



Representing Wayne State Faculty and Academic Staff

# NEWSBRIEFS

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## FACING THE FINANCIAL CRISIS: SHARED SACRIFICES?

By Charles Parrish, President

For some time now, it has been clear that the Michigan economy gets pneumonia when the national economy gets a severe cold. Michigan's present economic contraction means that its tax revenues are down sharply. The consequences of this revenue shortfall for the Michigan higher education system are serious, and those for Wayne State University might be dire. Michigan has been reducing its support for higher education in real terms for several years; it now ranks last in the nation in its rate of increase in spending on higher education. WSU has added to its revenue problems by enrolling a class this fall that is down by 4% from last year, resulting in revenues that fall short of the budget estimate by about \$8 million.

Governor Granholm is shortly getting estimates on how much money the State Government will have for operations this year. The Gongwers News Service has reported that the estimates of the tax revenue shortfall for this year will be around 7.5%. We can be sure that at some point there will be an Executive Order cutting the budgeted amount for higher education: just how much the cut will be is the only thing that is uncertain. If a cut of up to 7.5% is passed on to higher education on an equal basis among the universities, it would mean an additional shortfall of perhaps \$15 million in the WSU budget.

The consequences of these two economic blows to WSU's budget could be a shortfall of more than \$20 million in the present year budget. Unfortunately, the bad news does not end here. If the Michigan economy fails to begin a recovery this year, state revenues could fall further, and we might see another round of cuts from Lansing. The cuts may come, as

they did in 2007, through a budget gimmick whereby the state does not make the last payment due the university in June, with a promise to repay that amount at the start of the next fiscal year. The payment was made in 2007, to the surprise of many commentators. Whether it would get paid this time is anyone's guess. If one or more of the Big Three auto companies goes bankrupt, all bets are off. As Brooks Patterson told an interviewer, if that happened Michigan would experience a "nuclear winter."

This is not the first time that the state's cyclical economy has caused major economic headaches for its universities. In the early 1980s, a similar situation occurred. During that crisis, the Administration asked for, and got, sacrifices from the WSU unions. Some unions took layoffs and the AAUP agreed to forego a year's salary increase of 5%. The Administration helped to prepare the groundwork for these sacrifices by dictating, as I recall, a mandatory non-paid vacation of two weeks by all administrators, and there were no raises for administrators that year. This shared-sacrifice approach to the budget problem made an unpalatable situation at least acceptable to the unions and much of the rest of the university community.

Unfortunately, the present WSU Administration has not given any indication that it understands its responsibility to lead the university community on the budget crisis by offering its own belt tightening as an example. To the contrary, the Administration has figuratively commandeered the lifeboats for its own use. In this year's General Fund Budget adopted in 2008, the Administration was

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authorized to set "an increase in non-faculty compensation ranging from 2.0 percent to 3.5 percent." After the shortfall in tuition income was known, and the economic situation of the state was there for all to see, it was ordered by someone (President Noren told the Academic Senate Policy Committee it wasn't him) that aggregate administrators' compensation be set at 3.5%, the upper limit set by the Board of Governors in the General Fund Budget. No sacrifice here.

Another way that the Administration could show that it understands the gravity of the situation the University faces would be through an administrative reorganization that would save money, or by accepting cuts in administrative budgets. There has been no indication, however, that the Administration has given any thought to such a reorganization or to serious cuts in administrative costs. As was well documented by the Budget Committee of the Academic Senate, the academic side of the budget took disproportionately large cuts for FY 2007/08.

President Noren has indicated in a number of speeches that he sees WSU as one of the premier urban universities and that he is interested in expansion of activities in several areas in relation to that role. Ideas have been floating around as to what that role might mean in practical terms. One of these ideas was reconstituting an urban college and establishing a new charter school in Detroit. President Noren, when asked directly about these two ideas, denied that he supported either of them. He stated that he was looking at a reorganization of urban resources to better address our service function. Such ideas raise questions in themselves (been there, done that) and would be, in any case, expensive drags on an already beleaguered University budget.

President Noren has articulated a vision of the University as a service institution that would work with the City of Detroit to help to solve its many social problems. Such commitments are worthy, so long as the service function is not expanded at the expense of the core academic activities of the University. The core functions of

the University are teaching and research. Other functions should be pursued on a pay-as-you-go basis. Students who support the University through their tuition dollars should not be asked to accept a second-rate education in order for the University to pursue ancillary endeavors. Indeed, without excellence in its academic programs, the University really would not have much of worth to offer to the City or anyone else.

