campus Budgetary Affairs Committee and the chancellor will communicate the existence of the crisis to the Faculty Council, and allow opportunities for questions and discussion.

If the problem arises at the school or unit level, the school or unit budget committee and dean should proceed much in the same way as described in part III of this statement. However, under crisis conditions the participants will consider more drastic corrective measures, (such as adjustment of taxes for support units; reduction of administrative expenses; sale of university property; early retirement; reorganization, merger, or elimination of academic programs; and non-reappointment of faculty upon the expiration of the term of appointment).

In the extraordinary circumstances where the problem arises in a single school or unit and the financial condition of that school or unit, by the demands it places upon the resources of other components, threatens the mission of the institution, the chancellor may initiate the process for declaring financial exigency.

Although crisis conditions are very serious, they are not grounds for involuntary dismissal of a faculty member or librarian with tenure or serving a term of an unexpired appointment as a solution to the crisis. Nor shall such dismissals be undertaken in the name of attaining greater efficiency or for purposes of reducing the proportion of faculty or librarian salary lines in school or unit budgets. When such drastic measures become necessary, they require invoking the process for the declaration of a state of financial exigency described below in this policy statement. Reductions in force in support units should take place prior to dismissal of tenured faculty or librarians, non-reappointment or termination prior to the expiration of a term of appointment.

The steps to be followed under conditions of financial crisis at the school or unit level are as follows:

1. After notification of the chancellor's office of the circumstances that indicate the existence of a crisis, the school or unit budget committee and the dean must participate jointly in the formulation of a plan to address the problem.
2. Upon the development of a plan, the dean will submit the plan to the chancellor's office and shall include a statement indicating the faculty's position on the plan. In the event of a disagreement between the dean and the faculty, the disagreement and the basis for it should be clearly stated.
3. Upon receipt of the plan, the chancellor's office will forward a copy of the plan, including a statement of the faculty's position on the plan, together with supporting documents and information, to the campus Budgetary Affairs Committee for review and recommendations for modification. In the event of disagreement between the dean and the faculty, the disagreement and the basis for it should be clearly stated.
4. Upon receipt of the recommendations of the campus Budgetary Affairs Committee, the chancellor will implement the plan (as modified or approved).

If the problem arises from or affects more than a single school or unit, including support units, the crisis carries broader implications and must be addressed with remedial measures on a commensurate scale. When conditions of a crisis arise from or affect multiple components of the university, it may be appropriate to utilize university reserves to remedy the conditions. Consequently, it is imperative that the campus Budgetary Affairs Committee be involved as early as possible in a collaborative effort with central

administration, schools, and administrative service units as necessary to formulate the remedial plan. No tenured faculty member or librarian shall be involuntarily terminated for reasons of financial crisis. Upon the issuance of a letter to a faculty member or librarian giving notice of non-reappointment upon the expiration of a term of appointment for reasons of financial crisis, the responsible dean or director, the chancellor, and the Executive Vice Chancellor and Chief Academic Officer shall report that fact to the Faculty Council at its next regular meeting. The report shall include assurances that the responsible dean or director has given every reasonable consideration of alternatives to dismissal.

Financial Exigency

A. Declaration of financial exigency

The most extreme financial difficulty is that of financial exigency: when conditions pose an imminent threat of indefinite duration such that the central mission of the campus is in jeopardy, American Association of University Professors, Recommended Institutional Regulations on Academic Freedom and Tenure ¶4 (c) defines "financial exigency" as "an imminent financial crisis which threatens the survival of the institution as a whole and which cannot be alleviated by less drastic means." The chancellor, upon becoming apprised of evidence that the financial condition of the institution has reached or is about to reach this stage, will share the pertinent information with the campus Budgetary Affairs Committee and ask it to consider the possibility of a declaration of financial exigency.

Upon receipt of the chancellor's request, the campus Budgetary Affairs Committee shall consult with the Faculty Affairs Committee and representatives of other affected groups to obtain any other information necessary to consider the advisability of declaring financial exigency.

