Summary Report for Cost-Savings Suggestions

In April 2020, Administration and Finance staff created a Suggestion Box, located on the Budget Advisory Committee webpage, using Microsoft Forms to collect anonymous cost-savings and revenue-generation suggestions from the university community. Over the next month, 118 responses were received and were combined with suggestions made by the Budget Advisory Committee resulting in 234 different suggestions grouped into 19 broad categories. Some responses duplicated suggestions, and this frequency was noted. Summarized and complete versions of the feedback were provided to the Vice President of Administration and Finance.

In May 2020, the list of suggestions was broken into four groups and sub-group members were asked to rank their support for each suggestion and its potential financial impact.

Budget Suggestion Feedback - Group 1

- Academics – General (32 suggestions)
- Academics - Online Programs (10 suggestions)
- Athletics (3 suggestions)

  45 Total Suggestions

Budget Suggestion Feedback - Group 2

- Budget/Reserves (21 suggestions)
- Construction (4 suggestions)
- Facilities/Grounds/Campus (17 suggestions)
- Food Services (8 suggestions)

  50 Total Suggestions

Budget Suggestion Feedback - Group 3

- Human Resources – General (16 suggestions)
- Human Resources - Hiring Restrictions (12 suggestions)
- Human Resources - Position Cuts (20 suggestions)
- Human Resources – Retirement (9 suggestions)
- Human Resources - Salary Cuts (11 suggestions)

  68 Total Suggestions

Budget Suggestion Feedback - Group 4

- Program Additions/Changes/Cuts (10 suggestions)
- Purchasing (13 suggestions)
- Recruitment (8 suggestions)
- Scholarships (7 suggestions)
- Technology (14 suggestions)
- Travel (13 suggestions)
- Tuition/Fees (6 suggestions)

  71 Total Suggestions

After the initial rankings were made by the IEC members, a working committee for each group was formed to further determine the feasibility and financial impact of the suggestions. Each group was directed to take the budget survey results in priority order and investigate the possibilities of revenue enhancements or cost savings, if implemented, and to provide a written report on the topics and their financial and programmatic feasibility, timeframes, and potential revenues or expenditure decreases. In late June, each subcommittee presented their findings back to the IEC as a whole. Summaries of each group's findings are presented below.

Group 1 Report Summary

The Group 1 Budget Survey consisted of 45 responses focused on Academics – General, Academics - Online Programs, and Athletics. Suggestions fell into the following groupings.

1. <u>Potential restructuring within the division of Academic Affairs.</u>

   According to Dr. Barbara Johnson, Vice President for Academic Affairs, this kind of work is already scheduled to occur during the fall semester. As per shared governance, any decisions should be made within the division of Academic Affairs itself. The subcommittee affirms that the bulk of this work must be delayed until August or September, when the faculty (nine-month employees) return. It should be noted that an ad hoc committee chaired by Dr. Jeff Robertson, Dean of Natural and Health Sciences, researched metrics for evaluating the health of academic programs, but these metrics compare similar programs *across* universities, not all programs *within* a university; they are therefore not appropriate for this type of restructuring. Apropos of academic restructuring discussions, the subcommittee draws attention to the following statement, approved by the Faculty Senate at their April 14, 2020, meeting:

   > *The Faculty Senate reminds its administrators that a university is an academic institution and that, in times of budgetary uncertainty, our university must first work to protect and enhance its academic mission. ATU should look to academics as a place to address budgetary shortfalls only when other possibilities have been exhausted. We also request full transparency of budget cuts for the purpose of review.*

2. <u>Creating more online programs.</u>

   The committee found that securing approval to offer a current face-to-face program online occurs more quickly than the usual curriculum process. If there is no curriculum change, then this process simply involves working through ADHE and HLC. If there is an accompanying change to the curriculum, then that must go through ATU's normal curriculum channels. But, in the interim, faculty may choose to move the program forward through substitutions. In other words, there is ample reason to increase online offerings and very little to prevent such action. Faculty should be encouraged to create as many online opportunities as possible.

3. <u>Advertising online offerings.</u>

   ATU does not have a coordinated system to advertise all our online offerings---instead, it is being done program by program. An effort in this direction was started with <online.atu.edu>, but this project needs to be completed. A dedicated budget or reallocation of the existing budget for publicizing ATU Online Education as a whole is advisable.

4. <u>Federal grants and industry partnerships.</u>

   Some see grants and partnerships as a way to bring in more money. The Office of Sponsored Programs is working on this and should be approached with new ideas. The Ozark campus has several industry partnerships in place.

5. <u>Scheduling issues.</u>

   Some concerns seem to be scheduling issues---for example, having more 8-week classes, scheduling evening/night classes for the same buildings, and offering courses on Saturday. Eight-week classes are a possibility for non-traditional students. Perhaps building efficiencies can be utilized by offering night classes in limited buildings. Weekend classes would need a target audience and marketing plan to be successful.