In pursuing the University's urban mission, the leadership of Wayne State needs to balance that mission with its broader mission of serving the needs of Michigan, most particularly Southeast Michigan. In Lansing, the key to WSU's future is to convince lawmakers that there is a State University situated at Cass and Warren. The City of Detroit and its problems will always be on the WSU's agenda, but there should be other important matters on that agenda as well. Many members of the academic community believe that the way that the University can best serve the broader urban, metropolitan, and state communities is by building the best academic institution possible. In that way, the University can offer these constituencies a quality product that is much in demand.

### DEALING WITH THE CURRENT TUITION REVENUE SHORTFALL

In the past the Administration has gone to the Academic Senate Budget Committee, albeit sometimes late, to consult on what budget proposals it would be making for the coming year or on what alterations in the present budget might be forthcoming. There would be some pushing and pulling that would help to shape the final Administration proposals. This year, the Administration declined to follow this procedure. As a result, the Senate Policy Committee took the initiative and forwarded a document to the Administration and the Board of Governors that offered proposals to address the budget shortfall due to the decline in anticipated tuition income. Cuts in the following areas were suggested:

1. Delay non-personnel, program expenditures with minimal anticipated impact on tuition and indirect cost revenues. \$1.6 million
2. Freeze existing, unfilled administrative/non-academic positions. \$ .4 million

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3. Freeze the newly authorized, unfilled positions — both academic and non-academic. \$2.5 million
4. Delay a portion of the expenditures on the President's strategic initiatives and research enhancements. \$2.6 million
5. Cut non-revenue generating activities peripheral to the University's core academic function. Athletics, WDET. \$2 million
6. Implement measures to stem dramatic losses in auxiliary and other activities; for example, the Housing Authority \$1.2 million
7. Identify funds in Central Accounts available for expenditure for core academic activities. External research funding frequently covers base salaries and fringe benefits that continue to be shown in the unit budgets (as salaries) and in Central Accounts (as fringe benefits). These funds should be identified and used to cover a portion of the tuition shortfall. No Amount Specified
8. Identify funds in Reserve accounts available for specific budgetary shortfalls (such as the \$16 million "Rainy Day" and other reserve accounts). The rainy day fund was increased substantially last year with the understanding that it would be used to address emergencies No Amount Specified

After receiving the communication from the Senate, President Noren met with the Senate Policy Committee on November 19<sup>th</sup> and presented his version of how to deal with the budget shortfall. His cuts are as summarized in the minutes of the Policy Committee<sup>1</sup>:

The President does not believe across-the-board cuts are the best approach unless the cuts are minimal. The better method is to target specific programs. To cut \$8 million across-the-board, every unit would have to cut 2% from their budgets if the cuts were made in personnel and 2.5% if the cuts were not in personnel.

The administration tried to minimize the affect on people. They identified four areas from which funding would be withheld: indirect cost recovery, summer sessions, differential tuition, and a unique-to-the-Medical School tuition allocation. It is projected that indirect cost recovery will be about \$2 million higher than had been projected. The administration will not allocate \$1 million of the ICR money. Typically, 50% is given to the principal investigator and schools and colleges and 50% to the general fund. The PI and schools/colleges will receive their share, but the money will be deferred from the general fund. The allocation of tuition revenue generated in the summer will be reduced by 27% or \$1 million. For those units that have

differential tuition, the administration will tax the differential tuition, by 10% garnering another \$1 million. The administration will capture the tuition revenue that the Medical School has been receiving since 2005 when it increased the class size of the students pursuing the medical degree. When the class size was increased it was decided the tuition revenue from the additional medical students would go directly to the School of Medicine. The administration will withhold 25% of the tuition for those additional students, which now numbers 130, generating \$1.1 million. The new 22 faculty positions authorized with the \$2.5 million in additional revenue last year have been frozen. One million dollars is expected to be saved in fringe benefits this year and a savings of \$500,000 is expected in utility costs.

The President addressed the list of priorities and targets for cuts drawn up by the Academic Senate Budget Committee and endorsed by the Policy Committee. The suggestion to freeze the faculty positions allocated last year was accepted by the President. The other suggestions of cutting allocations for deferred maintenance, marketing, and telemarketing were not accepted.

