

Budgetary "Myths and Assumptions"

An SIUC Faculty Association White Paper

December 21, 2010

In her Town Hall Meeting on 11/16, Chancellor Cheng repeatedly used the phrase "myths and assumptions" to characterize our presentation of university finances in the Faculty Association White Paper of November 1.¹ We could not agree more with Chancellor Cheng that decisions about the future of SIUC should be based on more than myths and assumptions about the budget. As faculty our calling is precisely to examine such assumptions.

The administration wishes us to agree to the following claim: *SIUC is in a fiscal crisis so dire that it can only be solved by furloughs or layoffs.* There are in fact two assumptions packed into this claim. The first is that, despite the deep cuts of the last two years, we still face an acute financial crisis. The second is that the only way to meet such a crisis would be via furloughs or layoffs.

The administration has failed to show that either assumption is justified. This document will attempt to show why.

1. Our key findings

- *To defend our role in shared governance and our collective bargaining rights, we must scrutinize the administration's budget.*
- *SIUC has many options for dealing with budgetary challenges, including some \$4.25 million in contingency funds not yet used.*
- *Long-term declines in enrollment have not resulted in deficit spending, and thus provide no justification for furloughs this year.*
- *Ambitious new building projects are inconsistent with claims of a pressing budget crisis.*
- *The administration has provided evidence for a budget shortfall of no more than \$400,000, far less than the \$2.6 million sought for furloughs.*

¹ See the list of references at the end of this document for these and other documents cited herein.

2. The faculty's role

Before turning to more purely fiscal questions we address a more fundamental question. Why should faculty and other campus constituencies ask for more than the administration's assurance that SIUC does indeed face a major budget shortfall? There are at least three excellent reasons why the administration owes the campus community a far more transparent presentation of the budgetary situation than we have received so far.

1. **Shared governance.** Even on the most limited understanding of shared governance, faculty have the right and the responsibility to give the administration informed advice on budgetary decisions that impact the mission of the university. Without a transparent account of the budget, the faculty cannot provide such advice.
2. **Good faith bargaining.** Collective bargaining should take place on the basis of a shared understanding of the financial situation of the university. Labor Law requires that changes to the pay and working conditions of unionized employees on campus, including faculty, be negotiated in good faith. Good faith bargaining requires the sharing of relevant and accurate information about finances.
3. **Public accountability.** SIUC is a public university. The administration thus has an obligation to fiscal transparency that extends not only to its own faculty and staff but to the citizens of the State. As stewards of taxpayer dollars, the administration has an obligation to reveal how those dollars are spent. This obligation is particularly acute when the administration claims that a public university must shut its doors for four business days this year.

University budgets are, of course, complex matters. But our bargaining team is willing and able to do the work necessary to understand the budget. We have therefore asked questions about the numbers presented to the Board of Trustees and SIUC faculty and staff by the Chancellor. We have received some useful information in response to these questions. But the main response of the administration's bargaining team was to present us first with a new set of unexplained figures that cannot easily be reconciled with the Chancellor's numbers, only to return once again with a simple restatement of the Chancellor's figures.

The administration would seemingly prefer that we simply accept their figures without scrutiny. They apparently believe, or at least hope, that simply by declaring a

budgetary shortfall they can dictate a sum each campus union must pay to help meet the declared shortfall. We believe it would be irresponsible of us to do so, that doing so would amount to a surrender of our collective bargaining rights, and an abdication of our responsibility to play an active and informed role in shared governance as faculty members and citizens. Perhaps this public attempt to question the administration's numbers will generate more informative replies.

For our ultimate goal is not simply to prove that the administration's figures are wrong, but to get the figures right. If the administration can show us verifiable data that demonstrate that there is indeed a budget crisis requiring sacrifice on the part of university employees, we would be willing to consider any reasonable plan to meet that crisis.

What we are unwilling to do is to accept the administration's numbers on faith, and accept without examination the administration's claim that the only way to keep SIUC afloat is to shut down the university temporarily in order to take money from faculty and staff.

3. The furlough plan

On September 15th, the Board of Trustees approved a measure allowing the SIUC administration to declare up to six unpaid administrative closure days "in response to a budgetary shortfall, including significant delays in state reimbursements".² While this provision was originally drafted so as to sunset after two years, in the language of the current policy there is no such limitation to this authority. Here we will simply call these "unpaid administrative closure days" *furloughs*, given the fact that the administration has so far failed to close the campus, and despite the fact that for many employees, including faculty, these furloughs simply amount to a pay cut, with no reduction in duties. Absent our collective bargaining rights, this policy would give the administration the authority to dock all employees six days of pay in any fiscal year.