6. <u>Program-specific summer camps.</u>

   Offering more academic summer camps is a way to get young people interested in majors and in the institution. This strategy might pay off---but not right away. Departments and colleges interested in starting summer camps could work with the Camp and Conference Office.

7. <u>Creating certificate programs.</u>

   Computer science faculty on both campuses would work together to create certificate programs in Cisco, Microsoft, Oracle, RedHat, etc. This is certainly an idea worthy of consideration along with exploring possible certificates or micro-credentials in healthcare and education.

8. <u>Publicizing MOUs with two-year colleges.</u>

   The most useful place to publicize is with the two-year colleges themselves. This is being done through targeted advertising by MarCOMM and a program called ATU Transfer Tracker. It was noted that other institutions have staff with this as their sole responsibility.

9. <u>Partnering with Corrections to teach prisoners.</u>

   Being able to teach in the correctional facilities usually requires in-person staffing. Most colleges who engage in this work have designated staff. ATU has contacted a 2-year institution in the state that is currently offering education to prisoners to explore the possibility of ATU serving as a partner to provide the baccalaureate degree once the prisoners are released.

Group 2 Report Summary

The Group 2 Budget Survey consisted of 50 suggestions in the areas of Budget/Reserves, Construction, Facilities/Grounds/Campus, and Food Services. The most highly frequent answers from the survey fell into six general categories.

1. <u>Using ATU reserves as a stopgap measure to make up for the budget shortfall.</u>

   The University has already implemented this suggestion for fiscal year 20-21. According to Dr. Bowen's state of the University statement published on 6/12/20;

   > "The Russellville campus invested $4,688,939 from university reserves, $3,000,000 from food service reserve funds, $500,000 from ATU Foundation funds and $125,000 in University's Greatest Need ATU Foundation funds to meet budget needs for the upcoming year. Altogether, that is more than $8 million in one-time money that is not automatically replenished from any source."

   The use of reserves and one-time monies has helped balance the FY 20-21 budget but is not a viable means of budgeting for future cycles due to the limited amount of money in the reserve pool.

2. Find new funding models to help alleviate the need for required state funding.

   The current funding model consists of a blend of state funding, programmatic tuition and fees, and general fees. To create a new funding model, the focus will be to look at the programmatic contribution. This section of the funding model is the only section that can be grown or amended to create new revenue streams. New programs can be added, or older programs can be augmented to expand services to engage more students. This expansion will provide new opportunities to grow our revenue base and thus change our funding model.

3. Do a comprehensive review of recurring expenses on campus.

   a. Food Service – The University has a contract with Chartwells and per the contract, Chartwells shall provide inter-departmental meals and functions for Arkansas Tech University. Chartwells committed funds in their contract for University facilities in addition to the commission that the University receives monthly.
   b. Energy – In FY19, the University completed a $5.1M energy efficiency project. In order to fund this project, the University took out a $1.1M loan from the Arkansas Department of Higher Education, and a $4M loan from Centennial Bank. The debt accrued is on a 15 year note so any energy savings seen by the University will go to off-set the loan payments and any additional expenditures needed for the energy efficiency program. The energy program is a long-term savings for the University.
   c. Landscape Maintenance – In order to be more cost efficient, the University has not filled several positions in FAMA, has invested in mower robots, and out-sources some off-site mowing.

4. Continuation/Completion/Development of capital projects on and around campus.

   The University will complete the Hull Union, McEver Hoods, Witherspoon Elevator, and the Residence Life Summer Projects because funds have been already set aside for these projects. The University is presently not moving forward with the Hughes Hall renovation since Housing will utilize the additional space to house students within the residence halls to comply with COVID-19 protocols.

5. Selling Lakepoint Conference Center.

   The University is in the process of selling Lakepoint and any proceeds will be one-time monies for the fiscal year in which the sale occurs. Proceeds could then be used as start-up funding for revenue-enhancing programs or other initiatives.

6. Selling/Renting portions of the campus farm.

   Before any recommendations regarding the farm could be made, an analysis would need to be performed. The analysis would need to cover total year-over-year revenue streams vs. the income received one-time from the farm sale. Although there may be short-term financial gains made by the selling and/or renting of the campus farm, the long-term repercussions would greatly outweigh any short-term profits. The campus farm should be thought of less as a farm and more as an outdoor laboratory for the Agriculture program. The selling of this property would mean the loss of the departmental faculty and students and the entire dismantling of one of the oldest majors on campus.

