Curt Pederson's Response to Report

To: Maggie Niess, Faculty Senate President
From: Curt Pederson, Associate Provost, Information Services
Subject: Faculty Senate Assessment of the Information Services Deficit

Kudos:
On behalf of the Information Services Department (IS), let me express my appreciation for the objective and thoughtful assessment of the IS deficit. Getting your arms around all of the deficit issues was not an easy task and we appreciate the unselfish work done by task force members Tony Wilcox (Chair), Gary Beach, John Block, and Bruce Sorte. The candor and level of trust demonstrated by all task force members was most appreciated. It was a relief to read the constructive tone taken by the task force, as well as their excellent recommendations for avoiding future over-expenditures.

Perspective:

As noted in the report, many factors led to the deficit, including a new financial system, a major reorganization of the IS structure, inadequate budget oversight, and the increasing service demands on IS. One of the big drivers of the IS over-expenditure was the strong desire on the part of management and staff to meet growing customer demands, university expectations, and new opportunities. This was done during a time when we recognized a real need to keep up with our peer institutions.

President Risser's description of the $5.6 million dollar over-expenditure "as good premature investments" is actually a good overall portrayal of the situation. The IS leadership team did not understand the magnitude of their financial situation while making investments that positioned IS positively in support of our campus. However, the downside of making those investments "prematurely" has been felt during the financial recovery.

When it was time to produce a budget reduction plan that minimized service impacts on a departmental basis for the 1997-1998 year, a decision was made that the Library (which had the largest budget and a remaining book budget fund balance) would be allocated more deficit repayment responsibility. The alternative was to eliminate some of the other services such as the web, multimedia support for instruction, or the modem pool. Dropping any of these critical support functions during the beginning of the academic year was not seen as an option. Regardless of where the cuts were proposed, we received unhappy and protesting feedback from faculty, students, staff, and even parents.

Progress:

In the first year of recovery, IS has not only been able to meet our target, but has exceeded our repayment plan. The year-end closing balance shows the IS deficit at $2,528,363 (all funds), which is 54% less than a year ago today. This improvement enables us to now consider some alternatives not previously available.

However, we must continue to remain diligent. We are not yet funding IS units at the level required if we are to provide the services the campus demands. Moreover the reduction in Technology Resource Fees (TRF) allocated to IS has resulted in an additional reduction in IS funding. The 1997-1998 allocation was $1,586,661, or 86% of available TRF funds. The 1998-1999 estimated allocation is $909,862, or 51% of available funds. Demands for new and expanded services continue to grow at a time when we, because of the debt payback, are faced with reduced funding. As an aside, we fully supported the new TRF process; we need to adjust to the new allocation process and results. We are hopeful that the proposed November 1998 Legislative E-Board request will be able to provide some financial support for at least our current digital delivery infrastructure requirements.

As a point of interest, in many cases the financial improvement have taken a toll on the IS staff, who have worked to maintain services with fewer resources, both in terms of money and personnel. We recognize that we need to focus some time and resources on providing employee/management development and upgrading equipment. Therefore, we must find a way to invest some limited resources in support of IS staff.

Special Recognition:

Special recognition needs to go to the Telecommunications area that has not only worked itself out of debt in one year, but also at the same time, made improvements to our telecommunications infrastructure on campus. In addition to finding ways to defer upgrades, they found ways to lower ongoing expenses and increase personal productivity. This "self-sustaining" area is now on solid financial footing and moving forward with needed upgrades and improvements.

Regarding Policies and Procedures to Avoid Future Deficits:

Many of the Task Force recommendations complemented, in a less specific but similar way, recommendations from the audits done at the request of the Business Affairs Office. It was to our benefit that the Faculty Senate Task Force communicated their ideas and suggestions during the review, which allowed us to implement several of the recommendations during the review period. Due to a stronger partnership and communication with Business Affairs and the Budgets and Planning Office, we now worry less about our financial data being incorrect. Our numbers continue to balance with all official sources of financial data.

Rather than respond to each of the recommended "typical practices, policies and procedures" outlined in the report, we offer the following brief summary which highlights many of the improvements that have taken place in IS over the past year. In addition to hiring a new Chief Accountant in IS, the current management team has demonstrated their ability to manage within budget during the past year's recovery efforts. During most weekly management meetings, time is spent on our financial health. Major expenditures or personnel decisions having financial implications are decided as a management group rather than in isolation. We understand and follow the Fiscal Controls - Appendix A, in the Task Force Report, which was created in response to suggestions from the Faculty Senate Committee and the Business Affairs Office.

Response to Recommendations:

(1-10) These Task Force recommendations need to be addressed at a university-wide level and are changes that need to be considered by the Vice President for Finance and Administration, President's Cabinet, and Deans.

(11) IS also sees the need for a closer relationship between the Library and the Provost. As a result, the Provost has already met and is in the process of scheduling quarterly meetings with the Associate Provost for IS and University Librarian/Deputy Associate Provost for IS. These meetings are intended to better connect our efforts in IS and the Library with the academic mission of the University. In addition, IS leadership continues to meet with the Strategic Computing Deans to make sure we better represent the needs of the Colleges. We

recognize the concern but do not see the need to change the formal reporting relationship, and instead opt to improve the communication.

(12) The IS deficit reduction plan, currently being implemented, will be adjusted in an attempt to further support the Library budget. We share a common desire to maintain the Library collections and look forward to working with the Faculty Senate Library Committee, Deans and Central Administration on common solutions that can build our collections and move us toward Association of Research Libraries (ARL) status.

(13) In recognition of our improved budget position within IS and the University's commitment to the Library as central to OSU, the recommendation to limit the Valley Library deficit-reduction payback to $751,417 is accepted. Originally, the Library was asked to pay an additional $631,907 based on their ability to pay rather than their actual deficit, which has been removed as a Library obligation. Unfortunately, while this action has helped solve the Library problem (as our highest priority), it now creates some additional challenges within other areas of IS which we are prepared to deal with.

(14) University reserves of $200,000 committed by the President, and Library endowment funds of $100,000 have already been used to help restore the collections. Currently there are no University reserves available to reduce the deficit, and the proceeds from the Library endowment fund are being held until completion of the current building project as specified in the creation of the endowment:

> "Primarily to support library expansion program expenses (whether within the context of a university-wide campaign or not) for a period of six years beginning with the 1990-1991 fiscal year. Thereafter to support library projects and programs at the discretion of the Director of Libraries, to include some special attention to the library resource needs of students in the College of Business."

Following the completion of the building, we will engage in discussions with the Faculty Senate Library Committee, Provost, Deans, and other concerned faculty and students to assess how we might redirect the endowment proceeds.

(15) This recommendation is timely and most welcome by IS. As it would provide much needed formal faculty input, we will do whatever we can to facilitate this recommendation in the near future.

(16) The Director of Telecommunications is currently seeking an outside telephony expert to conduct the recommended review of our rates. It has been 10 years since we have done a comprehensive rate review and we look forward to sharing the review and subsequent findings and recommendations.

(17) The IS leadership team also sees this as a priority, now that we have our financial and organizational structure stabilized. We are beginning a strategic planning process that will welcome inclusion of the proposed Faculty Senate Committee as well as the Strategic Computing Deans and others on campus. IS emphasis will be on adopting "best practices" that will support the current OSU goals and objectives.

Summary:

In closing, our thanks to the Faculty Senate Task Force for a job well done. We accept this report and the recommendations with gratitude. Special thanks for the professional process, findings and recommendations. We look forward to moving forward now that the worst and darkest days appear to be behind us.