When would furloughs be justified? Unless the administrative closure scheme is a cover for a permanent pay cut (instituted whenever the state is late in payments, or a budgetary shortfall declared), furloughs cannot be a solution to a long-term problem.

This leaves two shorter-term justifications, as spelled out in the policy itself. The first is a significant delay in state reimbursements. Given the state's fiscal plight, this would appear to give the administration carte blanche to call for furloughs each and every

² See the BOT minutes for 9/15, pages 32-34.

year for the indefinite future. But as a matter of fact the administration has not invoked the delay in payments from the state as a justification for furloughs. This delay in payments was handled last year, after all, without furloughs. And were the administration to cite the cash flow crisis as justification for furloughs, they would no longer have any reason to reject the offer made by some campus unions to loan the university money to be repaid in subsequent years. For repayments could naturally be made when late state payments arrive.

Rather, the administration's proposal seems to be to use furloughs this year to help tide SIUC over a short-term budget shortfall and to allow time for longer term solutions—ideally increasing revenue by increasing enrollment—to take effect. The original plan to authorize furloughs for two years suggests that the administration believes that furloughs may be necessary next year as well.

Thus the furloughs, as well as other recent steps like the hiring freeze, "are designed to address this fiscal year's budget shortfall while we continue to work on long-term strategies," as the Chancellor put it in her remarks on November 16.

This would be a perfectly rational proposal, were the following two conditions met:

- There must be a short-term budget crunch.
- There must be no better short-term options.

In our view the administration has so far failed to demonstrate that either of these conditions holds.

4. Budgetary options and questions

Given the obscurities in the administration's presentation, and the inherent complexity of a university budget, our analysis of the budget has required considerable labor and time to produce, which is the main reason this White Paper has taken so long to appear. Our detailed analysis of the administration's figures will also require some patience on the part of the reader, which is why we postpone this detailed discussion to the next section of this document (part 5 below). We have already spoiled the suspense, however, by stating our conclusion that the administration has shown a budget shortfall of no more than \$400,000, far less than the \$2.6 million required to justify furloughs.

Before analyzing the administration's figures, we will suggest a number of budgetary options other than furloughs. Such options could enable SIUC to meet a far larger

budgetary shortfall than that we can discover in the figures presented by the administration so far. Given the ambiguities in some of the administration's figures, and the limits in the information they have made available so far, we can only proceed by asking questions, and it may be the case that some of the options we suggest are not viable. But these are precisely the sorts of questions that must be answered before we can responsibly agree to any claim that SIUC is in dire fiscal straits.

4.1 Where are the contingency funds?

Our first set of questions deals with the university's contingency funds. SIUC routinely sets aside 2% of general operating funds to deal with "emergencies or unanticipated expenditures". This means that every campus budgetary unit must effectively deposit 2% of its budget with the central administration as a fund to deal with such unfortunate occurrences. In happier budgetary times, these funds are released to university units to spend late in the fiscal year. In FY 2010 contingency funds totaled \$4.4 million dollars. In FY 2011 the total is \$4.25 million.³ The bulk of funds for SIUC is assigned to units under the control of the Provost's office; if released, these funds are to be spent "to enhance undergraduate education, provide equipment and infrastructure for instructional and research labs, provide support for new faculty hires, and enhance recruitment activities".⁴

In FY 2010, to the best of our knowledge, these contingency funds were not released to campus units. So there would have been a reduction in total expenditures if these funds were not spent.

4.1.1 Were FY 2010 contingency funds used to meet the \$4.8 million shortfall last year? If so, how much of the contingency fund was used in this way? And how much was carried over to this year?

Lower than expected income from student tuition and fees meant SIUC received \$4.8 million less during the 2010 fiscal year than originally budgeted.⁵ Of the savings cited in the Chancellor's figures, up to \$1.6 million in savings from the hiring freeze would

³ See page 69 of the FY 2010 Budget Book and page 65 of the 2011 Budget Book.

⁴ The quotation is found on p. 65 of the 2010 Budget Book and page 69 of the 2011 Budget Book. These contingency funds are distinct from the "Ending Cash Balance" we discussed in our earlier White Paper: the contingency funds must normally be spent, one way or another, every budget year, while the "ending cash balance" are funds carried over from year to year. It is our understanding that this cash balance has been utilized, among other things, to help deal with late state appropriations.

