

SIUC Faculty Association White Paper

Finances and the Future of SIUC

November 1, 2010

Introduction

The Higher Learning Commission, in its report reaccrediting SIUC, listed the improvement of employee relations as a goal SIUC needs to address.¹ We believe that the best way to improve employee relations is to breathe new life into the two major means by which campus employees ought to have a role in shaping the future of SIUC: shared governance and the relationship between the SIUC administration and the numerous unions which represent the bulk of the SIUC workforce. It is in this spirit that we present this Faculty Association document. We aim to add to the conversation that SIUC Faculty Senate President Sanjeev Kumar contributed to with his October 21 presentation, "Effects of Budget Cuts on Academics."²

SIUC Chancellor Rita Cheng has proposed "administrative closures" as a means for helping SIUC meet its financial challenges. In our view this is a hasty measure which would result in very small savings and a much larger longer-term cost to the university. These costs would be particularly high if the administration insists on such closures without securing the agreement of SIUC faculty and staff through the collective bargaining process.

We face long-term budgetary problems that require long-term solutions. One of our long-term problems is our continuing decline in enrollment, which leads to a decline both in state funding and in tuition and fees paid by students (though in absolute terms, due to past increases in tuition and fees, the payments from students to the university have continued to increase). Another is the continuing trend in which the Illinois State government, like most state governments, has abandoned its commitment to providing affordable higher education for its citizens.³

We agree that meeting these challenges will require flexibility, commitment, and hard work by all SIUC faculty and staff, and may require major changes in how SIUC functions. The Faculty Association is eager and willing to play a productive role in helping SIUC find solutions to these problems. Interest based bargaining over a new contract is a key way to lay the foundation for progress in meeting our shared goals.

This report falls into five parts. In the first, we explain why we believe that the proposed administrative closures are not required by the current fiscal situation (Section A below). In the second we discuss the damage administrative closures would do to SIUC (Section B). In the third section, we explain our rights regarding administrative closures (Section C below). In the fourth (Section D), we discuss our approach to negotiations with the administration. Finally, in the last part (E), we provide some observations on SIUC's long-term financial situation. All data cited here are drawn from publically available sources, as indicated in the endnotes to this document.

A. Administrative closures are not a fiscal necessity

1. No other state university in Illinois is planning administrative closures or furloughs this year. Yet they face the same budgetary pressures we do: all have taken a hit from the loss of the federal stimulus money, and most are suffering from similar enrollment declines this year, with the ensuing declines in tuition and state payments tied to enrollment. Why must SIUC, alone among Illinois universities, close its doors?
2. The \$2.6 million that would be saved by administrative closures represents a tiny fraction (0.6%) of the total SIUC expenditures of \$443 million, and only a small proportion (6.4%) of the "ending cash balance" of \$40.9 million that the university had on hand at the beginning of the 2011 fiscal year. This cash balance is not made up entirely of unrestricted funds, but, in response to the long delay in payments from the state, it has been drawn on in recent years to meet payroll, and could presumably be used in the same way this year. Thus this money is available to meet a short-term budget crunch, and could be used to avoid shutting the campus down.⁴
3. This spring, the Faculty Association worked together with President Poshard to secure passage of Senate Bill 642, which gave SIUC (and other state universities) the authority to borrow money to help meet the financial burdens caused by the state's late payment of funds.⁵ The university chose not to make use of this borrowing authority to cover delays in payments from the state for the 2010 fiscal year. And thus far during the current fiscal year, the SIU administration has chosen to pursue administrative closures rather than to work with the Faculty Association to renew SIU's ability to borrow. The Faculty Association would be happy to work again with President Poshard to secure legislative renewal of this borrowing

authority, which would be a less disruptive means for dealing with a delay in state payments than shutting down the university.

