Employees to get bonus for helping save money

There will be an added bonus to working at Ohio State this year.

Employees who help make their offices and colleges more cost efficient will be in line for a year-end financial bonus.

The bonuses are part of the Cost Containment Incentive Program being implemented by Weldon E. Ihrig, vice president for finance, and Madison H. Scott, vice president for personnel services.

The purpose of the program, proposed by President Jennings last October, is to:

* Reduce the annual operating costs of existing programs and services without adversely affecting their quality or quantity;

* Stimulate involvement of faculty and staff at all levels in identifying quality improvements and cost-saving ideas for their areas by sharing the savings from such improvements and ideas with them.

Savings from cost-containment efforts also will be used as resources to support higher priority needs, but part of the first year savings will be distributed in the form of bonuses to reward employees for high quality performance.

The initial goal for 1987 is to reduce annual operating costs by $12 million. A portion of this goal will be assigned to each college or office.

Eligible employees for the 1987 program include all nonbargaining unit regular classified civil service and administrative and professional staff, excluding deans and the president’s staff.

In keeping with the professional status of the faculty of Ohio State, the Faculty Compensation and Benefits Committee has reviewed the participation of the faculty in this program. Rather than each member of the faculty personally receiving a bonus they have recommended that the bonuses earned by faculty members be returned to the individual department, school or division as discretionary enrichment funds.

The amount of each employee’s bonus will depend on the success of the University and individual colleges and offices in meeting their goals.

For example, if the University achieves its goal of $12 million, each eligible staff member will receive $150. If a college or office achieves its portion of the goal, eligible faculty and staff members within that unit will receive an additional $350.

The amounts of the bonus components will vary according to how well University and unit goals are achieved. If the University or individual units earn between 80 percent and 120 percent of their goals, the employee’s bonus component will be increased or decreased accordingly. Bonuses will not be awarded for savings of less than 80 percent of the goal, while savings of more than 120 percent will be credited toward the 1988 savings goal.

For the complete text of the Cost Containment Incentive Program, see page 6.

Continued on page 6.

Continued from page 1.

The cost-containment program task force, appointed by the offices of Personnel Services and Finance, will distribute policies and procedures and unit goals to all units in April and May and conduct group meetings to explain the program.

Colleges and offices will develop cost savings proposals for their areas during June and July. Proposals will be evaluated and checked by four-person review teams assigned to each unit to ensure the recommendations reflect a true continuing annual cost savings to the University.

The president’s staff will review the final results and resolve any differences between a college or office and their assigned review teams. After approval by the Board of Trustees, bonuses are planned to be distributed in December when the Office of Finance will adjust college and office budgets to reflect the savings plans.

Questions and comments about the Cost Containment Incentive Program may be addressed to Raymond Delisio at 292-8153 or Mary Sprague at 292-9232.
Plan provides incentive to save OSU dollars

Cost containment challenges the University community to do more to improve quality and enhance services, but do so at a lower cost. The resulting savings will be used as resources to support priority needs.

The savings goal for the first year of the program is to reduce annual operating costs by $12 million. A portion of this goal will be assigned to each unit, which may be generally defined as a college or unit component. The unit goal for the second year is to achieve an additional $30 million in savings.

Successful cost containment requires the active involvement of faculty and staff members at all levels to define more cost-effective ways to carry out the University's mission. Creating incentives for unit-level participation in generating savings ideas is a key element in implementing an effective program.

An effective cost containment program will become the means for sharing with individuals the financial benefits realized as a result of their contributions toward achieving the $12 million goal in reducing annual operating costs, which funds can then be redistributed within the University to support new initiatives as well as operating priorities.

While it is common practice in the private sector to reward employees with stock options or other compensation when the organization achieves its profit goals, such measures traditionally have not been adopted by or, indeed, available to public institutions. With no monetary profit to assess and share in a bonus system, the challenge to the University is how to use the process, profit-sharing incentive model in a non-profit context.

At Ohio State, the cost containment program will recognize goal achievement by faculty and staff members at all levels to define and achieve savings. Approximately half of the first year's savings resulting from cost containment activities will be distributed as bonuses to 15 employees in recognition of ideas and efforts contributed toward achieving the goal of $12 million in reduced annual operating costs. The remaining funds will be used to support new initiatives.

Eligible staff members for the 1987 program include all non-teaching, non-research and non-clinical unit regular classified civil service and administrative and professional staff, excluding faculty and members of the president's staff.

In keeping with the professional status of the faculty of Ohio State, the Faculty Compensation and Benefits Committee has recommended that the bonuses earned by faculty members be returned to the individual's department, school or division as discretionary enrichment funds. The faculty of each department will determine how to use the pool of enrichment funds.

The amount of each employee's bonus will depend on the University's success in meeting its overall goal and, to a greater degree, on the college or office's success in meeting its goal.

For example, if the University achieves 100 percent of its goal, but the college or office achieves 85 percent of its goal, each eligible employee within the unit will receive a bonus of $420 at the University component plus $298 (85 percent of $350) as the unit component for a total of $448.

Employees within a unit which achieves savings beyond its goal would receive larger bonuses. For example, if the University achieves 115 percent of its goal and the unit achieves 120 percent of its goal, eligible employees within the unit would receive $693 (115 percent of $350) as the University component plus $420 (120 percent of $350) as the unit component for a total of $1113.