Within 30 days of the request from the chancellor, the campus Budgetary Affairs Committee shall submit to the chancellor and the Faculty Council a written report on its deliberations, its judgment on the severity of the situation, and its recommendations. If in the judgment of the campus Budgetary Affairs Committee the severity of the financial condition warrants a declaration of financial exigency, it shall state that judgment in the report.

Upon receipt of the report from the campus Budgetary Affairs Committee, the chancellor shall discuss its recommendations with the president or designee of Faculty Council and the chairs of the campus Budgetary Affairs and Faculty Affairs Committee. If this discussion leads to the conclusion that the institution is suffering a financial exigency, the chancellor shall, in a forum open to all faculty, declare that the campus has reached a state of financial exigency and present a summary of the reasons and evidence supporting that declaration. After making the declaration, the chancellor shall allow ample opportunity for questions and discussion.

B. Formulation, review, and reporting of a detailed plan for meeting financial exigency

1. Formulation:

Only when financial exigency has been declared is consideration of the most drastic of remedial measures appropriate. While it must be recognized that it may be necessary to dismiss tenured faculty or librarians, not reappoint, or terminate prior to the expiration of a term of appointment, such action should be taken only as a last resort.

The chancellor has the responsibility for dismissal of faculty or librarians with tenure, non-reappointment, and termination before the expiration of a term of appointment. It is imperative that decision makers at the school or unit level be involved in the consideration of such actions as remedial measures for financial exigency, and that they and their respective faculties have in place detailed policies and procedures well in advance of the occurrence of financial exigency. However, deans and school or unit faculty committees do not have unilateral authority to implement such measures. Because financial exigency reflects the condition of the campus as a whole and permits the dismissal of faculty or librarians whose tenure originally was approved by the president and Trustees of Indiana University, the dismissal of tenured faculty or librarians for financial exigency must be authorized by the president and reported to the Indiana University Trustees.

Termination of faculty or librarians with tenure, non-reappointment or termination before the expiration of a term of appointment under circumstances of financial exigency is a fundamentally different process from dismissal of tenured faculty or librarians for misconduct or incompetence because the elements of individual fault and responsibility are not present in the former. Accordingly, no tenured faculty members or librarians will be dismissed for reasons of financial exigency prior to the formulation of a Financial Exigency Plan developed by all affected schools or units. The chancellor, in consultation with the campus Budgetary Affairs Committee, will determine which components of the university will be involved in developing the plan to resolve the state of financial exigency.

Preparation of the detailed written plan shall be the collaborative responsibility of a task force which will include the appropriate administrative officers and representatives of the faculty groups or librarians who will be affected by the implementation of the plan. The composition of the task force will be guided by the campus Budgetary Affairs Committee's identification of the affected schools. The chancellor will appoint the members, and such appointments must include some faculty members drawn from a list of recommendations submitted by the President of the IUPUI Faculty Council. Each affected school or unit will submit specific recommended actions, including identification of the specific individuals who are to be dismissed under the terms of the financial exigency.

The faculty of each unit in consultation with the unit head shall adopt standing policies and procedures which will guide the development of the detailed plan described above. Included in these policies will be the criteria for selecting the departments, programs or units within the school or individuals to be dismissed. These policies and procedures should be generated prior to the development of a state of financial crisis within the school or unit.

The criteria for selection of components of a school must consider the centrality of the component to the school or to other schools, its mission, its quality, and the complementary of the component to other components within the school or campus, duplication of work done in other components, and student or community needs. Relative to the dismissal of individuals, the weighting of factors such as rank, seniority in rank, length of service at

IUPUI are to be included. The criteria must stand the test of fairness and equity without regard to age, sex, color, race, national origin, religious preference, status as a veteran, political preference or allegiance, or sexual preference. In addition, given the university's long-range commitment to diversity, such dismissals should consider the sexual and racial balance of faculty and librarians in the unit.