Group 3 Report Summary

The Group 3 Budget Survey consisted of 68 responses in Human Resources, specifically hiring restrictions, position cuts, retirement, and salary reductions. The Institutional Effectiveness Group #3 narrowed the complete list of suggestions down to what the group felt were the top six suggestions based upon the Group's perceptions of financial impact and feasibility for the university. The Group's top six suggested actions are provided below.

1. Provide early retirement or phased step-down retirement incentives.

   Taskforce B has already considered the impact of early retirement for eligible employees. Eligibility would be based upon age and employment longevity. There are innumerable combinations of age, length of service requirements, and bonus/incentives that can be considered. Taskforce B provided the financial impact for various plan options. Based upon a survey conducted by Taskforce B, 53% of current employees at or above the age of 62 indicated an interest in taking advantage of early retirement (n= 46). Based upon the same survey, 39% expressed interest in participating in a step down retirement process. In May, there were 84 employees who were eligible for one of the proposed early retirement plan options.

   If ATU embarks on an early retirement plan, a participant must have sufficient time to sign up (e.g., 45 days) and then be able to opt out under federal regulations. With any retirement incentive there are effectively two ways of reducing cost without utilizing initial funding from university reserves. One way is for the open position to be held vacant for some designated period. Or, the employee is allowed to work on a reduced time contract prior to their retirement date. The salary savings by rehiring at 90% of CUPA is minimal because few employees are significantly over that mark currently.

2. Eliminate APERS retirement plan option for new hires.

   APERS is a defined retirement benefit pension plan vs a defined contribution plan. A defined benefit plan provides certain promises to the Retiree upon retirement and what has been contributed for the employees' portion or on behalf of the employee; these plans "define" the retirement benefit and those benefits could change with design changes or things such as COLA's. Defined contribution plans only uphold actual balances contributed by employee or on behalf of the employee at the end of active duty, i.e., balance at end of retirement is what will be used to convert to retirement. APERS has additional expense each year with pension long-term liabilities. ATU is currently required to save funds today to cover future costs for a retiree benefits in the future. Currently ATU is the only public university in Arkansas to offer APERS as a retirement plan.

   According to an investigation into APERS by Laury Fiorello, Chief Fiscal Officer-Ozark Campus, and Dr. David Blackburn, Senior Programmer/Analyst, Spring 2020:

   - On average, 13.8% of ATU employees on APERS have left employment per year over the last decade.
   - The average savings per employee in a fiscal year if current APERS employees were on TIAA-CREF is $2005 based on 5.32% difference in payroll contributions. This number is conservative given the GASB requirement.
   - If we assume negligible numbers of employees entering ATU in the future who are vested in APERS, then an exponential decay function should project the loss well. For example:
     Number Remaining = Number Starting x $(1-0.138)^y$
     Where y = Number of Years after Policy Change and Number Starting = 305

   According to Ms. Fiorello and Dr. Blackburn discontinuing APERS as a retirement plan option could save the university approximately $240,000 by year five and it would reach maximum savings of approximately $600,000 by year 23. Possible negative consequence is it may hinder recruitment of faculty, however this is considered a relatively insignificant factor in recruitment.

3. Require TIAA vesting time for new hires.

   Taskforce B explored a program requiring new employees have a four- or five-year vesting period.

Taskforce B indicated a potential institutional savings of $847,734 for the five-year TIAA vesting requirement and $692,328 in savings if a 4-year TIAA vesting requirement was required. The institution would see savings realized in year five or six and fully realized in year nine or ten.

Possible negative consequences are it may hinder recruitment of faculty and individuals who are further along in their career (i.e., department heads, deans, senior administrators). However, this considered a relatively insignificant factor in the recruitment of faculty.

4. Suspend all non-essential new hires and consider cutting non-essential staff.

Cutting non-essential operations/positions would create greater efficiencies in operations and provide significant costs savings. Taskforce B previously recommended the university adopt a “soft freeze” on hiring. Furthermore, Taskforce B recommended that positions within the search process be evaluated and approved as critical to the operation of the university by respective vice presidents and the president. If they are not deemed critical (i.e., essential), Taskforce B recommended the search process be halted. According to Taskforce B, this could increase savings to approximately $4.5 million.

This suggestion would require an in-depth university audit to determine what positions are non-essential. Academic Affairs is working internally to determine and use program performance metrics to assess program health. A similar assessment would need to be conducted to determine the core functions of the university and units/personnel that have the greatest impact on the university purpose. Less essential functions/positions could be considered for deletion or adjustment to better fit university needs.