Bonuses will not be awarded for savings of less than 80 percent of goal, while savings of over 120 percent of goal will be credited toward next year's cost containment savings goal.

The cost containment program also offers a means to correct a historical problem common to most large organizations. There are too few opportunities for staff and faculty members to develop an institutional perspective beyond the concerns of their individual units.

In addition, the cost containment program requires a review process to assess the value of cost savings plans submitted by the colleges and offices. Therefore, review teams composed of faculty, staff and students will be created to assess the cost savings plans developed and recommended by the colleges and offices. Participating in such review teams will provide exposure to and increased understanding of University operations.

A four-member team composed of people from outside the unit will be assigned to each college and office to ensure that the recommended activities reflect a true continuing annual cost savings to the University rather than a passing fad of exciting costs to other units and that the quality of services and programs is being maintained or enhanced.

For the first year of the program, approximately 40 teams will be formed from members of the University Senate, members from the Undergraduate Student Government, Council of Graduate Students and Inter-Professional Council, appointees identified by the Staff Advisory Committee and deans, department chairpersons and managers.

Employees will work together within their own units to develop ideas into savings proposals. Proposals must specifically describe how the unit's savings will be achieved. Cost savings plans which recently have been implemented are also acceptable. Colleges and offices must present formal proposals to the review teams by August 1 to be considered for the December 1987 bonus program.

If situations occur which involve disagreement between a college or office and their assigned review team, the final resolution will be made by the president's staff.

Bonuses awarded will be calculated in November and, after approval by the Board of Trustees, the first bonuses are planned to be distributed in December. Effective January 1, the Office of Finance will edit and manage office budgets to reflect the savings plan. Annual rate savings will be returned centrally to be redistributed as new program funding, and the initial cash savings will be used for new program funds and the bonuses.

The offices of Finance and Personnel Services have appointed a task force to assist in the development and implementation of this program.

They have received and continue to solicit input from several groups: Faculty Compensation and Benefits Committee, University Finance, the Faculty Council, Staff Advisory Committee and the Council of Deans, as well as from individual faculty and staff members.

Questions and comments concerning the Cost Containment Incentive Program should be addressed to either Raymond Delius, Office of Personnel Services at 292-8135 or Mary Sprague, Office of Finance at 292-9322.

The diversity of Ohio State and its decentralized governance traditions and commitment present a challenge to achieve unit-specific and institution-wide goals. Each faculty and staff member can make an impact with creative actions for reducing costs of regular, annually funded operations within their college or office. The Cost Containment Incentive Program offers the University community the opportunity to generate resources that will enhance the quality of instruction, scholarly activities, as well as student support services provided to students and all others whom the Ohio State University serves.

Schedule
April-May 1987:
• Policies and procedures distributed to all units including individual unit savings goals.
• Group meetings conducted throughout the University to explain program.
• Review teams members selected, training begins.
June-July 1987:
• Units submit cost saving proposals for review by review teams.
• August-September 1987
• Review teams recommend proposals to Office of Finance by Aug. 1.
• Office of finance and personnel services report detailed results to President's staff, including recommendations for bonus amounts.
October-November 1987
• President's staff reviews results and recommendation; approves amounts.
• President recommends bonus awards to Board of Trustees.
December 1987
• Finance adjusts University FY 88 budgets in accordance with approved cost savings plans.
• Office of Personnel Services pays bonuses to employees.
January 1988
• Cost Containment Incentive Program for 1988 initiated.
OSU starts bonus plan to encourage savings

By Graydon Hambrick
Dispatch Staff Reporter

Ohio State University employees can earn annual bonuses by helping put the lid on spending. OSU officials said they hope the bonus plan will inspire employees to suggest and implement ways to reduce costs.

Weldon E. Ihrig, vice president for finance, said yesterday that the cost-containment effort is being started in all of the university's operating units at branches as well as on the Columbus campus.

The goal is to reduce OSU spending by at least $12 million a year.

Bonuses will be determined by the percentage of savings goals each operating unit reaches.

"The idea of involving faculty members and staff...and their ideas as to how to contain costs became the key component of the plan," Ihrig said. "The bonus came about as an incentive for achieving those ideas."

He said the money saved will be used to supplement university needs not financed by primary revenue sources such as tuition, fees and the state subsidy.

UNIVERSITY colleges and offices will be assigned savings goals, Ihrig said. If the university meets 100 percent of the system-wide goal, all of the approximately 10,000 eligible employees will receive a $150 bonus in December.

If employees' offices or colleges reach 100 percent of individual goals, workers will receive an additional $350 bonus, Ihrig said.

Bonuses will be lowered or raised as the units reach 80 percent to 120 percent of goals. No bonus will be paid for less than 80 percent of a goal, and bonuses will not be increased for saving more than 120 percent.

Eligible for participation are classified civil service employees not working under union contracts, as well as administrative and professional staff members. Deans and those on President Edward H. Jennings' administrative staff are exempt.

Faculty members who earn bonuses will not receive cash. Their awards will be disbursed to their departments as "discretionary enrichment funds," Ihrig said.
Frugal employees to get bonuses

By Judy Wiseman
Lantern staff writer

OSU employees will get year-end bonuses if they help their offices and colleges save money.

President Edward H. Jennings initiated the Cost Containment Incentive program in October to reward financial bonuses to employees for making their respective areas more cost efficient.

It is common practice for businesses in the private sector to reward employees with bonus compensation when proposed goals are achieved, said Mary Sprague, administrative associate for the Office of Finance.

