

Speaking of TransformUS...

On December 9, the TransformUS Task Force reports were released, but the process is not yet complete. Between now and February there will be consultation and opportunities to provide feedback. From February to April the President's Committee on Integrated Planning (PCIP) will review the feedback and develop an implementation plan, which will be shared in late April.

As this period of consultation and feedback gets underway, the USFA Executive wants to provide information that is important to keep in mind as the conclusion to the TransformUS process plays out.

In March 2012, the Board of Governors (BOG) approved the University's third integrated plan and the Multi-Year Budget Framework (2012-2016). Based entirely on these documents, the BOG projected there would be a structural deficit of \$44.5 million in the University's operating budget by 2015-16 if nothing was done to address it now.

Various initiatives as chosen by Senior Administrators and the BOG were embarked upon immediately to address the projected deficit. Some, such as closing the Kenderdine Campus for three years, were described as temporary cost savings. Others were permanent, including Workforce Planning, which eliminated almost 250 non-faculty positions resulting in an estimated permanent savings to the operating budget of \$15 million.

The biggest initiative undertaken to find permanent operating budget savings is TransformUS, a process to assess all U of S academic programs and services. The method of program assessment adopted by Senior Administrators and the BOG for this initiative was from the United States and created by Robert C. Dickeson. The Dickeson model is a method for prioritizing the academic programs and services at a university so that resources can be reduced and reallocated to support the strategic directions of the institution. The Dickeson model has been described as a rigorous, effective, and academically responsible approach to the changing

academic environment by its proponents, and as deeply flawed, inappropriate, biased against faculty and all but precludes useful outcomes by its detractors.

It is difficult to argue with the idea of a comprehensive review of university programs to make sure they are continuing to meet the goals of the university, and higher education in general. In fact, from the USFA's perspective, reviewing programs to evaluate their academic merit is a worthwhile endeavor. We do not oppose a changing University. A vibrant academic institution means that it is continuously evolving. However, since 2001, the U of S has articulated and worked towards its goals by way of Integrated Planning so, in the context of this institution, TransformUS is not about program evaluation, but rather, it is about cutting \$20-25 million from the operating budget of the University.

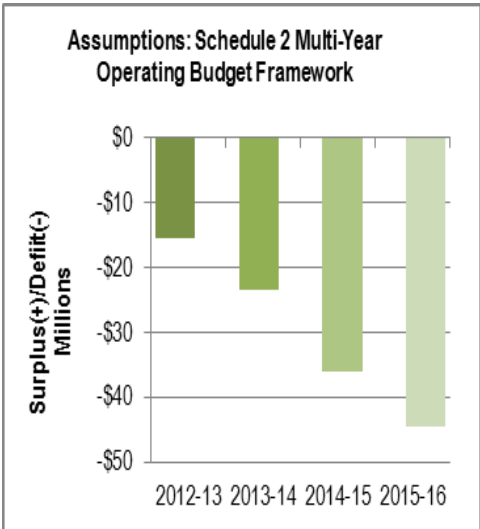
Crisis! What Crisis?

The TransformUS process is premised on the need to cut costs to avoid a projected structural deficit of \$44.5 million, but the USFA does not accept this premise because the assumptions on which the deficit is based are not coming to pass. These assumptions are shown in Schedule 2 of the Multi-Year Operating Budget Framework from the Third Integrated Plan.

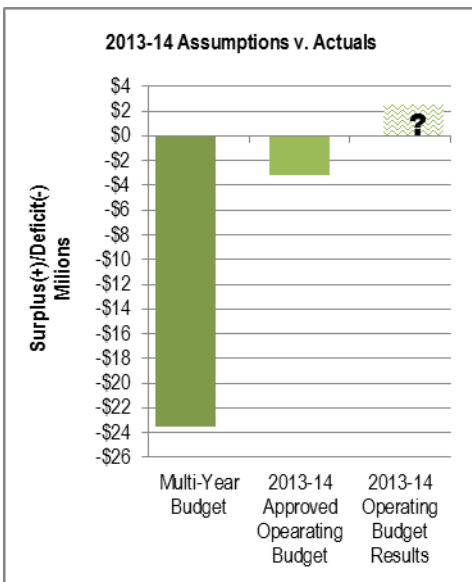
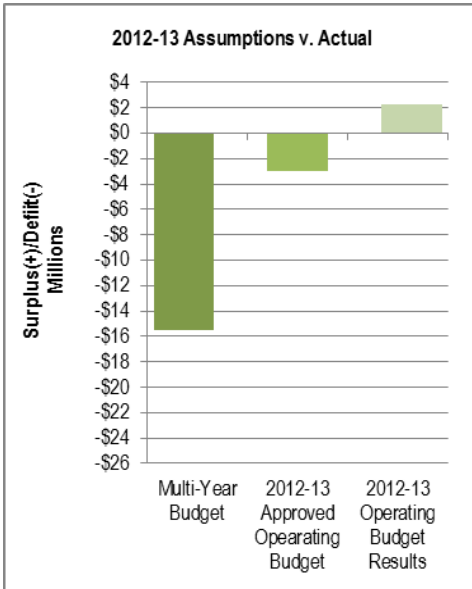
According to the assumptions adopted, in 2012-13 there was a projected deficit of \$15.5 million and growing deficits of \$23.5 million in 2013-14, \$36 million in 2014-15 and, finally, \$44.5 million in 2015-16. Projected expenditures will quickly outpace expected revenues, and the University will be faced with this large, snowballing structural deficit. Keep in mind, however, that if the assumptions contained in the Multi-Year Budget Framework are not realized, and so far they have not been, then the projected deficit could disappear.