⁵ See section 5.2.1 below.

appear to have been realized last fiscal year. Assuming the budget was indeed balanced, SIUC must have come up with additional expenditure reductions. The natural place to look for this is the contingency fund, as we know that 2010 contingency funds were swept up from colleges and departments. If \$1.6 million in hiring freeze savings were realized last year, only \$3.2 million of the \$4.4 million contingency funds needed to be used. Some \$1.2 million dollars in contingency funds may have been left over. Last year, in an unusual move, SIUC was authorized to hold over contingency funds from one year to the next. Are these \$1.2 million dollars available to help deal with the FY 2011 problems? Our analysis below does not assume any carryover of contingency funds. Any carryover of contingency funds would reduce the computed shortfall.

4.1.2 What is the plan for the FY 2011 contingency funds?

The various sorts of budgetary challenges we face this year would appear to qualify as the sort of "emergency or unexpected expenditure" contingency funds are designed to help meet. By our estimate, the contingency funds of \$4.25 million is more than ten times the amount needed to meet the current budget shortfall (\$400,000). Why can none of the \$4.25 million in FY 2011 contingency funds be utilized to avoid furloughs or layoffs? What other spending priorities are so important that they justify SIUC shutting down the campus temporarily in order to take money from faculty and staff?

4.2 Why are hiring freeze numbers so small?

The question was raised when we checked the only independent access we have to hiring freeze data: the figures provided to us regarding faculty in the bargaining unit (which includes most tenured and tenure track faculty). These figures indicate that SIUC will spend almost \$1.9 million less on Faculty Association bargaining unit faculty during FY 2011 than was spent in FY 2010. And this figure does not include our bargaining unit's \$450,000 share of the reported salary and wage increases of \$700,000. That is, the reduction in faculty numbers saved SIUC \$2.3 million in payments to bargaining unit faculty before such promotional raises were factored in. This figure, however, is greater than the total hiring freeze savings cited for FY 2010 (\$1.6 million).⁶ The decline in faculty compensation is projected to be even greater next year, and thus the total savings on faculty would appear to far outstrip that for the hiring freeze across campus. That is, SIUC appears to be saving more from the

⁶ For more on the hiring freeze, see section 5.3.3.

bargaining unit faculty alone than the Chancellor reports the university is saving from a hiring freeze affecting all staff.

This implies that either SIUC is spending more on other staff, despite the hiring freeze, or much of the decrease in faculty numbers is considered to be a "permanent" reduction. We have no way of deciding which of these conclusions is correct. Clarification would be welcome.

4.3 Will GI Bill funds be available to help meet the shortfall in Illinois Veteran Grant funds?

We shall argue below that the administration is incorrect to claim that the absence of state funding for the Illinois Veteran Grant (IVG) program would produce a shortfall of \$3.0 million. But even by our calculation, a significant shortfall of some \$1.1 million would remain should the state in fact provide no funding for the program this year. Veterans, however, are eligible for federal GI Bill money in addition to state funds, and we understand that this option is being discussed on campus. Can SIUC encourage our student veterans to apply for federal funds to offset the predicted \$1.1 million loss? If so, these savings would reduce the calculated budget shortfall.

4.4 Have past enrollment declines produced a present shortfall?

No. As we have repeatedly pointed out, no other Illinois public university is planning furloughs this year. The administration's response has been that no other public university has suffered from steady enrollment declines over as many years as SIUC has.⁷ This is true but irrelevant. These declines have indeed cost SIUC money, and the downward trend constitutes a major challenge for all of us. But SIUC has balanced its budget each year. Thus past enrollment declines did not result in a budget deficit that carried over from one year to the next. We have already made cuts, often painful ones, to reflect past reductions in enrollment. And total income from tuition and fees has continued to rise, despite the decline in the number of students, due to increased rates in tuition and fees. In 2009, the latest year for which final figures are in, the budget was in balance. This is confirmed by the figures from the 2011 Budget Book and by the external audit of the SIU system. In fact, the university reports that in FY 2009 total revenues for all SIUC funds exceeded total expenditures by \$2.2 million.⁸

⁷ The Chancellor did so in her Town Hall remarks on 11/16 as did President Poshard during his "Morning Conversation" on WSIU radio: www3.wsiu.org/radio/morningconversation/.

⁸ See page 22 of the 2011 Budget Book, which gives "actual" figures for FY 2009.