To Sprague's knowledge, this has not been tried at any other college or university.

"This is a team effort with everyone working together," said Sprague, who is a member of the program's task force.

With the state budget for higher education not allocating significant increases, the university is looking for ways to reduce operating costs, she said.

"The idea of involving the many faculty and staff of the university and their ideas as to how to contain cost became the key component of the plan," said Weldon Ihrig, vice president for finance.

Ihrig and Madison H. Scott, vice president for personnel services, are implementing the program.

The university's savings goal for fiscal year 1988 is $12 million.

A portion of this goal will be divided into 34 units, each unit will represent a specific college or office. Employees will work together within their own units to develop ideas into savings proposals, specifying how these goals will be reached.

Bonuses will be reviewed in November and then approved by the Board of Trustees. Employees and staff can expect to see the reward for their efforts in December, Sprague said.

If the university achieves the $12 million goal, each eligible employee will receive $150. If a unit achieves 100 percent of its proposed goal, then each employee in the unit will receive an additional $350.

Bonuses will not be awarded for saving less than 80 percent of the projected amount. Employees in units who exceed their goal will receive additional financial bonuses.

Colleges and offices must present proposals by August 1 to be considered for the December bonus.
DATE: June 23, 1987
FROM: Weldon E. Treg, Vice President for Finance
       Madison H. Scott, Vice President for Personnel Services
TO: University Community
SUBJ: Open Forums on Cost Containment Incentive Program

Several weeks ago a brochure was distributed to the University community outlining the Cost Containment Incentive Program. The brochure summarized the program’s goals and benefits. At this time we would like to continue with the process of addressing the substance of this program. In order to respond to your questions regarding this cost savings program, open forums have been scheduled on the dates listed below:

- **DATE:** Wednesday, July 8, 1987
  - **LOCATION:** Sullivant Hall 105
  - **TIME:** 10-11 a.m.

- **DATE:** Thursday, July 9, 1987
  - **LOCATION:** Campbell Hall 200
  - **TIME:** 3-4 p.m.

- **DATE:** Tuesday, July 14, 1987
  - **LOCATION:** Sullivant Hall 105
  - **TIME:** 11-12 p.m.

Each session includes a brief slide/tape presentation followed by a question and answer period.

If you have any questions concerning the cost containment program, we encourage you to attend an informational session. If you have not received a cost containment brochure, please contact Mary Ann Holevas at 292-6989.

cc: President Edward H. Jennings
One benefit of savings: opening communication

By Tom Spring

Some members of the Ohio State family hope the University's Cost Containment Incentive Program will open communication channels where there have been none before.

The new program is designed to reward employees for achieving savings in annual operating costs without reducing quality of services. But the program also is intended to enhance communication, cooperation, and faculty and staff participation in decision making.

Mary Sprague and Ray Delisio, coordinators of the cost containment program, presented information to University audiences on July 8, 9 and 14. In addition, they have been explaining the program to various college and administrative units.

Communication was one of several concerns employees shared at the July 8 meeting. Some 60 people attended.

Sprague suggested that units establish alternative channels about cost containment for people who have trouble communicating or are reluctant to communicate with their immediate supervisors.

Another concern had to do with personnel and morale.

Several people, noting that personnel costs are the majority of their budgets, say they worry that eliminating jobs would hurt morale. In addition, faculty and staff may be reluctant to make meaningful suggestions that would affect their colleagues' areas.

Delisio said the cost-containment program was not intended to eliminate jobs. Sprague pointed out that employees who take advantage of early retirement may provide units with the opportunity to restructure office personnel needs. In addition, she said, relocation might be an alternative.

"Look at how many jobs are posted every week in the Green Sheet," she says.

Some people suggested the Office of Personnel Services could assist units faced with personnel decisions.

The coordinators noted that the cost-containment goal amounts to less as a percentage of the base budgets of colleges and administrative units than the annual "give-back" program used in previous years.

One intended result of the new program, coordinators say, is to give employees a voice in determining which programs and procedures are cost-effective.

However, one person noted that the short time available to develop cost-containment proposals — the deadline is Aug. 1 — may mean unit heads this first year will make decisions without consulting employees for the sake of time.

Sprague said that the various concerns will be noted and relayed to program organizers who may modify the program for next year.

The meeting also included one suggestion for a follow-up study on false economy.

After each college and administrative office submits the cost-containment proposals, review teams of four people from outside each unit will consider them and negotiate an acceptable program.

Bonuses will be paid in December to employees of units that achieve 80 percent of their goals. All employees not covered by bargaining agreements will receive bonuses if the University achieves 80 percent of its overall goal of $12 million in annual operating costs. Bonuses for faculty will be given to their departments to be used as enrichment funds.

If a unit and the University both reach 100 percent of the goal, the employees will receive $500 — $350 for meeting the unit's goal and $150 for meeting the University's.
Cost Containment
Incentive Program

What is it?

The Cost Containment Incentive Program is designed to reduce the annual operating costs of the University’s existing programs and services without compromising their excellence and to return a portion of the savings to University staff members as cash bonuses. The savings goal for 1987 is $12 million.

Who is eligible for bonuses?

All non-bargaining unit regular classified civil service and administrative and professional staff members, excluding deans and the president’s staff, will be eligible for a year-end bonus. Faculty bonuses will be returned to their academic departments to be used as enrichment funds.

