

# AAUP Recommendations for Addressing the Budget Shortfalls



To the Wright State University Board of Trustees:

Although the president and provost made the case that a budget deficit needs to be addressed, they have not been very clear on the size of the deficit nor have they acknowledged any internal causes of the deficit. Instead, they have simply pointed to the reductions in state support and the constraints on adding revenue through tuition increases that have occurred under the Kasich administration.

We believe that that Wright State is indeed in the midst of a financial crisis, because we know that for the first time since the University was required to produce cash flow statements starting in 2002, it has experienced negative operating cash flows for the past three years. This means that more cash has been flowing out of the University than has been flowing into the University from the University's operations. One year of negative operating cash flows should have set

off alarms. Three consecutive years of negative operating cash flows is *prima facie* evidence that the administration is incompetent and that the Board of Trustees has abdicated its fiduciary responsibility.

The explanation of reductions in state support and constraints on adding tuition revenue as proximate causes of the crisis do not ring true. All of the other state universities are facing the same constraints, and yet not even Central State and the University of Akron, the only other schools in the state with SB-6 scores lower than 3.0, have had three consecutive years of negative operating cash flows. The University of Akron, which has experienced a substantial decline in enrollment, has still maintained positive operating cash flows every year. Central State had two consecutive years of negative operating cash flows in 2013 and 2014, but managed to have positive operating cash flows in 2015. It's time for the administration and the Board to stop making excuses and come clean with the faculty, staff, students and community.

The administration speaks about a budget deficit. We know that budgets are just plans. Every year when the University presents its budget it always presents a balanced budget, despite the fact that historically the University's revenues have exceeded its expenses. It should be obvious to everyone now that plans, especially at WSU, are probably not worth the paper they are written on. What we need is data on actual revenues and expenses, actual cash flows to date, and projections going forward.

Assuming that there is deficit that needs to be addressed and that it is in the \$10 to \$30 million range, we believe that its impact on the college budgets must be minimized because instruction and research sustain the core mission of the university and are the primary source of its operating revenue.

We believe that the administration should commit itself to finding savings of \$25 million in the following areas:

- 1. The reduction, rather than the continuing multiplication, of administrative positions on all levels:** A reduction in the number of associate and assistant vice presidents and provosts, associate and assistant deans, and associate and assistant chairs.
- 2. The reduction in the number of administrative "silos":** Administrative units with complementary functions should be consolidated if not eliminated (e.g., one

recurring suggestion has been that the graduate programs can be administered by the colleges in which they are offered).

**3. The elimination of stipends to administrators (other than for department chairs) who are already among the most highly paid employees of the university:** Even a glance at the list of those receiving stipends reveals that there is a dramatic disparity between the stipends being paid to faculty and those being paid to administrators for additional service.

**4. The reduction in the duplication of service units:** Such services as marketing, recruitment, retention, advising, student support, and technical support now exist at the university level, at the college level, and increasingly at the departmental level. Worse, these service areas seem to account for many of the major expenditures on outside consultants. This duplication seems largely the result of the multiple efforts to develop a workable RCM/MDA budgeting model. To be very clear, we are not suggesting that staff should be furloughed, but we are suggesting that further duplication should be immediately halted and that the support units should be gradually and thoughtfully realigned to operate without the organizational redundancies — and, moreover, that developing the expertise that we already have in house will be much more cost-effective and advantageous to the university than hiring further consultants. (Any effort to address administrative bloat should, in our view, absolutely not start with the furloughing of support staff. But if we are going to use attrition to reduce personnel costs, then some concurrent restructuring of how support services are delivered seems very important.)

**5. A moratorium on the hiring of outside consultants, search firms, and other comparable external contractors:** Last year, we spent almost twice as much on just two consultants as we spent on all consultants in 2011, and the spending on consultants in 2011 represented a historic high to that point.

**6. The moth-balling of some if not most of the semi-autonomous entities:** Any of these entities that require university subsidies to operate—that are not producing a net profit for the university—are luxuries that we apparently cannot afford. Worse, they clearly involve significant public-relations and financial liabilities. Moreover, “moth-balling” these units should not involve absorbing salaried positions directly into the university budget.

### **7. Greater control of the costs associated with recruiting international**

**students:** Some of these recruitment efforts have been very successful, but others have not. Given that these efforts necessarily involve great expense, stricter protocols should be put into place to insure that the results more consistently warrant the expense.

**8. The reduction of the cost of intercollegiate athletics:** In 2002 the budgeted subsidy for intercollegiate athletics was \$4.5 million per year. It has now grown to \$8.3 million per year. In addition, there are many years in which intercollegiate athletics has overrun its budgeted subsidy. For example, in 2015, expenses exceeded revenues by almost \$1 million even after the \$8.3 million subsidy. The University should eliminate the \$8.3 million a year subsidy for intercollegiate athletics over a period of 5 years. We can no longer afford to take money from academic programs or to continue raising tuition and fees on students to support intercollegiate athletics. However, the University should honor scholarship commitments to the athletes it has recruited so that they can finish their degrees.

**9. Elimination of the deficit at the Nutter Center and the Student Union:** The deficit at the Nutter Center has grown from \$0.5 million in 2002 to \$1.4 million. The deficit at the Student Union has grown from \$1.4 million in 2002 and is now \$3.3 million. The University needs to develop and implement a plan to eliminate these deficits over a three-year period.

Finally, we request that the administration and Board begin acting in a transparent manner.

Specifically, we want:

#### **1. Clear accounting of the direct and indirect costs of the ongoing**

**investigations:** Since these issues do not involve instruction, these costs should not be covered with any reductions to any instructional budgets.

#### **2. Clarity regarding the liabilities that we are assuming in hosting the**

**presidential debate:** If the promised outside contributions do not materialize, we should have a very clear idea of where the revenue to cover any shortfalls will be found, and they should not be from the academic programs.

#### **3. Clarity regarding the liabilities that we have assumed with the real-estate**

**purchased through Double Bowler:** Although the creation of this entity has undoubtedly expedited the university's acquisition of properties, it has also eliminated much of the institutional oversight that would otherwise have been

given to such purchases. Since our track record with these semi-autonomous entities is dubious at best, it seems prudent to ask for some clarity of what liabilities the university may ultimately be responsible for.

#### **4. A full and open discussion with real data before the university considers**

**“monetizing” of university assets:** The effort to plug short-term budget shortfalls should not be to the longer-term disadvantage of the institution. If the firms to which we can potentially outsource housing and parking services can make money managing those services, while paying both us and their investors, surely we can make money managing them directly.

**Lastly, there should be a commitment to resolving the budget issues without making things worse for those whom we, arguably, already exploit:** At the budget-remediation meeting, just about the only specific budget numbers that were shared involved overruns in the amounts budgeted university-wide for student workers, graduate-tuition remission (presumably for graduate assistants), adjunct faculty, and faculty overloads.

We are submitting open-records requests to gather supporting data, as well as gathering available data from other sources. Over the next several months, we will regularly share that data.

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President, AAUP-WSU

On Behalf of the Executive Committee

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