As there was no budgetary deficit carried over from 2009 or prior years, any enrollment declines from prior years are irrelevant to this year's budgetary situation. Therefore the only contributing factors to this year's budgetary shortfall, if there is any such shortfall, are changes since the start of the 2010 fiscal year. Prior shortfalls have already been paid for. The administration's most significant counterargument to the central claim of our previous White Paper is without merit.

4.5 Must SIUC move ahead with expensive new building projects?

If SIUC's budgetary situation is as dire as it has been portrayed, it is difficult to understand why the administration continues to push forward with new phases of Saluki Way. The administration insists that funds for projects like Saluki Way are totally separate from other funds. Certainly *after* funds are dedicated to such projects they cannot easily be spent on something else. Yet even as it was planning to furlough or fire faculty and staff the administration had the Board of Trustees approve \$168,000 to demolish McAndrew Stadium and authorize the use of student fees to fund \$1.8 million in bonds for a new student services building. Our students' money could have been spent on other things. Funds paid to building contractors don't come in a different currency than those paid to the faculty and staff who work in campus buildings.

All of these buildings may well be worthy projects, but they are not necessary to the short-term well-being of the university. A new student services building, for example, could help streamline the infamous student experience known as the Woody Shuffle. But the people working in student services are more important than the building they work in. Yet our administration seems more interested in new buildings than in the people who will work in those buildings.

5. Analysis of the budget shortfall

Contributing Factors to the Budget Shortfall

Revenue Reductions	Millions
FY10 Enrollment Decline - FY11 Impact	\$ (4.8)
Reduction in Federal Stimulus Funds	\$ (7.5)
Elimination of Illinois Veteran's Grant Funding	\$ (3.0)
	<u>\$ (15.3)</u>
Revenue Additions	
Tuition (static enrollment)	\$ 4.4
FY11 Enrollment Decline - FY11 Impact	\$ (1.4)
Tuition	\$ 3.0
	<u>\$ (12.3)</u>
Net New Revenues	\$ (12.3)
New Expenditures	
Faculty Promotions & Student Wage Increases	\$ 0.7
Subtotal - Structural Deficit	<u>\$ (13.0)</u>
Permanent Budget Reduction 4% & USE from Aux.	\$ 7.3
Total Structural Deficit (FY11 & FY12)	<u>\$ (5.7)</u>
Additional FY11 Budget Savings Strategies	
Hiring Freeze Savings (FY10 & FY11)	\$ 3.1
Proposed Unpaid Administrative Closure	\$ 2.6
One-Time Budget Savings	<u>\$ 5.7</u>
FY11 Budget Shortfall	<u>\$ -</u>

We turn now to a detailed examination of the figures on the list above, presented at the Town Hall Meeting of 11/16. These figures, and the related sets of figures presented to the Board of Trustees on September 16, and at the Chancellor's State of the University presentation on September 30, make up the fullest presentation of the administration's view of the budget that is known to us. They were the basis of the Board of Trustees' vote to adopt the new unpaid closure policy, and are the basis of the Chancellor's argument that campus unions should agree to that policy.

But these figures are rather less transparent than they seem. Comparison with the two other sets of similar figures show some significant differences in presentation and arrangement, though most of the numbers remain unchanged. Phrases like "FY 10

Enrollment Decline--FY11 Impact" leave much to interpretation. Nor is it at once clear why three fiscal years appear at various places in the list: 2010, 2011, and 2012. The Chancellor has posted transcripts of her remarks at both the State of the University and the Town Hall Meeting on her web site. But neither set of remarks clarifies these figures and headings.⁹

Let us consider, for starters, the title: "Contributing Factors to the Budget Shortfall". This title implies that not all relevant factors are listed; and it does not even make it clear whether all *contributing* factors are listed. The Chancellor has not made clear what qualified a figure for inclusion on these charts. We are apparently meant to assume that no other university revenues or expenditures have changed in a significant way, or can be anticipated to change in a significant way, over the relevant time period, which apparently spans at least two fiscal years (2010 and 2011). But this is difficult to believe. And this assumption is impossible to verify, as the figures on the chart are not sourced to more comprehensive budget documents that would allow us to see them in context. We have tried to track down such documentation wherever possible.

5.1 Defining the budgetary shortfall

Budgets for current and future years are planning documents. They reflect choices and priorities in addition to fiscal realities. A budgetary shortfall means that planned expenditures are greater than estimated revenues. Action must obviously be taken if the final budget is to be balanced. During the current fiscal year, if revenues cannot be increased, expenditures must be cut.