B. The negative impact of administrative closures

1. Shutting SIUC down would mean employees would do less teaching, research, and service. Work at SIUC doesn't stop when students aren't in class: faculty prep classes and do research, and staff support their work. This work would have to stop were SIUC shut down.
2. On January 5, 2010, in an email message sent to all SIU employees, SIU President Glen Poshard said the following about choosing to institute furloughs or layoffs. *"It would send a devastating message to the Academy and staff while eroding confidence in this institution's ability to deliver the educational benefits that our students and their families demand from us."*
President Poshard was speaking of last year's budgetary situation, and went on to say that furloughs or layoffs might be a possibility this year. But the message sent this year would be the same, and in our view the message would be all the louder were we to institute furloughs in a year during which our peers have managed to do without them.
3. The experience of the University of Illinois at Urbana-Champaign may prove instructive. A *Daily Egyptian* story recently reported on how furloughs "devastated" staff morale there.⁶ Here's what the new president of the University of Illinois, Michael J. Hogan, has learned from the situation, according to the *Daily Illini*:
*"Hogan acknowledged that we are in a budget crisis, but knows that in order to keep talented professors around, pay increases are necessary. He told us he's against furlough days. He said they ruin morale and make professors unhappy. In fact, Hogan said he wants to raise salaries marginally for University employees across the board. It seems he recognizes the campus climate — and is working on ways to improve it."*⁷
4. Shutting SIUC down will hurt recruiting. Again, no other state university is contemplating shutting its doors. Would you choose to enroll yourself, or enroll your child, at a university so poorly run that the administration has to close it down temporarily, despite the protests of campus faculty and staff?

5. Chancellor Cheng's proposal for across the board administrative closures would be a especially difficult burden for SIUC's lowest paid employees. Contrast the furlough plan at the University of Illinois, where top administrators took ten unpaid days, compared to four such days for other employees, and employees making less than \$30,000 were exempt from any cut.⁸ Cutting the salaries of employees making less than \$30,000 at SIUC—the employees who can least afford to take a pay cut—would save SIUC approximately the amount of money required to hire a new dean in the College of Engineering.

C. Our rights regarding administrative closures

SIUC cannot legally implement unpaid administrative closures without our agreement.

1. Labor law requires good faith bargaining over pay and conditions of employment. Absent special agreement by both sides, good faith bargaining when a contract is open requires that all outstanding issues be bargained in good faith before either side takes unilateral action. Should irresolvable disagreements arise, once the sides have made all the progress possible on all outstanding items, negotiations may be declared at an impasse, and both parties would then submit to non-binding mediation. Only after the failure of these procedures would the administration have the legal right to unilaterally implement Chancellor Cheng's proposal, were they to choose to do so. At this point the Faculty Association would also have the legal right to strike, were we to choose to do so.
2. If the administration fails to follow these procedures and negotiate in good faith, and cuts our pay without our agreement, we would respond by filing an Unfair Labor Practice (ULP) and taking any other appropriate legal measures. We are confident that the law is on our side, and that faculty would be reimbursed for lost pay. The legal process would of course take some time to work itself out, during which time the Illinois Education Association would pay our legal bills and the administration would spend taxpayers' money and students' tuition and fees to pay their legal costs.

D. Our approach to bargaining

We are willing and eager to bargain on all outstanding issues, including financial ones. We have committed to following the principles and practices of interest based bargaining (IBB), and the administration team has agreed to abide by these principles and practices. This model of bargaining requires each side to bring their interests to the table, and seek

mutually agreeable ways for each side to meet as many of their interests as possible. It is designed to minimize conflict and maximize the potential for mutually beneficial outcomes.⁹

Interest based bargaining requires more than one side demanding that the other accept its proposal. To date this has effectively been the administration's position regarding administrative closures. Given our belief, explained above, that administrative closures would damage SIUC's reputation, and hurt not only SIUC faculty but all SIUC employees and students, it would be irresponsible were we to agree to such closures unless they were part of a comprehensive agreement that compensated for the ill-effects closures would entail.