Summary of the President's proposed cuts:

1. Differential tuition income cut by 10% to Law, Nursing, Engineering, Pharmacy and Business Administration \$1 million
- Cut of 25% of increased tuition income due the School of Medicine from the 2005 increase in the number of medical students by 130 \$1.1 million
3. Freezing the newly authorized, unfilled positions—both academic and non-academic \$2.5 million
5. Cut from income from summer tuition \$1 million
6. Reestimating income from Indirect Cost Recovery \$2 million
7. Reestimating cost of utilities \$.5 million
8. Reestimating cost of fringe benefits \$1 million

The President's proposals to meet the income shortfall make direct cuts in the academic side by \$5.3 million. The cut in summer tuition is shared by the Schools and Colleges and the Research Office on a 60/40 basis, so the cut to the academic side is \$600,000. The Administration's cut is divided equally between the Provost and the Research Office. These are permanent cuts to the budgets of the academic side of the University.

In contrast, the permanent cuts taken by the Administration were negligible: only the \$400,000 cut in summer tuition revenue otherwise going to the Provost and Research Office, and even that cut could be seen as a reduction in funds for the academic side since activities that would have been supported by these funds would probably have been done by the faculty. The President proposed no real cuts in any activities on the Administration's side.

Professor Louis Romano expressed the overall, long-run concerns of the Policy Committee and is summarized in its minutes:

Mr. Romano stated that he believes the way to improve the University is to have more and better faculty. The number of faculty has not increased commensurate with increases in the budget even with the enhancement program. Students select a university because it has good programs and well-regarded faculty doing good research. A commitment to growth in the number of faculty would increase research support and generate new programs. Mr. Romano believes that the shift from full-time to part-time faculty has affected retention and the quality of the programs. Hiring full-time tenure-track faculty who are good teachers and have a vested interest in the success of their students will improve every facet of the University. President Noren agreed that investing in faculty and not cutting revenue-generating programs are good.

### SHARED SACRIFICES

Your union and the University administration face a difficult task this year: negotiating a new collective bargaining contract. Many of us remember well the era of over a decade ago of bargaining conflict, with heated rhetoric from both sides that sometimes saw strikes before we came to an agreement. When Irv Reid became President, the level of conflict calmed down considerably and the last several agreements were reached early and without last-minute histrionics on either side. The reasonable results did not fully satisfy either side but saw incremental changes in what was already a mature collective bargaining agreement.

What will this bargaining round be like? Frankly, it is difficult to say at this point. President Noren meets for hours each week with his vice presi-

dents in cabinet meetings. He seems to rely heavily on them for advice on policy matters. The cabinet includes among its members some administrators whose appointments date from the Adamany Administration and who may not have been happy with the Reid approach to collective bargaining. Their advice may be to take establish a hard line and use the economic crisis we face to demand givebacks on salaries and benefits. Such views are common among senior higher-education academic administrators. As we have in the past, the union leadership will resist such proposals if they emerge. I believe that we have shown that the union has been strong enough to resist such attempts by past administrations. We must be resolute in these difficult times also. We recognize the economic situation of the University, and we are prepared to seek reasonable collective bargaining responses to it. But we will not allow our members to be victimized.

At this point, I cannot say what may be in President Noren's mind in relation to the pending negotiations. His approach to the current budget negotiations has not been encouraging. His position, which is primarily protective of the administrative side of his cabinet, is not one that represents a shared sacrifices approach to our problems. His plan to unilaterally breach the earlier agreement on differential tuition made with various colleges is particularly troubling. In most cases, those commitments were made at the Board of Governors' level, after students expressed a willingness to accept higher tuition if the money would be added in their unit to enhance their educational opportunities. If commitments of this magnitude are not considered binding on the Administration, then one has to wonder what commitments the Administration feels obligated to honor.

Last August, in the only meeting that I personally have had with President Noren, he was reasonable, courteous and attentive to my views. Since that time, I can only judge by his public statements and the interaction with him in which I participated in the November 19<sup>th</sup> meeting with the Academic Senate Policy Committee on the budget. To say the least, I was disappointed, along with the members of the Policy Committee, with the imposition of heavily disproportionate cuts to the academic aide of the University embodied in his proposal. There were no shared sacrifices there. Let us hope that this position is reassessed in the coming weeks.