If this policy for responding to financial difficulties has been followed, by the time financial exigency is declared, in addition to faculty and librarians with tenure or serving an unexpired term of appointment, only those administrators, support personnel and non-tenured faculty deemed essential to the central mission of a unit designated for reduction will remain. Dismissal of a faculty member or librarian with tenure in favor of retaining a faculty member or librarian who has not attained tenure is a departure from AAUP policy and jeopardizes the academic freedom and economic security implicit in tenure that is acknowledged by Indiana University. ([*University Policy ACA-37*](#) "Faculty and Library Tenure") It can be justified only in the extraordinary circumstances where a serious distortion of the academic program would result. Any plan that retains untenured personnel while dismissing tenured personnel must clearly and convincingly justify the departure from policy. Changes in the status quo of an academic program, such as reduction in the number of course sections or increase in student-to-faculty ratios, of themselves do not constitute "serious distortion." However, all personnel who remain should recognize that their assignments and duties may be affected by actions that are consistent with the policy on reassignment and reorganization.

The IUPU Columbus faculty and librarians hold tenured appointments through the departments and schools of the IUPUI campus, but the budget which covers their salaries is separate and distinct. This policy for financial difficulties applies to IUPU Columbus.

2. Review

The task force will consolidate the recommendations received from each school and unit into a final plan. The task force may request modification of individual school or unit plans before incorporating the recommendations into the final plan. The final plan, along with any comments from the affected schools' and units' committees, is forwarded to the chancellor, who within one week will present the plan to (1) the Budgetary Affairs Committee for final review and comment on the budgetary aspects, (2) the Faculty Affairs Committee for review and comment on the consistency of the application of the school or unit's policies and procedures for identification of the faculty or librarians to be dismissed, (3) the Faculty Council Executive Committee for information purposes and (4) other appropriate campus offices. The Budgetary Affairs Committee and the Faculty Affairs Committee will submit comments and recommendations to the chancellor within one month of receipt of the final plan.

After receiving the recommendations of the Budgetary Affairs Committee and the Faculty Affairs Committee, and other bodies whom the chancellor might consult, such as the Council of Academic Deans, the chancellor will finalize the Financial Exigency Plan and notify appropriate administrators, faculty representatives, the president, and Indiana University Trustees.

3. Reporting

The chancellor will ensure that timely, accurate, and comprehensive information about the status of the development and implementation of the Financial Exigency Plan is provided to the entire academic community throughout the process. The chancellor will report to the IUPUI Faculty Council regularly for the duration of the financial exigency.

C. Procedures

1. Notification of Dismissal

The chancellor has responsibility for implementing the plan by notifying tenured faculty and librarians of their dismissal and by directing other campus administrative officers to take the steps required to implement the plan. The chancellor will have responsibility for notifying tenured faculty or librarians that they are dismissed under conditions of financial exigency and shall issue the notice of dismissal in writing via certified mail. The notice will include a summary of the conditions which led to the declaration of financial exigency. A tenured faculty member or librarian will have at least two years' notice prior to dismissal or receive an amount equal to at least two years' salary and benefits or a combination of the two. Other employees affected by the financial exigency, including other academic appointees, shall be entitled to such notice as normally applies for any termination except misconduct.

2. Faculty Board of Review

Within a reasonable time following receipt of the notice of dismissal from the chancellor, the individual faculty member or librarian may request a hearing before an IUPUI Faculty Board of Review. The issues in this hearing may include the following:

- a. Whether the policy and procedures for declaring financial exigency have been followed. The burden will rest on the administration to prove compliance. The findings of Faculty Boards of Review in previous proceedings involving issues of the adherence to policy and procedures for declaring financial exigency may be introduced in subsequent board of review hearings if, but only if, all information identifying the grievant has been removed from the findings to be introduced.
- b. The validity of the judgments made at the school or unit level and the criteria developed by the school or unit for identification of an individual for termination, but the recommendations of a faculty body on these matters will be considered presumptively valid and will be overturned only upon a clear showing by the grievant that the recommendations were fundamentally unfair.
- c. Whether the criteria are being properly applied in the individual case.

The purpose of a faculty board of review proceeding upon an individual's grievance shall be to determine if the individual's selection for dismissal has been made fairly and in accordance with the policy and procedures specified in the Financial Exigency Plan. It is not for the purpose of opening up, on a wholesale basis, the merits of the declaration of a financial exigency, or the plan for addressing the financial exigency.

Any Faculty Board of Review convened for the purpose of reviewing a dismissal for financial exigency shall proceed to conclusion as soon as practicable, and must make its final report within three months of its receipt of a petition for review of such dismissal.