The Faculty Association has both consistently insisted on our right to negotiate over administrative closures, and consistently shown itself willing to do so. On March 30th, 2010, Faculty Association President Randy Hughes sent a letter to SIU President Glen Poshard and Chancellor Samuel Goldman, copied to future Chancellor Rita Cheng, reminding the administration that furloughs and reductions-in-force were mandatory subjects of bargaining. On August 5th, in response to consistent public talk about possible furloughs or university closures, Faculty Association President Hughes sent a "Cease & Desist" letter to Chancellor Cheng demanding that this issue be negotiated at the bargaining table. Six weeks later, on September 23rd, the administration informed us that they would implement their new closure policy unless we sought to negotiate over it. We duly responded that we had already invoked our right to negotiate, and on October 6th the administration team formally presented their interest in this matter (following the ground rules established for our negotiations) at the bargaining table. Since then both sides have been discussing many interests raised by both teams, including SIUC's finances.

E. Budgetary inefficiencies at SIUC

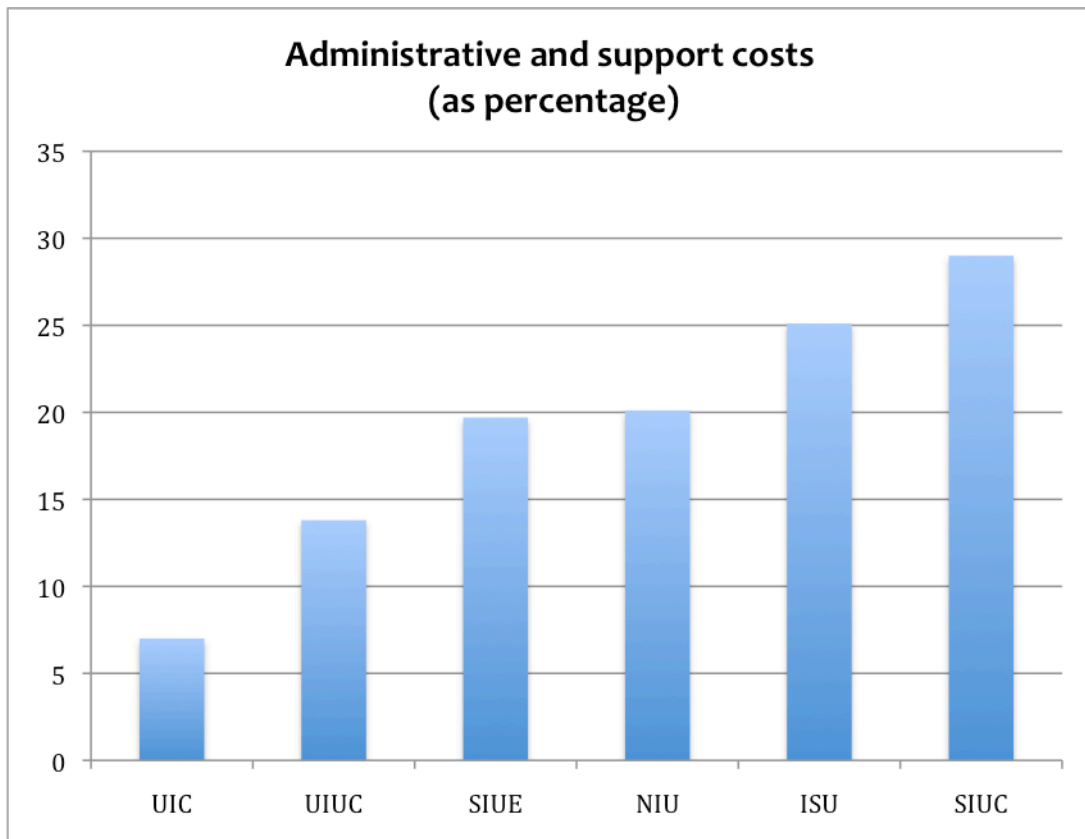
We do not deny that SIUC, like most other state universities, faces budgetary challenges over the long run. But rather than panicking into counterproductive short term responses like the administrative closure plan, we advocate careful and transparent scrutiny of SIUC's budget to ensure that our budget is in line with our priorities. The rest of this report takes a first step in this process.