Neither the Chancellor's chart nor her remarks make it entirely clear which revenues and which expenditures are included among her numbers. We had initially assumed that both revenues and expenditures were those for the current year, FY 2011. But this appears to be wrong. Rather, the figure for *expenditures* is apparently that planned in the original FY 2010 budget, the plan for the last fiscal year as it stood in the summer of 2009. The figure for *revenues* is that currently estimated for FY 2011, the current fiscal year. The expenditure baseline for FY 2010 thus reflects spending planned before enrollment figures were in for the fall semester of 2009. Revenues are those now expected for the 2011 fiscal year, with the fall 2010 enrollment figures taken into

⁹ As of December 20, however, she had not yet posted any updated answers to budgetary questions, as she said she would do in her Town Hall remarks.

account. This should all become clearer once we give an account of changes in the budget since the outset of FY 2010.

5.2. Changes in revenues since FY 2010

5.2.1 "FY10 Enrollment Decline--FY11 Impact: \$4.8 million"

This figure of \$4.8 million apparently reflects how much revenue from tuition and fees fell short of original estimates, due to the enrollment decline during the 2010 fiscal year. This is consistent with the loss in revenue in the Third Quarter FY 2010 Budget Report presented to the Board of Trustees in September of 2010.¹⁰ Its "FY11 Impact" is, as far as we can tell, no different from its FY 2010 impact: in FY 2010, we had budgeted for \$4.8 million more than we got, and unless we reduce FY 2011 expenditures from those planned for FY 2010, we will still be \$4.8 million short. Such reductions have been made, as we shall see, though it is not clear just which expenditures were cut. Once fall and spring enrollment figures were in last year, then, the administration realized that revenue from tuition and fees would fall short of their original estimate by \$4.8 million.

We will keep a running tab on changes to revenues and then changes to expenditures, but it is important to note that these figures do not represent an actual shortfall at some one point in time, but only subtotals. Repeated claims that SIUC faces a "shortfall" of up to \$15.3 million are based on a failure to distinguish such subtotals from actual deficits at a given point in time. The \$4.8 million figure cited here, for example, does not reflect expenditures for which SIUC lacked funding, but revenues that never came in and were never spent.

Revenues fall short of the original FY 2010 estimate by \$4.8 million.

5.2.2 "Reduction in Federal Stimulus: \$7.5 million"

The federal stimulus money passed on to us by the state in FY 2010 is indeed no longer present in FY 2011. But the Chancellor's figure of \$7.5 million is somewhat mysterious. The official budget books published by the SIU Vice President for Finance consistently

¹⁰ Board finance committee minutes, 9/3/2010, page 8. This figure reflects a loss in what is labeled the "Appropriated & income fund", but presumably reflects the loss in tuition and fees, which fell due to decreases in enrollment (hence impacting the income fund), rather than a change in state appropriations.

cite a figure of \$7.8 million for SIUC (not including the medical school).¹¹ On the other hand, according to the 2011 Budget Book, SIUC projects a decline in state appropriations of only \$7.2 million. As overall state appropriations are the more relevant figure, we will correct the Chancellor's figure from \$7.5 million to \$7.2 million. If the Chancellor can explain why \$7.5 million (or \$7.8 million) should be the correct number, we would be happy to change our calculations.

Revenues now fall short of the original FY 2010 estimate by \$12.0 million.

5.2.3 "Elimination of Illinois Veteran's Grants: \$3.0 million"

The \$3.0 million figure for lost Illinois Veteran Grant (IVG) funding is more problematic. In information shared with the Association of Civil Service Employees on October 15th, the administration projected that SIUC will, in FY 2011, distribute \$3.5 million in Illinois Veteran Grant funding, and receive no money from the state to help offset this cost. We do not understand, then, how the Chancellor came to the figure of \$3.0 million. We are also not sure that the state will appropriate no funds whatsoever for the IVG this year. We will nevertheless assume this worst-case scenario for the time being.

This worst-case scenario, however, represents only a slight worsening of the state's long-term failure to pay this grant. (A silver lining to continual budget woes is that things can only get so much worse.) For the state has, since 2003, failed to fully fund the IVG. Expecting full state payment, given this track record, would have been wildly overoptimistic.

Yet this is apparently what we are expected to believe was the case. In her published State of the University remarks, the Chancellor included this issue in her list of "myths" we have been propagating. The first sentence below is her inaccurate summary of our position. In a presentation to unionized faculty and staff on November 9, and on other occasions, including at the bargaining table, we have never said that the state's failure to fund to the Illinois Veteran Grant program would have *no* impact on the budget, only that the administration has *vastly exaggerated that impact*. Here are the Chancellor's remarks.