It is interesting to observe that the assumptions of a \$15.5 million deficit for 2012-13 were not realized. In fact, the predicted deficit was changed by the BOG as early as May, 2012, the first month of the new planning cycle for the 3rd Integrated Plan. Thus, the projected deficit of \$44.5 million was never a possibility from day one of the new planning cycle. With nearly two years of the planning cycle complete, we can summarize the status of the operating budget as follows:

1. The 2012-13 Operating Budget Summary presented by Senior Administrators and the Board to the University community included a budget with a projected \$6.0 million deficit, not the \$15.5 million deficit predicted from the Multi-Year Budget.
2. The 2012-13 Operating Budget outcome appears to show a \$2.4 million surplus and not the projected \$6.0 million deficit included in the 2012-13 Operating Budget Summary.
3. The 2013-14 Operations Forecast presented by Senior Administrators and the Board to the provincial government included a budget with a projected \$16.1 million deficit.
4. The 2013-14 Operating Budget Summary presented by Senior Administrators and the Board to the University community included a budget with a projected \$3.2 million deficit, not the



\$16.1 million deficit from the Operations Forecast and not the \$23.5 million deficit from the Multi-Year Budget.



This looks bad, but in reality perhaps is not unusual. A budget is, for all intents and purposes, an informed guess incorporating choices for spending, and the ability to accurately predict actual revenues and expenditures is very difficult for a \$500 million operation. We struggle, however, with the wide variances between the predictions derived from the multi-year budget, the predictions derived through the yearly operating budget summary released each May, and the actual budget outcome from year to year.

While some might be tempted to conclude that these variances are the consequence of immediate and quite remarkable steps taken

to solve the financial problems of the University, others might conclude that they are a result of very poor budgeting based on unreasonable assumptions. We suspect the answer lies somewhere in between.

We nevertheless struggle to understand the continued need to march on regardless with the TransformUS process under the guise of a projected \$44.5 million deficit of which \$20-25 million must be recouped when such a deficit may in fact not exist. If it takes a deficit of \$15 million in the first year of the 3rd Integrated Plan (i.e., 2012-13) to have a \$44.5 million deficit in the final year of the plan and that projected deficit is significantly less (or non-existent), it is reasonable to come to the conclusion that cutting \$20-25 million through TransformUS is quite unnecessary and highly inappropriate.

We have brought our struggles with the deficit numbers to the attention of the President, the AVP Human Resources and the VP Finance and Resources, and we have been meeting with employer representatives, including the VP Finance and Resources and AVP Financial Services, to better understand the available financial information and the structural deficit.

Sadly, after pointing out the struggles we have at arriving at a \$44.5 million deficit for the current planning cycle, we were advised that there are other financial obligations that have cropped up very recently that produce a projected deficit as dire as the original prediction. For example, the LTD Plan is likely to need future contributions as the Employer has been on a contribution holiday, there is a possible solvency problem with Defined Benefit Pension Plans (that may once again be addressed by pension legislation) and, now the Provincial Government has changed its commitments for the new Health Sciences Building so the University has substantial yearly mortgage payments to make.

To us, the projected deficits associated with the operating budget are nothing short of convenient moving targets, and the entire University community should insist on far more openness and transparency about spending before academic programs and additional job loss are implemented. Based on what we know, one must seriously question the validity of the position so vigorously purported by Senior Administrators and the BOG that significant cuts to programs and personnel are necessary and imminent.

Are Additional Cuts Necessary?

The context for TransformUS and its consequences has changed and continues to change. Yet, the message remains that additional deep cuts are required to solve the financial crisis faced by the University.

We already mentioned estimated permanent operating budget savings from Workforce Planning. Do not forget, too, that there will be permanent operating budget savings coming from the Incentive Plan for Retirement that will see as many as 77 faculty members retire at the end of June. Savings from this are estimated to be approximately \$12 million, yet these reductions to base-budget salary savings seem not to have been factored into the TransformUS process.

We are questioning the necessity of cuts based on a mythical deficit of \$44.5 million and what appear to be reductions to the projected deficit because assumptions about rising expenditures have been less than forecasted. Between Workforce Planning and the Incentive Plan for Retirement there will be approximately \$27 million in salary reductions to the Operating Budget. This, in conjunction with a surplus instead of a deficit in the first year of the Third Integrated Plan, appears to change the financial outlook of the University to the extent that a substantial deficit would be very unlikely by 2015-16 and at the very least, certainly not as large as what was projected by Senior Administrators and the BOG.

If we do face a financial crisis in the form of a structural deficit, then we all must work towards addressing it. However, Senior Administrators and the BOG must be more forthcoming about the details of any such deficit and about the choices they are making in spending the existing budget. Without such openness and transparency, how can we continue to believe that program cuts and personnel loss are necessary and justified?

Keep this in mind...

The TransformUS task force reports are out, but any decisions the President or PCIP want to implement affecting academic programs must be approved by University Council. Unless we see more compelling evidence for a financial crisis, cutting programs should be based solely on academic reasons. Right now, attempts to persuade University Council to cut programs for financial reasons should be flatly rejected.