The most relevant comparison for budgetary issues will be with the rest of the "Big Five" state universities in Illinois—the University of Illinois at Chicago, the University of Illinois at Urbana-Champaign, Illinois State University, and Northern Illinois University— together with our sister school SIUE. These are large universities working under many of

the same budgetary constraints we face, including a dysfunctional state government and the weak Illinois economy. When we compare SIUC to these peers, a number of indicators appear to show that we are making poor use of our resources.

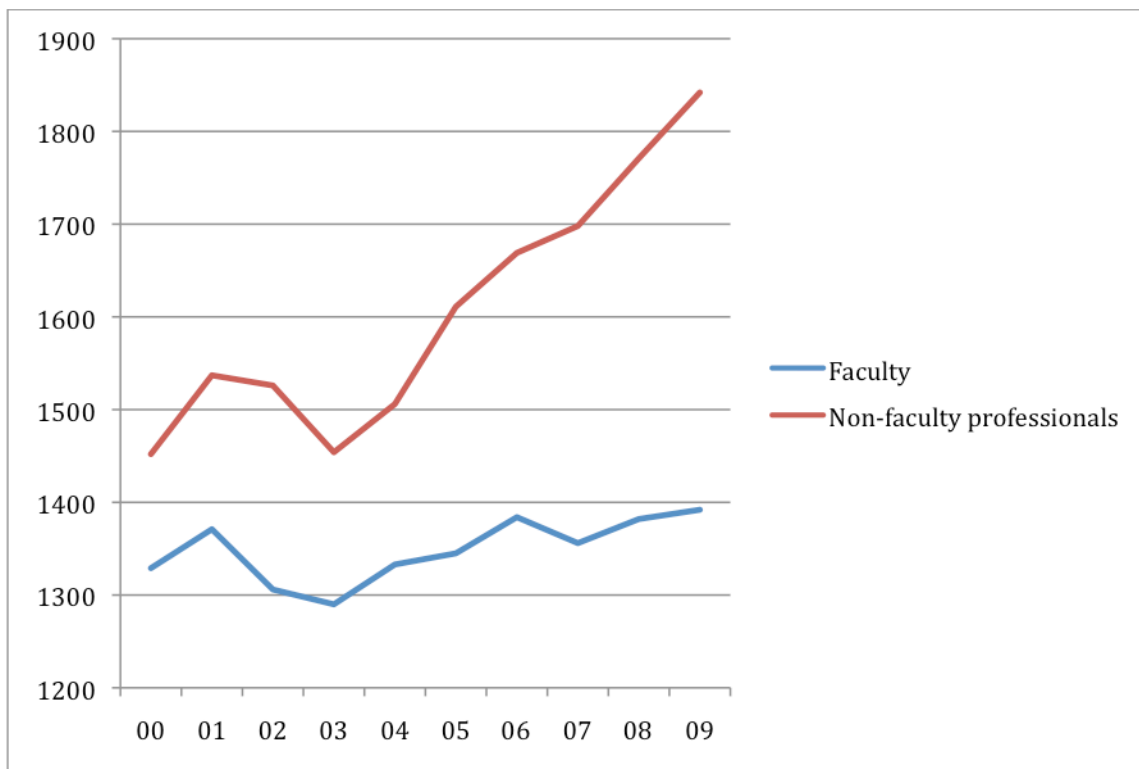
1. **Administrative and support costs are too high.**

Our peers spend, on average, 17.5% of their budgets on administration and support. We spend 29%.¹⁰ By this measure **we are wasting 12.5%** of our money on administrative costs other state universities do without. 12.5% of the SIUC budget of \$478 million in 2008 (the latest budget for which we have these figures) was \$59 million dollars. We are, by a long shot, dead last among our peers by this criterion.