Veterans Funding decline does not impact the budget. We are proud to have one of the largest veteran populations in the state. Illinois has historically supported our service veterans, but in recent years, the funding for programs like IVG has been in

¹¹ 2010 Budget Book, page 36; 2011 Budget book, page 32.

jeopardy. It became clear early in the budget planning cycle that it was highly doubtful that any IVG funding would be forthcoming in FY11 and therefore we adjusted our budgeted revenue accordingly. (\$3 million)

(Town Hall Remarks, 11/16/2010)

Let us see which account of the IVG matter is more mythological. We give below the figures for IVG since 2003 (rounded to the nearest \$100,000), as supplied to the Association of Civil Service Employees.

	IVG paid	State payments	SIUC's share
FY 2002	\$2.5 million	\$2.5 million	\$0
FY 2003	\$2.6 million	\$2.1 million	\$500,000
FY 2004	\$2.8 million	\$2.3 million	\$500,000
FY 2005	\$3.1 million	\$2.3 million	\$700,000
FY 2006	\$3.6 million	\$2.2 million	\$1.4 million
FY 2007	\$4.2 million	\$2.3 million	\$1.9 million
FY 2008	\$3.8 million	\$1.6 million	\$2.1 million
FY 2009	\$4.6 million	\$2.3 million	\$2.3 million
FY 2010	\$4.2 million	\$1.8 million	\$2.4 million
FY 2011 (est)	\$3.5 million	?	\$3.5 million
Difference (FY 2010 - FY 2011)			-\$1.1 million

Note that the numbers in the column on the right, the cost of the IVG to SIUC, have consistently gotten larger since 2003. Recall now that the original plan for the FY 2010 budget was our starting point. The Chancellor would have us believe that it was clear only early in the budget planning cycle for 2011 that SIUC would face a revenue shortfall of \$3 million, as in "recent years" funding has "been in jeopardy".

But planners could hardly have failed to notice that SIUC had absorbed a higher amount of IVG payments for *each of the prior seven years*. We find it hard to believe

that a decline that started in 2003 was noticed only in the summer of 2010, when the FY 2011 budget was being prepared. If the university's 2010 budget was founded on an ignorance of a seven-year trend, this was incredibly poor planning. Assuming the budget was done professionally, we cannot understand how the Chancellor's account of the IVG can be an accurate representation of this aspect of the budgetary situation.

The relevant decline in state reimbursements is therefore not from \$3.5 million to \$0.0 million. Nor does it total \$3.0 million, wherever the Chancellor derived that number. It is rather the projected *increase in the cost* of the IVG to SIUC from the cost in FY 2010.

If the state in fact provides no funding of the grants, and veterans claim the \$3.5 million projected, SIUC would need to pay \$1.1 million more for IVG than originally budgeted. This is a significant contributory factor to our budgetary situation. It is, however, also rather less than half the \$3.0 the Chancellor lists. This component of the budget shortfall is therefore \$1.9 million less than the Chancellor's figures would lead one to believe.

Revenues now fall short of the original FY 2010 estimate by \$13.1 million.

5.2.4 Additional tuition

"Tuition (static enrollment): \$4.4 million"

"FY11 Enrollment Decline--FY11 Impact: (\$1.4 million)"

According to the Chancellor's figure, SIUC originally projected a \$4.4 million increase in revenue from tuition and fees¹² for FY 2011, assuming static enrollment. That is, had enrollment for FY 2011 been the same as that in FY 2010, SIUC would have received \$4.4 million more this year than last. This because, despite SIUC's decision not to raise tuition this fiscal year (and to raise fees only slightly), overall tuition will increase as students who entered with rates locked in at lower levels graduate and are replaced by students paying higher rates for tuition and fees.

The Chancellor reports that the decline in enrollment this fall will result in SIUC earning \$1.4 million less than this \$4.4 million projection. This means that SIUC will still net an additional \$3.0 million in tuition and fees this year than last, however.

Revenues now fall short of the original FY 2010 estimate by \$10.1 million.

¹² We assume fees are included throughout in the Chancellor's figures, though she mentions only tuition. Changes in fees are obviously significant and relevant to the overall budget picture, so their absence would be disconcerting.

5.3. Changes in expenditures

We now turn to changes in expenditures. As before, we use the original FY 2010 budget numbers as our base and add up the changes from this number.