Where will the savings go?

Savings from the Cost Containment Incentive Program will be used to establish new programs, to supplement salaries, and to upgrade facilities.

The Benefits

How does cost containment benefit me?

Through the Cost Containment Incentive Program you can:

- receive cash bonuses for savings achieved,
- enhance University services and make Ohio State even better,
- participate in decision-making processes at Ohio State, and
- gain increased understanding of University goals and functions.

How does cost containment benefit the University?

- Savings will be channeled into new programs, salaries, and facilities to enhance the quality of teaching, research, and related services.
- Savings suggestions will improve the efficiency of the University.
- Tuition increases can be kept to a minimum.
- Cooperation and communication among faculty and staff will be improved.

COST CONTAINMENT CAN MAKE A DIFFERENCE—TO YOU AND TO THE UNIVERSITY.

The Bonus

What is the bonus?

Your bonus amount consists of two components: a University component and your college or office component.

If the University reaches its $12 million dollar savings goal, you will receive $150. If your college or office achieves 100 percent of its goal, you will receive an additional $250 for a total of $400.
What if my area doesn’t reach its goal?

Bonuses will be based on the actual savings achieved and will be awarded only after 80 percent of the savings goal has been reached. For example, if the University achieves 95 percent of its goal, but your college or office achieves 85 percent of its goal, you will be awarded $143 (95 percent of $150) as the University component plus $298 (85 percent of $350) as the college or office component for a total of $441.

What if my area exceeds its goal?

If your college or office achieves cost savings beyond its goal—up to 120 percent—you will receive an even larger bonus. The savings beyond 120 percent of the goal will apply to next year’s target.

Bonuses will be paid in December 1987.

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Savings Suggestions

When and how can I make a savings suggestion?

Contact your department head as to how, when, and where to submit your cost savings ideas.

Start with what you know best: your job. Think about what you do and why you do it, the materials and facilities you use, and the people or areas with whom you work. Your best ideas are most likely to relate to costs that occur within your work area.
Start submitting suggestions now. Your area’s formal cost containment plan is due August 1!

*What are the guidelines for savings suggestions?*

Your suggestions must apply to your college or office to count toward your area’s goal. Savings suggestions for other colleges and offices should be forwarded to them.

Your suggestions must maintain or enhance the quality of existing programs and services. Remember, the goal of the program is to reduce annual (continuing) operating costs.

*What will make this Cost Containment Incentive Program a success?*

The success of the cost containment program depends on faculty and staff in all areas of the University working together on ideas and plans for reducing costs.

**TOGETHER WE CAN MAKE COST CONTAINMENT WORK.**

If you would like more information, please contact

Raymond Delisio
Office of Personnel Services
292-8153

or

Mary Sprague
Office of Finance
292-6989
Cost plan may result in bonuses

By JACK GONZALEZ
Lantern staff writer

Despite university-wide cutbacks because of the cost containment program, certain employees will receive a financial bonus if their department meets its containment goal.

The bonuses are part of the university’s Cost Containment Incentive Program. Those eligible include both administrative and professional employees as well as classified employees who are not under a collective bargaining agreement, said Weldon Ihrig, vice president of finance.

In the case of faculty members, bonuses will be returned to their prospective departments and used at its discretion, Ihrig said.

Deans and members of the president’s staff are ineligible to receive a bonus, he said.

Bonuses consist of two parts — an overall university bonus and a college or office bonus.

If the university achieves its $12 million savings goal, bonuses of $150 will be handed out to those who qualify for one.

If a college or department fulfills 100 percent of its goal, an additional bonus of $350 will be awarded for a total of $500, according to a pamphlet put out by the Cost Containment Incentive Program.

If a department achieves cost savings beyond its goal, up to 120 percent, the department employees will receive additional money.

If a department does not reach its goal, bonuses will be based on actual savings achieved and will be awarded only after 80 percent of the savings goal has been reached.

USG Vice President Jim Schaefer said he opposes the program.

It is hard to understand why the university would hand out bonuses when libraries on campus are cutting hours in light of cost containment, he said. The money could be put to better use, he added.

President Edward H. Jennings enacted the program in October 1986 with two objectives in mind. First, to cut year-round operating costs of existing programs and services while preserving their quality and quantity.

Second, to increase awareness and involvement in the cost containment goals of the university by faculty and staff at all levels.

“Bonus programs have been utilized in industry and in government to stimulate ideas and get employees in the overall process to look at ways to enhance the quality of the operation,” said Madison Scott, secretary for the Board of Trustees.

Bonuses will be paid in December 1987.
Cost savings earn eligible staff a bonus

By Tom Spring

Eligible Ohio State employees participating in the University's first cost-containment incentive program can look forward to bonuses in December.

Ohio State expects to meet or slightly exceed its goal of saving $12 million, according to Mary Sprague, a cost containment program coordinator. Final figures still were being tallied at press time.

Under the two-phase program, cost-containment goals were set for the University and for each college and office. If the University and a unit both meet 100 percent of their goals, an employee of that unit will receive a bonus of $500.

Eligible employees' bonuses are composed of two parts. The first $150 is based upon the University's $12 million goal being realized.

In addition, if a college or office meets 100 percent of the unit cost-containment goal established for it, each employee of that unit will receive another $350.

Bonuses will be pro-rated for regular employees who work less than full time.