5. Ask employees to take voluntary furloughs.

The university could ask faculty and staff to volunteer to take furloughs or time off without pay. This would save salary and benefit expenses. Based upon current salary data, Taskforce B found that potential savings for a 5% reduction of contract time and pay for all employee is $2,327,833. However, for a voluntary program, the actual savings will depend upon three factors: (1) how many will volunteer to take the furlough; (2) what are their specific salaries, and: (3) how much furlough time each person volunteers to take. Savings would be immediately realized for each month the furlough is taken. Based upon a survey conducted by Taskforce B, 30% of current employees indicated an interest in participating in a voluntary furlough program (n= 440). However, more research is needed to determine salaries of those interested and quantity of furlough time requested.

6. Solicit volunteers to participate in a contract reduction resulting in a ¾ time appointment for a period of one year.

Volunteers and their supervisors will discuss the reduction and determine the impact on the department. Upon approval by the supervisor and area vice president, the employee would enter into a ¾ time appointment. This would result in salary and benefit savings for the university. This appointment would be for a limited period and would not affect the individual’s future employment. Since the program is voluntary and is dependent upon the needs of the department still being met, the actual savings cannot be calculated until the list of employees has been established.

Based upon a survey conducted by Taskforce B, 21% of respondents indicated an interest in participating in a ¾ time appointment (n=93). The survey contained salary ranges; however, more research is needed to determine specific salaries of those interested and the potential savings. It is also important to note that many of the individuals interested in this option may also qualify for early retirement incentives.

Letters of appointment should address each employee's time and salary. This type of contract does challenge the current practices and payroll software; therefore, appropriate solutions must be developed to address the issues.

Group 4 Report Summary

The Group 4 Budget Survey consisted of 71 suggestions. The responses most frequently cited resulted in broad categories for Program Costs, Contracts/Consultants, Recruitment/Scholarships, and Technology.

1. <u>Program Costs.</u>

   A suggestion with significant support is to identify the key core elements needed at ATU and to cut down on less essential elements. A specific example of this is to examine the cost of Student Affairs programs and other high-cost student events and relate their cost to their impact on the institution as a whole. An evaluation of Athletics and its role as a key element for the University was also noted. All academic and non-academic programs should be evaluated in the University's re-envisioning process to determine which components of the programs are most essential to the success of the University as a whole.

2. <u>Contracts/Consultants.</u>

   There were many suggestions related to the elimination or reduction of outside consultants. For example, there was a suggestion to cancel the contract with the outside branding firm and use internal resources for this initiative, although it is believed that this contract may have been completed. All contracts, including those with outside contractors, should be reviewed and renegotiated, if possible, for more favorable terms for the University. It is noted that contracts are reviewed and renegotiated on a regular basis, depending on the length of the contract. There should be increased communication across University channels as to when contracts are under renegotiation and renewal.

3. <u>Recruitment/Scholarships.</u>

   As part of the Division of Enrollment Management's financial aid leveraging process, the University should evaluate the types of scholarships offered and determine which have the greatest benefit to the University in terms of retention, graduation, diversity, etc. And, while recruitment of students is important, retention of current students should also be a priority since it is much less expensive to retain a student compared to recruiting a new student. There are new retention efforts in Academic Affairs, such as the Academic Coaching Program that is providing targeted support for approximately 80 conditionally admitted students this Fall. Other initiatives related to retention should also be pursued.

4. <u>Technology.</u>

   Technology is a significant contributor to the University's operations as well as its budget. Cost savings for technology can favorably impact the University's financial standing. One suggestion related to technology is to convert to a paperless campus. This initiative would require the conversion of all paper forms to fillable PDFs. Policies and procedures would need to be developed; for example, as each form is prepared, it would need to be decided if electronic signatures or more secure digital signatures would be required. This initiative would require a cultural shift at the University, but the process has already begun due to the move to virtual working due to COVID-19. An example of the success in such endeavors is the electronic signing of annual contracts which was quickly developed by OIS over the summer.

   It has also been suggested to use the Safe Assign feature available in the Blackboard Learning Management System rather than pay for a license for Turnitin. While there would be cost savings associated with discontinuing the use of Turnitin, the faculty would lose the archive of student work that has been collected. This suggestion should be evaluated by the Academic Affairs Leadership Council as well as the Faculty Senate.

The use of thin client or virtual machines was suggested as a mechanism to decrease the number of computers on campus and save money on hardware costs. OIS has been moving forward on such an initiative over the past several years. For example, many of the computers in RPL common areas are thin clients. When considering thin clients for individual offices, there would need to be a cultural shift in the expectations for computer hardware as well as a risk management strategy adopted for the storage and access of files that used to be stored on a local computer.

Conclusion

Currently, a few of the suggestions reviewed by the sub-groups have been completed and others are in progress. Yet, there are other suggestions that could save the institution money over time. However, cost-savings alone should not be the only factor in determining if a particular measure should be pursued. It is recommended that if any of the suggestions are explored as cost-cutting mechanisms that end-users and key stakeholders be consulted relative to the unintentional consequences of various decisions.