3. Replacement; reinstatement of dismissed faculty or librarians

Replacement and reinstatement of faculty dismissed pursuant to the financial exigency plan shall be governed by the following rules:

- a. Vacancies created by dismissal of tenured faculty or librarians and faculty not reappointed or terminated prior to expiration of the term of appointment: For at least three years following dismissal, school or units that have terminated faculty or librarians pursuant to a financial exigency plan shall offer such person reinstatement and a reasonable time in which to accept or decline the offer prior to hiring a replacement for the dismissed faculty member or librarian.
- b. Vacancies in tenured positions created by normal attrition: Within an affected school, unit, or University Libraries, essential replacement hiring to fill vacancies in tenured positions created by normal attrition shall be possible for the three year limitations periods above, and every consideration shall be given to hiring dismissed faculty or librarians if the possibility exists for retraining or adapting to the requirements in the area of need.
- c. Replacements for part-time positions: Every reasonable effort should be made by the affected school or unit to reinstate dismissed tenured faculty members and librarians before hiring replacements for part-time positions. Replacement hiring for part-time positions is appropriate in cases where part-time positions have been a regular component of the school or unit's workforce, and continuation of such positions is necessary to maintain the financial health of the school or unit.
- d. Faculty Board of Review: Dismissed faculty or librarians have a right to request a Faculty Board of Review within the three-year limitations periods above for the purpose of obtaining review of issues concerning hiring or reinstatement decisions that affect them.

4. Special Considerations for Dismissed Tenured Faculty and Librarians

Because faculty or librarians dismissed under financial exigency lose their position through no fault of their own, these individuals qualify for special considerations. As stated above, every consideration must be given to hiring dismissed faculty or librarians if the possibility of retraining or adapting to the needs of other units exists. Consideration for appointments in other units might include administrative or professional duties as well as teaching, research or service related to the faculty member's or librarian's areas of competence. The Office of Academic Affairs will also provide assistance in identifying positions on other campuses of Indiana University for these individuals. Faculty or librarians dismissed because of financial exigency will be notified of professional or administrative vacancies for which the individuals may be qualified for at least one year following termination of appointment. Every reasonable effort will be made to assist faculty or librarians in securing a comparable position at another institution.

For the three year period following dismissal for financial exigency or until appointment to a comparable position is achieved, the individual will be considered to have "affiliated" faculty or librarian status which, at a minimum, entitles the individual to use of the library; use of campus facilities under the same applicable fee structure that applies to other faculty members; purchase of health insurance under the same regulations that apply to faculty or

librarians on sabbatical or unpaid leaves; office space where the office would not otherwise be occupied; use of office equipment that would not otherwise be used or disposed of, to include computers, printers, copy machines, telephones, etc.; and access to university computing services to the same extent as prior to dismissal or to the same extent as applies to retained faculty or librarians (e.g., e-mail, Internet, dial-up privileges). To the extent permitted by the terms of contractual obligations undertaken by the university with third parties in providing for retirement plans, faculty members and librarians dismissed pursuant to a Financial Exigency Plan shall retain rights to contribute to retirement funds.

D. Duration of declared state of financial exigency; report of actions

Although it may take a long time for the remedies to financial exigency to take effect, it is a condition based on future expectations which can change more quickly. As a result, the declared state of financial exigency will lapse after one year, at which time a report on the steps taken and resulting changes in financial conditions and projections must be made by the chancellor to the campus Budgetary Affairs Committee, Faculty Council, the president of the University and University Trustees. Any further consideration of dismissal of faculty or librarians with tenure, non-reappointment or termination prior to the expiration of a term of appointment for reasons of financial exigency will require a new declaration of financial exigency, preparation of a Financial Exigency Plan, and adherence to the principles and procedures set out in this document.

A final report of the actions taken under financial exigency will be prepared by the chancellor and kept on file in the Faculty Council office and the Office of the Chancellor. The report will be filed when all actions are complete or within one year of the date of declaration of financial exigency, whichever occurs earlier.

History

IUPUI Faculty Council 3/1996

Edited for title and handbook name changes, April 14, 2015