The amounts of the bonus components will vary according to how well goals are achieved. If the University or individual units earn between 80 percent and 120 percent of their goals, the employee's bonus will be decreased or increased accordingly.

Bonuses will not be awarded for savings of less than 80 percent of the goal, while savings of more than 120 percent will be credited toward the 1988 savings goal.

The exact amounts will not be known until early December. However, program officials say that all colleges and offices met at least 80 percent of their goals, thus becoming eligible for a unit bonus in addition to the Universitywide bonus.

Eligible employees are regular faculty and staff members who are not members of a bargaining unit. Deans and members of the president's staff are excluded.

However, faculty bonuses will not go to individuals, but to their departments to be used as discretionary enrichment funds. The Faculty Compensation and Benefits Committee originally recommended following this distribution format.

To qualify, a University employee has to have been in continuous regular service from Jan. 1-Oct. 31 for people paid monthly, or from Jan. 1-Oct. 25 for those paid bi-weekly.

Employees who transferred between offices or departments will earn the bonus established for the unit in which the person was employed in October.

Contingent upon approval by the Board of Trustees on Dec. 4, the University plans to distribute bonus checks about mid-December. At that time, faculty members will be sent letters indicating the amount of money that will be transferred to their departments. Taxes will be withheld from staff members' bonus checks.

Detailed information about the cost-containment program and results will be published in December editions of onCampus.
University exceeds $12 million goal

By Tom Spring

As a result of the successful 1987 Cost Containment Incentive Program, eligible Ohio State staff members will receive bonus checks this month. In addition, faculty bonus shares will be distributed to departments to be used as discretionary funds.

Since all colleges and offices met at least 80 percent of their goals, every eligible faculty and staff member will receive a bonus.

For details of the savings and bonuses earned by each college or office, see the chart on page 4.

“One year ago, President Jennings challenged the University community to work together on ideas to reduce the cost of operating the University without compromising quality. The initial year’s results exceeded the $12 million cost containment goal,” says Weldon E. Ihrig, vice president for finance. Ihrig and Madison H. Scott, vice president for personnel services, were named by Jennings to administer the program.

The bonus payments will be recommended to the Board of Trustees at its Dec. 4 meeting. Eligible staff members will receive cash bonuses on or about Dec. 15. As recommended by the Faculty Compensation and Benefits Committee (FCBC), individual faculty bonuses will

Continued on page 4.
Under the program, deans and directors were asked to involve their staff and faculty members in proposing strategies to operate more efficiently while maintaining the same level of quality of services. The process gave many individuals insight into University operations and introduced a new way of involving faculty, staff, and students in decision making, says Mary Sprague, Cost Containment Program Coordinator.

One difference between cost containment and earlier reallocation efforts was this involvement of individuals who do not usually have direct responsibility for budget decisions. Also, cost-cutting measures had to represent permanent, continuing savings versus one-time cost reductions.

This year’s total savings throughout the University amounted to $12,541,166. It is explained that the recurring savings already have been incorporated into the 1987-88 budget.

“The savings contribute to Ohio State by continuing to keep student tuition well below the levels recommended in the state budget and by supporting competitive salary increases,” says Thng.

“There also were limited funds to support new opportunities to enhance academic excellence.”

Thirty-two of the 39 colleges and offices met 100 percent of their goal. Overall, bonuses range from $439 to $575, depending on the level of savings. (See table on this page for details.) Federal, state, and local taxes will be deducted from these amounts.

Proposals were submitted to four-person review teams for approval. The teams consisted of faculty, staff, and student members.

### 1987 Cost Containment Incentive Program

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<tr>
<th>College/Office</th>
<th>Savings Goal</th>
<th>Savings Approved</th>
<th>Percent of Goal</th>
<th>University Bonus*</th>
<th>Unit Bonus</th>
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**TOTAL:** $12,000,000 $12,541,166 105

*Note: Two percent of total University savings will be counted toward next year's goal. Therefore, the University component of the bonus is calculated at 101 percent of $150 ($155).*
A BACK PRESSURE TURBINE GENERATOR at McCracken Power Plant will use steam heat that is lost by older condensing, extraction steam-turbine generators. In the older generators, steam must be cooled in order for condensed water to be recycled. Bob Fairchild, welder and pipe fitter, above, installs steam and water pipes through the back pressure turbine generator, which uses the steam for heating. The new system was installed as part of the University's Cost Containment Incentive Program.
OSU rewarding 10,700 on staff for thrifty ideas

Suggestions by workers will reduce expenses by $12.5 million each year

By Ruth Hanley
Dispatch OSU Reporter

About 10,700 employees of Ohio State University have earned bonuses of $400 to $575 as rewards for their efforts to save money for the university.

OSU trustees approved the payments yesterday. The total will be $5.3 million.

About 7,500 non-teaching employees will receive checks within the next few weeks. Bonuses for about 3,200 faculty members will be returned to their departments or divisions as discretionary enrichment funds.

The bonuses, which were offered through OSU's cost containment program, was started this year to reduce spending while maintaining the quality of services.

Staff and faculty members were involved in designing proposals that will save OSU $12.5 million in annual operating expenses, said Weldon Hrib, vice president for finance.

The savings will amount to about $7.2 million the first year, after the bonuses are paid. But the bonuses for these suggestions will be paid only once.

Meanwhile, the cost containment measures will continue, Hrib said.