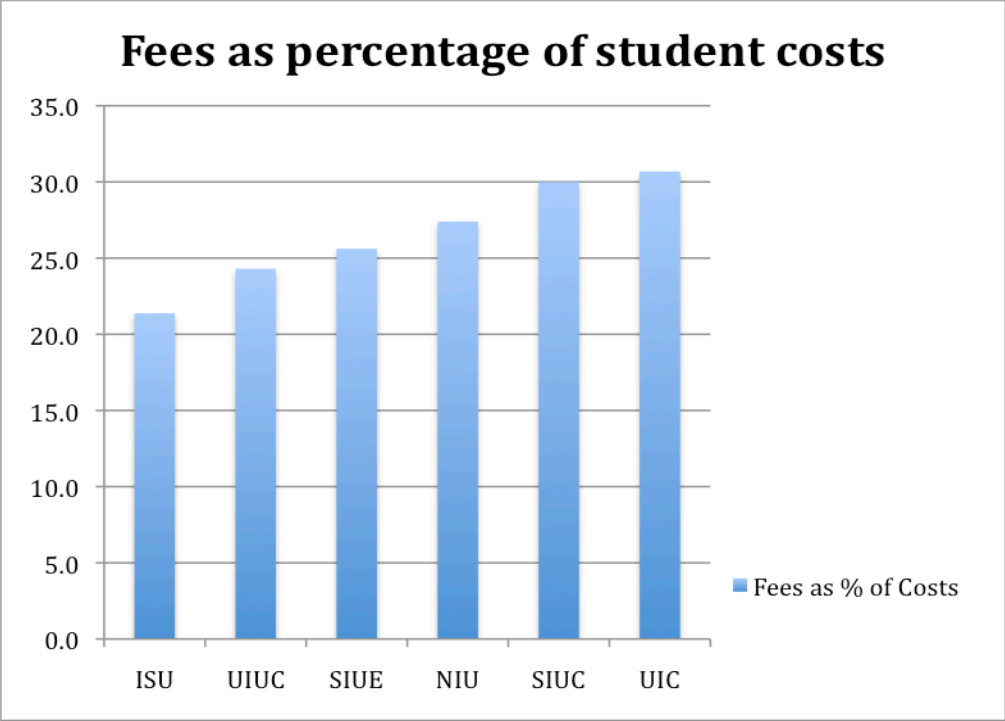
2. **We have been hiring too many professional support staff.**

From 2000 to 2009, the number of full time faculty at SIUC increased by a little less than 5%. But the number of employees classified as "Executive/Administrative/Managerial" or "Professional Non-Faculty" increased by 27%. Numbers of other categories of support staff, including areas like secretarial staff and laborers, declined by a small amount over the same time period. This trend implies that SIUC has been spending far too much on professional support staff.¹¹



3. **Student fees are too high.**

Tuition goes toward instruction for the most part, while almost all student fees go toward other operations. The percentage of a student's total charge that goes to fees will tell us something about the priorities of a given university. SIUC, while not coming in last place here, does not fare very well. On average, 26.6% of the money a student at our peers pays goes towards fees. At SIUC this figure is 30.0%.