5.3.1 "Faculty promotions and student raise increases": \$0.7 million

This figure presumably reflects contractually obligatory promotional raises for our bargaining unit faculty to associate and full professor (\$450,000), student wage hikes (\$100,000), and \$150,000 in additional increases not identified. We will point out, once again, that despite these promotional raises SIUC will spend almost \$1.9 million less on bargaining unit Faculty (most tenure-track and tenured faculty) than it did last year.

We will here commence calculating changes in expenditures from the FY 2010 plan, rather than giving 'deficit' or 'shortfall' figures. Once again these figures do not represent any actual shortfall (or surplus) at any one point in time, but only subtotals.

FY 2011 expenditures are higher than FY 2010 by \$0.7 million

5.3.2 "Permanent Budget Reduction 4% and USE from Aux: \$7.3 million"

This figure apparently reflects the savings generated by the base-budget cuts decided on over the summer of 2010. These cuts meant that the FY 2011 budget plan called for \$7.3 million less in spending than did the FY 2010 plan.

FY 2011 expenditures are now lower than FY 2010 by \$6.6 million

The Chancellor labels the difference between revenues and expenditures at this point the "Total Structural Deficit (FY11 & FY12)". FY12 here makes its only appearance on the chart. Presumably this label indicates that the figures farther down the chart are one-time savings, meaning that this "Structural Deficit" will again loom next year unless revenues increase.

5.3.3 "Hiring Freeze Savings (FY10 & FY11): \$3.1 million"

This figure presumably reflects savings from staff and faculty positions that were vacated and left unfilled during FY10 and have been vacated, or are projected to be vacated, in FY11. The inclusion of two fiscal years here is a bit curious. At the Chancellor's presentation to the Board of Trustees in September, she listed only \$1.6 million in hiring freeze savings. The same was true at her State of the University presentation. In between these two presentations, however, the fall 2010 enrollment figures came in, with the bad news in the form of a \$1.4 million loss in anticipated

revenue. At the State of the University Presentation, the Chancellor was left with a FY Budget Shortfall of \$1.4 million. President Poshard cited this same figure at the Board of Trustees meeting on December 8.¹³

But in her Town Hall presentation, the Chancellor providentially identified an additional hiring freeze savings of \$1.5 million. That would result in a small surplus of \$0.1 million for FY 2011. But her estimate for faculty and student wage increases had risen from \$0.6 to \$0.7 million. The happy result was a balanced budget.

Here is our best guess as to why the figure for the hiring freeze, and subsequently that for the budget shortfall, have been fluctuating. The Chancellor looked back over the budget and decided she could include hiring freeze savings from people who leave SIUC in FY11 and are not replaced together with the savings from those who had already left SIUC in FY10 and were not replaced. We follow the Chancellor and credit SIUC with \$3.1 million in savings.

FY 2011 expenditures are now lower than FY 2010 by \$9.7 million

5.4. Our \$400,000 shortfall in context

Putting these figures together yields the following result:

Total decrease in revenues from the FY 2010 budget: \$10.1 million

Total decrease in expenditures from the FY 2010 budget: \$9.7 million

Difference (current estimated shortfall): \$0.4 million.

¹³ According to the Southern Illinoisan of December 9: tinyurl.com/38rfu8w.

These figures are before any savings from furloughs. It may help to see these figures in the fuller context of the most relevant larger budget categories: the total for state appropriations and for income from tuition and fees, and the total expenditures sourced to these funds.¹⁴

	Revenues	Expenditures	Shortfall
Original FY 2010	\$ 232.2 million	\$ 232.2 million	\$ 0.0 million
change	- \$4.8 million	- \$4.8 million	
Revised FY 2010	\$227.4 million	\$227.4 million	\$ 0.0 million
change	- \$5.3 million	- \$4.9 million	
Estimated FY 2011	\$222.1 million	\$222.5 million	\$0.4 million

The figures for the original FY 2010 plan are taken from the 2010 Budget Book.¹⁵ The revised figures for FY 2010 revenues reflect the estimate that SIUC would receive \$4.8 million less in tuition and fees than originally anticipated.

The revised FY 2010 expenditure figures assume a balanced budget for the last fiscal year. President Poshard indicated as much in his email sent to all SIUC faculty in January of 2010. And, in fact, the SIUC "Budget Book" for FY 2011 reports that SIUC's "ending cash reserves" were slightly *higher* at the end of FY 2010 than they were at the end of FY 2009. That is, last year's budget showed a small surplus, of \$460,850 (which is not otherwise reflected in our figures).¹⁶

Finally, the "Estimated FY 2011" figure gives totals produced by our calculations of changes in revenues and expenditures since the FY 2010 plan.