OSU has about 4,450 faculty members and 12,300 staff members. Ineligible to receive the bonuses are deans, members of the president's staff and members of collective bargaining units.

Trustees also approved the lease of 15 acres of undeveloped land near the West Campus to the state for construction of a computer center. OSU will receive $1.8 million for the 50-year lease.

The land is southeast of Lane Ave. and North Star Rd. Richard Jackson, vice president for business, said the land is used now for agriculture.

The land borders Upper Arlington. Residents expressed concern to OSU officials about how the site will be developed.

Residents said they do not want to lose the advantages of the open, scenic area, and they do not want more traffic on North Star Rd.

Upper Arlington City Manager Richard King told the trustees yesterday that most of those concerns have been relieved through the university's recent willingness to work with city officials and the residents.

Medard Lutmerding, who represented a group of Upper Arlington residents, urged OSU officials to ensure that the area has "a campus environment equal to the Oval."

On Thursday, the Ohio Court of Claims refused to grant a temporary restraining order to block the lease. Attorney Joseph S. Streib had challenged the lease, saying it would cause nearby landowners to suffer loss of property value and other problems.

A hearing on a temporary injunction will be scheduled.

Trustees also authorized OSU officials to begin the legal work necessary to sell the state's Transportation Research Center near East Liberty to Honda of America Manufacturing.

State officials announced in September that the center, on 7,500 acres, would be sold to Honda for $31 million. Honda plans to spend $380 million to build its second Ohio auto manufacturing plant there.

OSU has operated the center since 1979 and will continue to be involved in the operation. The state will give OSU $6 million to continue transportation research, said Larry Thompson, an attorney and assistant to OSU President Edward H. Jennings.
Savings program to solicit wider input

While checks for this year’s successful Cost-Containment Incentive Program are being processed, program officials already are talking with department chairs, review team leaders, unit fiscal officers and others to develop next year’s program.

Before final recommendations are developed for the 1988 program, Weldon E. Ihrig, vice president for finance, would like as much faculty and staff input as is possible.

Ihrig invites any member of the University community to send suggestions for the 1988 program or comments on this year’s program directly to him: Weldon E. Ihrig, vice president for finance, 381 Bricker Hall.

Ihrig, who already has met with the Senate Fiscal and Steering committees, also invites deans and directors to contact his office should they wish to meet with him or a member of his staff to discuss cost containment or to have a cost containment conference in their units.

“While the initial program was a success on many levels,” Ihrig says, “we need to do more to ensure wider and deeper sharing of information and broader involvement in decision making.”

In fiscal 1987, more than $12.5 million in the University’s base budget was saved. About $5.3 million is being redistributed as a one-time bonus to about 7,500 non-teaching staff who qualified for the program.

Bonus equivalencies for about 3,200 faculty have been returned to their departments’ discretionary funds, as recommended by the Faculty Compensation and Benefits Committee.

A program with similar overall financial goals for 1988 would again save another $12 million in the base budget and redistribute one-time bonuses. Ihrig says, however, that a final figure has not yet been set.

Under this year’s program, deans and directors were urged to involve their faculties and staffs in creating proposals to operate their areas more efficiently while maintaining the same quality of services.

Proposals were submitted to four-person review teams for approval. The teams consisted of faculty, staff and students.

While many units were able to solicit wide participation this year, there have been criticisms that some recommendations were made unilaterally or arbitrarily.

Continued on page 6.

Photo by Jo Hall

THE DEPARTMENT OF CHEMISTRY put $8,000-$10,000 toward its 1987 cost containment goal by filling smaller tanks with liquid nitrogen stored in a large tank, according to Terry Miller, professor of chemistry, above.
Continued from page 1.

One critic of the process has been Bernard Rosen, president of the Ohio State chapter of the American Association of University Professors. "I support the (principle of the) program strongly, but there are ... serious problems," he says.

He believes that suggestions within the colleges came mostly from "middle management," while, he says, most faculty were not consulted about measures affecting their departments. He then points out that, in corporate cutbacks, middle management itself often is reduced substantially.

John Lindamood, associate professor of food science and nutrition and a member of the University Senate, agrees with Rosen's allegations about lack of faculty input but disagrees with his corporate comparison. What may work in an industrial setting is not necessarily applicable in higher education, he says.

He also suggests more input from "secretaries and technicians (who) see things that might be opportunities for cost containment," and questions "the wisdom" of replacing retired full professors with faculty of lower rank as a cost containment measure.

"Every position occupied by a full professor cannot be replaced with an assist-
ant professor without some detriment to the program of that department," he says.

Carol Anderson, dean of the College of Nursing, articulates a case for long-range planning and selective cutting within a large unit. "Everybody had to save the same amount, 1.5 percent. Generally, the larger the unit's budget, the easier it is to find ways to contain costs.

"There needs to be some analysis of financial situations in the various units. In some ways, applying the rate uniformly penalizes units that have not allowed themselves to get fat."

Nursing used a faculty and staff committee to collect suggestions from all its employees. Most of the committee's recommendations were accepted.

"It is clear," says Ihrig on the eve of distribution of the 1987 cost containment checks, "that cost containment will benefit the University most if, as employees, we all look at it as our business.