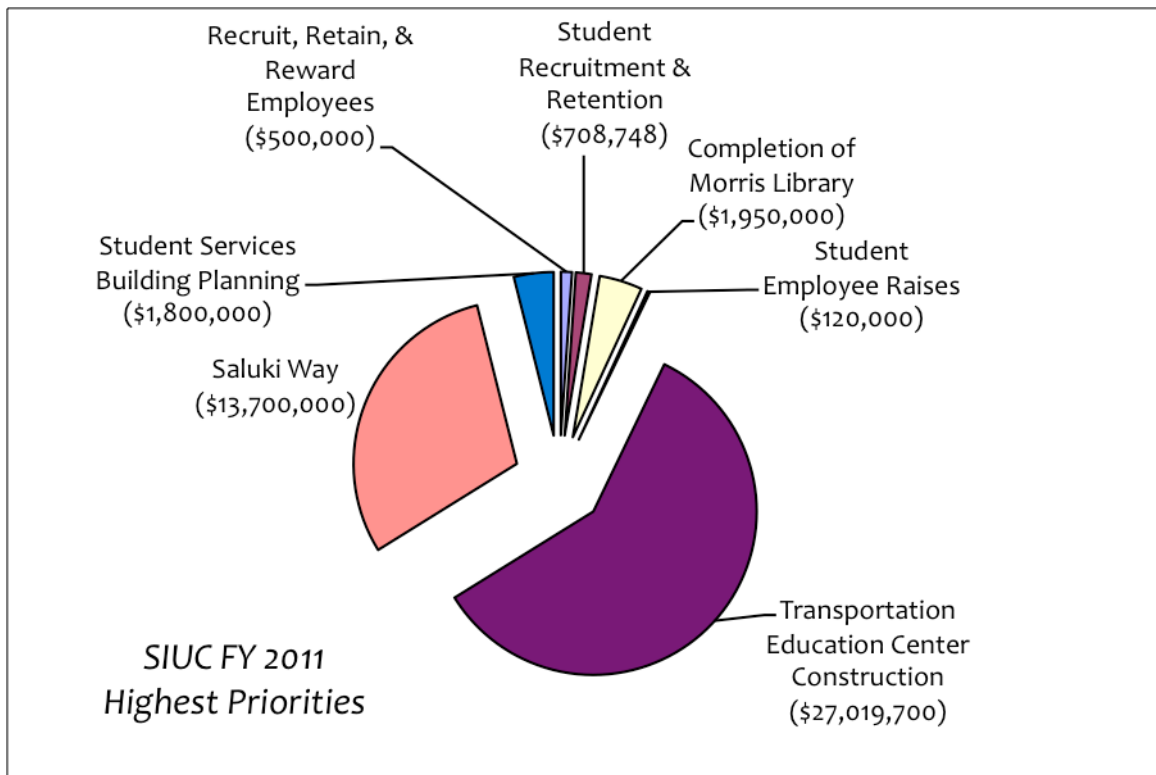


4. Spending does not correspond to priorities.

The 2011 "Budget Book" published by the administration lays out the five top campus priorities, and the spending for each. According to this document, SIUC's top priorities, and the expenditures devoted to each, are the following:

1. Recruit, Retain, & Reward Employees (\$500,000)¹²
2. Student Recruitment & Retention (\$709,000)
3. Completion of Morris Library (\$1,950,000)
4. Ensuring Support for Our Students (\$120,000)¹³
5. Enhance the Learning and Living Environment of Campus (\$42,519,700)¹⁴

So our number one priority during the 2011 fiscal year is to "Recruit, Retain, & Reward Faculty and Staff." But note that this goal receives only **1% of the spending** budgeted for the top five priorities (\$0.5 million out of \$45.8 million). Among these five priorities, the goal of "Enhancing the Learning and Living Environment on Campus" received far and away the largest budget. This includes \$27 million spent on the Transportation Education Center, a worthy project funded by separate state appropriations, but also \$13.7 million for the current phase of Saluki Way. This level of funding actually represents a large decline in Saluki Way funding from last year, which ran to \$56.8 million, and amounted to some 69% of the \$87 million SIUC dedicated to its highest priorities during that year.¹⁵ Saluki Way has been financed by student fees, tax revenue from the city of Carbondale, and private donations; SIUC could have sought to redirect these sources of revenue to other goals (or saved our students money by reducing their fees). As things stand, even in 2011, when Saluki Way expenses are tailing off, SIUC has budgeted 27 times more on Saluki Way than it has budgeted toward its number one priority, recruiting, retaining, and rewarding faculty and staff. Another top five priority, ensuring support for students, fares still worse, at about one quarter of one percent (0.26%). These figures, while they do not represent our total budget but only our "highest priorities," show a clear imbalance between stated priorities and funding.