¹⁴ These figures hence do not include those for Grants and Contract, Indirect Cost Recovery, Revenue Bond Operations, or Self-Supporting Activities.

¹⁵ From the FY 2010 Operating Budget for SIUC, on page 30 of the FY 2010 Budget Book.

¹⁶ In the 2011 Budget Book, all FY 2010 figures were still reported as "estimated", as is always the case for the immediately prior fiscal year in the Budget Books (figures for two years ago, in this case FY 2009, are "actual" and those for the oncoming year, in this case FY 2011, are "projected"). Assuming the last late state payments for FY 2010 are indeed made as promised, there seems no reason to doubt that the FY 2010 budget was indeed balanced. President Poshard's comment that the FY 2010 budget was balanced can be found here: www.siu.edu/pres/. The figure for the FY 2010 estimated surplus can be found on page 32 of the 2011 Budget Book.

If our calculations are correct, the budget shortfall amounts to \$400,000, a whopping 0.2% percent of the appropriation and income funds.

If this calculation is correct, there can be no need for "administrative closures" to save \$2.6 million.

6. Conclusion

6.1 The effects of prior cuts

We are not claiming that the current budgetary situation is pretty or easy: our claim is that, given what we have been told by the administration thus far, we already seem to have cut enough for present purposes. These cuts have been painful. As a result of the 4% budget reduction and the two year hiring freeze, many units are trying to function with far fewer faculty and staff than they have had in recent years. But of course the amount of work to do has not declined similarly. The budget balancing thus far has been the result of difficult cuts and significant sacrifice by staff who are working harder and, when hard work by staff has been able to bridge the gap left by cuts, it has resulted in sacrificed opportunities for research and service and lost opportunities for students.

6.2 Clarification welcome

Are we sure that our estimates of revenues, expenditures, and the budgetary shortfall are correct? No. As we try to indicate above, the Chancellor's figures require interpretation, and it is possible that our interpretation is incorrect. We welcome clarification in the event we have misunderstood those figures. Clarification of the administration's reasoning would also help us to independently confirm the Chancellor's figures. As our experience with the Illinois Veteran Grant figures suggests, independent verification of administration numbers is eminently desirable.

If the administration is willing and able to produce a fuller and clearer presentation of the budget that shows a significant, verifiable, budget shortfall, even after the drastic cutbacks of the hiring freeze and 4% budget reduction, we would be willing to discuss all reasonable options for dealing with this shortfall. But we are not willing to accept, without examination, a claim of a budgetary crisis, especially after the recent passage of a policy which would allow the administration to cut the pay of all SIUC employees whenever the administration declares a budgetary shortfall or reports late payments from the state.

6.3 Moving forward

In recent weeks a debate has broken out about the proper role of shared governance and collective bargaining on this campus.¹⁷ The SIUC administration does indeed have essential managerial responsibilities on this campus, responsibilities faculty cannot fulfill. But labor law requires that changes to the pay and working conditions of unionized employees on campus, including faculty, must be negotiated in good faith. Good faith bargaining requires the sharing of relevant and accurate information about finances. And if SIUC is to meet the challenges we face, we need to utilize the expertise, input, and commitment of all staff and faculty who work for this university. The various forms of democracy embodied by the instruments of shared governance and in the collective bargaining process are not luxuries administrators can ignore in difficult times. They are the best way to meet difficult times.

We continue to call, then for the following steps.

- A clear, accurate, and mutual understanding of the extent of the budgetary challenges we face;
- Joint examination, following the principles and practices of interest-based bargaining, of varied means for meeting these challenges, including correcting the apparent misallocations of funding noted in our earlier White Paper;¹⁸
- Good faith bargaining to reach a mutually acceptable solution that is in the best long-term interest of SIUC and its academic mission.

¹⁷ See the op-ed pieces in the *Southern Illinoisan* by Robbie Lieberman (11/17: tinyurl.com/2ucq6vo) and President Poshard (11/20: tinyurl.com/2v3j9e1).

¹⁸ Some of our findings in that White Paper have been questioned by the Chancellor in her Town Hall remarks, and in the *Daily Egyptian* of December 9. We hope to address these issues again in a subsequent White Paper.

References

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