"With greater faculty and staff participation in generating ideas for cost containment, and with long-range planning by the people charged with those responsibilities, the 1988 program can be even more successful than this first one."
SUBJ: Cost-Containment Bonus

DATE: December 11, 1987

FROM: Weldon E. Ihrig, Vice President for Finance
Madison H. Scott, Vice President for Personnel Services

TO: All Eligible Staff

One year ago, President Jennings challenged the University community to work together on ideas to reduce the cost of operating the University without compromising institutional quality. We are pleased to report that the University has exceeded our $12 million cost containment goal for 1987. The achievement of this goal required difficult decisions and hard work by all individuals involved in this process. In addition, as a by-product of this effort, we gained new insight into existing operations and introduced a new way of involving students, staff, and faculty members in decision making that has an impact on the entire University community.

As previously announced, part of the savings generated through this effort is being returned to our eligible staff members as cash bonuses. The bonus check which accompanies this letter is a direct result of the outstanding cooperative efforts of our faculty and staff. As recommended by the Faculty Compensation and Benefits Committee, the faculty bonus shares are being returned in December to the individual's department, school, or division as discretionary enrichment funds.

You may be interested in knowing that savings from cost containment already are being used to sustain excellence by providing over $12 million as part of the University's 1987-88 budget. The University's success means we can continue to make progress on academic quality while concurrently keeping tuition as low as possible. We also demonstrate to the people of Ohio that this University continues to effectively manage its existing resources to enhance its quality.

While this initial program is a success on many levels, we need to ensure more comprehensive sharing of information and broader involvement in decision making. The University will continue to be challenged to better utilize its limited resources as well as to generate new sources of support deemed to be necessary to accomplish the institution’s academic missions. Your participation in the cost containment process is vital to continuing these initiatives.

We appreciate your efforts during this cost containment program and look forward to even greater creativity and more new ideas for next year.
Cost containment program evaluated

Concerns raised despite $12.5 million savings

By JOAN SLATTERY
Lantern staff writer

Although Ohio State saved $12.5 million through cost containment, the program has raised concerns throughout the university.

"This program had some pluses and minuses, and there were some serious minuses with it," said Weldon Ihrig, vice president of finance. "That's why we are re-evaluating it.

"Rather than just taking it on and doing it another year blindly, we've stopped and said, 'Let's hear people's comments and concerns and then adjust it,'" he said.

Ihrig said one false impression cost containment gave was that the program was the university's first attempt to try to save money.

"This university and the people within it have been concerned about how effectively they spend money for years," he said.

"What we're trying to do is come up with a way to stimulate going beyond the types of cost savings that have been done in the past, and I don't think we were successful at that," Ihrig said.

Administrative associate and coordinator of the cost containment program, Mary Sprague, said the basic goal was to reach $12 million in cost savings and to involve university faculty and staff members in identifying places to save.

"The goal of the program was to identify permanent, continuing savings rather than those that would be just one-time, such as negotiating a good price on a piece of equipment, Sprague said. Funds saved would be returned to central administration for redistribution.

Of the $12.5 million saved in the 1987-88 fiscal year, some of the money was allocated to bonuses and some was allocated back to the departments through the regular university budget process. Other dollars were used in the start-up costs or investments needed to make the savings. The remainder of the money will be totaled as a part of next year's budget as the savings come in.

"When the bonuses came out in December, we asked for comments, concerns and issues," Ihrig said. "We're getting that input and evaluating that now.

Concerns were raised over distribution of bonuses university-wide while some of the recipients did not participate in developing programs to save costs. People expressed the need to involve and reward individuals, he said.

Some of the concerns indicated that the bonuses should have been spent on investments within the university and others did not like the paperwork involved with the program, Ihrig said.

Carol Maurer, assistant to the dean in the College of Social and Behavioral Sciences, said one problem with the cost containment program was the amount of personnel time it took to implement it.

Ihrig said, "A lot of people were not informed about the program. Communicating with over 10,000 employees at this university is a difficult task at best."

Ihrig said he has received positive comments about the bonuses and the cost containment as well.

"People like the emphasis on looking for new ways to save costs," he said.

Cost containment was started during the fall of 1985 when President Edward H. Jennings introduced the idea to the University Senate.

Jennings said cost containment involved doing jobs better, not reducing quality.

Jennings asked Ihrig and Madison Scott, vice president of personnel services, to implement the program.

The university gets money from the state, from student tuition, and from within the university. Jennings said about 20 years ago the university received 60 percent of its funding from the state. Now it receives less than 30 percent.

In January 1982, $55 million of this aid was cut.

"One key is to recognize that we at Ohio State, and at all public universities not only in Ohio but across the country, are no longer a state-supported institution — we're a state-assisted institution," Jennings said.

"If we're going to accomplish our objectives of continuing to improve quality and keep the institution affordable with modern tuition, we're going to have to do as good a job as we can in making sure that we are utilizing our resources in the best possible ways," he said.

In April 1987 the cost containment program was formally announced. The university was divided into units comprised of a college or a vice president's office. Each unit received a goal of savings based on its budget.

Between April and July, the units developed cost-saving strategies and proposals. The proposals were submitted to the cost containment office in the office of finance in July.

From August to October, 34 review teams of four people each looked at the proposals to determine if they met the requirements for good cost containment. Team members could not evaluate their own area.

Sprague said the review teams were drawn from members of the University Senate, deans, staff members and students.

The staff members were chosen from a list provided by the Staff Advisory Committee. The student members were members of the Undergraduate Student Government or Council of Graduate Students or they were recommended by deans and vice presidents.

In October and November it was decided what units had met their goals and what the bonus distribution would be.