Conclusion

There may be reasonable explanations for some of these disturbing data. And there are no doubt other criteria by which SIUC measures up better. But taken collectively these figures paint a picture of an institution that needs to recalibrate its spending priorities to put them in line with its mission. In the current budgetary climate, we cannot afford to spend so much money on areas not directly devoted to our central teaching and research missions. Rather than pursuing the destructive short-term expedient of administrative closures, then, we believe that SIUC ought to strive to redirect its priorities and its spending to what matters most: to our research, to our creative work, to our service on behalf of our state and our region, and to the education of our students.

Notes

¹ Source: Chancellor Cheng's State of the University Speech, page 21:

<http://www.siu.edu/chancel/StateUniversity2010Cheng.pdf>.

² Professor Kumar's presentation was made at the annual faculty meeting on Thursday, October 21, and his slides, in slightly edited form, were emailed to all faculty on October 29. Professor Kumar has had no role in the drafting of this Faculty Association document, and it should obviously not be assumed that he shares its conclusions.

³ For an elegant and prescient account of this troubling trend, see President Poshard's 2006 Inaugural Address, available online at: <http://www.siu.edu/pres/inauguration/Inauguration%20Speech%20-%20web%20version.pdf>.

⁴ Source for administrative closure savings: Chancellor Cheng's State of the University Speech, page 10: <http://www.siu.edu/chancel/StateUniversity2010Cheng.pdf>. Other figures from the FY 2011 "Budget Book": <http://vpfinance.siu.edu/FY%202011%20Budget%20Book.pdf>.

⁵ For information on the bill, go to:

<http://www.ilga.gov/legislation/billstatus.asp?DocNum=642&GAID=10&GA=96&DocTypeID=SB&LegID=41514&SessionID=76>

⁶ http://dailyegyptian.com/2010/09/28/aftermath_92910_rv/

⁷ <http://www.dailyillini.com/opinions/editorials/2010/08/29/hogan-ready-to-move-forward-wants-to-remake-ui>

⁸ For details on the University of Illinois furlough plan, see:

<http://www.uillinois.edu/our/news/budget/2010Furlough.cfm>

⁹ For an overview of Interest Based Bargaining in education (albeit largely on the K-12 front), see Klingel, S. (2003). *Interest-based bargaining in education*. Washington, DC: National Education Association. (<http://digitalcommons.ilr.cornell.edu/reports/16/>).

¹⁰ Our figures are from the 2008 IPEDS (Integrated Postsecondary Education Data System) data set. Our category "Administration and Support" combines the IPEDS categories "Academic Support", "Instructional Support", and "Institutional Support". The bulk of SIUC's higher than average expenditure lies in the category of "Academic Support"; this includes items like libraries and museums; instructional support services; and academic administration from the dean level up. Full IPEDS definitions can be found here: <http://nces.ed.gov/ipeds/glossary/>.

¹¹ Source: SIUC "Quick Facts" via the Institutional Research and Studies website (www.irs.siu.edu). The non-faculty professionals are there divided into two groups: "Executive/Administrative/Managerial" (which stayed relatively flat from the fall 2000 figure of 266 until the fall 2009 figure of 281) and "Professional Non-Faculty", which are broken down into "Professional AP" (increasing 37% from 672 to 921) and "Professional CS" (increasing 31% from 487 to 640).

¹² This funding went toward promotional raises.

¹³ This funding is largely for a raise in student wages.

¹⁴ Figures and priorities come from the FY 2011 "Budget Book":
<http://vpfinance.siu.edu/FY%202011%20Budget%20Book.pdf>

¹⁵ <http://vpfinance.siu.edu/FY%202010%20Budget%20Book.pdf>.