Bonuses were awarded if goals of the cost containment program were reached. If the university met its goal of $12 million, all eligible employees received $100. In addition, if the individual unit met 100 percent of its goal, eligible employees received bonuses of $350, Sprague said.
Cost containment
short of success

By Karlis Andrews
Lantern staff writer

Staff member William Pippin single-handedly saved the Arts and Sciences Administration $10,000, and all he had to do was get a little copy fluid on his hands.

Pippin, a graduate administrative associate, helped save his department the money by eliminating a maintenance contract from its budget during last year's university-wide cost-containment program. His engineering background and mechanical skills enabled Pippin to repair broken copiers and other office machines, which would otherwise have been fixed by outside professionals.

"I just did what I am paid to do," said Pippin, a retired OSU engineering professor and former captain in the United States Navy.

Pippin has been the administrative assistant to Donald Good, acting dean of the College of Arts and Sciences, for the past four years while working on his doctorate in policy and public administration.

ALTHOUGH PIPPIN'S work helped the administration meet 100 percent of its cost savings goals, his part-time status prevented him from taking part in the bonus program available through cost containment to full-time staff.

Yet thanks to Pippin's abilities, "We all received a $200 bonus check last year," said Maryann Kenney, business services officer in the College of Arts and Sciences administration. "It was right around Christmas time, which really made it nice."

Pippin's role in the paycheck bonuses was not overlooked, however. A group of his co-workers

See CONTAINMENT, page 2
CONTAINMENT:
Continued from page 1

took the graduate assistant and his wife out to dinner to celebrate.

Although several departments, like the College of Arts and Sciences administration, discarded much $12.5 million in operating costs during Ohio State’s initial cost containment program, the program was not as successful in meeting its other goals, a university official said.

In a report to the University Senate regarding the cost containment program, Weldon Ihrig, vice president of finance, wrote, “I would give ourselves a very low grade, probably in the D range, in our effectiveness in communicating with the more than 20,000 faculty and staff members.”

CONFUSING AND contradictory information about the employee bonuses undermined the program, officials said.

“The goal of the cost containment program was for the whole university to work together on ideas to reduce the cost of operating the university without compromising quality,” Ihrig said. The cost containment program differed from previous cost-cutting attempts in that central administration asked the colleges to be creative in thinking up new ways to trim expenses within their departments. The employee bonuses were another new twist, intended as an incentive for faculty and staff.

Employees within the colleges that met 100 percent of their financial goals received the bonuses. All colleges and offices met at least 60 percent of their goals, Ihrig noted in his report.

The university awarded $5.3 million in bonuses to 10,717 employees.

THE CATCH FOR faculty members who received bonuses was that they had to reinvest the money into their college’s budget since they are considered professionals. So out of the $5.3 million awarded, the faculty returned $1.5 million to the university.

Staff members, on the other hand, got to keep their bonuses, which ranged from $150 to $509 each.

The cost containment program is over now, and the university is going back to its previous savings program.

“Last year’s reallocation program will give colleges more options and greater flexibility in determining where to cut costs within their own departments,” Ihrig said.

Reallocation is a continual re-evaluation and recycling of resources that fit into the departments’ overall priorities, Ihrig said.

This year, instead of looking for new ways to save money, colleges can look at what they presently have within their constituencies and make changes in their priorities, he said.

“COLLEGES HAVE the option to reduce or discontinue a particular service they provide, look for ways to save money, or change the way they deliver services.” Ihrig added.

“The College of Engineering, for example, knews better than we do — what works and what doesn’t — in its area,” Ihrig said.

“One of the strengths of Ohio State is that decisions are made at the college and departmental level,” he said.

Last year’s attempt at opening up the university’s communication links at all levels to find new ways to save money may have posed too many challenges in one program. Ihrig said.

Ihrig said the majority of faculty and staff offered little or no input, even though his staff sent out memos asking for their suggestions and criticisms.

“We received maybe two or three letters from people within the university,” Ihrig said.

Mary Sprague, the program’s cost containment coordinator, said, “I don’t think that many people got involved. We really didn’t reach enough people.”

HIRIG SAID they considered distributing fliers around campus so that more people might be reached, but decided against the idea because there is already too much paper circulated on campus.

On the positive side, the $12.5 million saved through cost containment went toward faculty raises and kept student tuition from rising at a faster rate.

This fall, tuition will increase by 7.5 percent.

“Student tuition took a chunk of change that we weren’t expecting,” said Sprague, the cost containment coordinator.

WHO CUT THE MOST FOR COST CONTAINMENT

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Actual Figures in Dollars Saved

“We have a faculty hiring freeze in effect within the whole engineering college,” Advani said.

His college also saved money when it realoted its Refractories Research Center from Lord Hall to the basement of McQuigg Lab. The center’s staff did most of the work themselves rather than paying outside contractors.

“This year, the engineering college must cut back on positions to save money,” said Richard Wharton, administrative manager of engineering administration.

“This YEAR we aren’t filling vacant positions. Personnel is 90 percent of our budget pocket,” he said.

Ihrig said no employee will lose their job in order to cut costs. "Positions will be terminated, but people won’t," he said. If an employee’s position is terminated, that person will be placed into a different position.

But what the staff might notice most is the absence of employee bonuses in 1988-89.

"Some people told me that they felt it had always been a part of their job responsibility to come up with ways to save the university money.”