

Administrative Closure Policy

Faculty Senate November 9th 2010

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The Senate is charged by our operating paper with concerning ourselves with all matters affecting the welfare of the faculty. There is currently much discussion within the faculty and more broadly in the community concerning the administration's proposal to implement "administrative closures" (aka furloughs) as a short term measure to meet the university's immediate financial needs while longer term changes are implemented. There can be no question that this issue affects the faculty and it is, therefore, appropriate that we discuss this issue and the subordinate issues that stem from it.

In contributing to these discussions, two observations need to be clearly stated up front:

1. **Not everyone is in agreement regarding furloughs.** Our faculty is made up of talented and intelligent people and reasonable people differ in their opinions regarding the necessity and appropriateness of furloughs. The comments that follow represent my own views. In many cases, these opinions have been formulated and refined through discussions I have had with many valued colleagues across campus and I am indebted for those discussions. But I and I alone am responsible for the preparation of this document.
2. **The SIU Faculty Association (FA) is reflecting only one point of view from the diversity of opinions about furloughs among the faculty.** Although it is clear that the FA leadership have strong opinions on these questions, they are espousing only one point of view that is not universally shared among the faculty. Please keep in mind that only a fraction of the faculty belong to the FA. That is, given a choice, a large proportion of faculty members have chosen not to belong to the FA.

In my opinion, if SIUC and its faculty are to prosper, other voices need to be heard.

The Financial Need for Furloughs

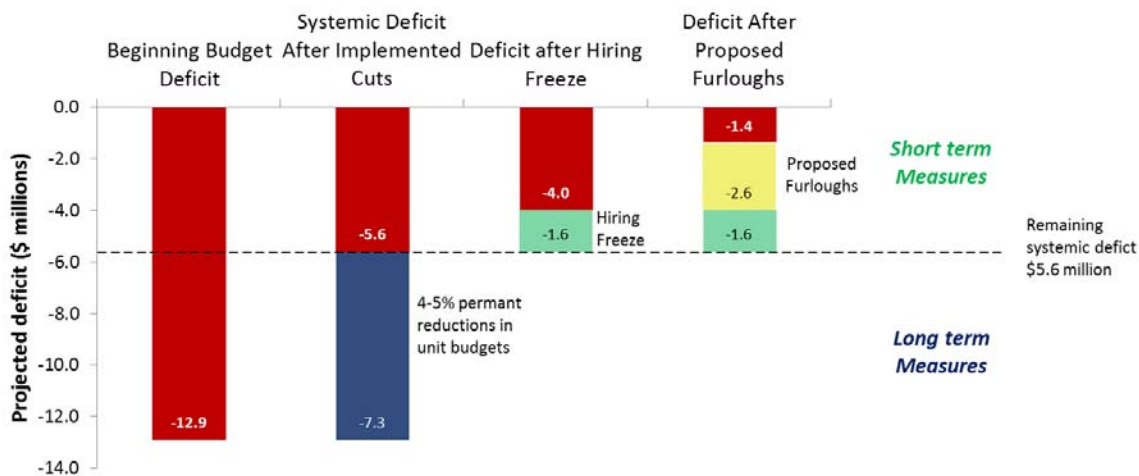
The question of the need for furloughs is first and foremost a consequence of the university's financial position. However, there appears to be considerable confusion regarding our finances, despite information having been available for some time. There are two distinct aspects of our financial situation that are widely confused: (i) our (long term) systemic deficit and (ii) an immediate budget shortfall that must be addressed this fiscal year. These distinct issues, although related, are separate and need to be separately addressed.

According to the figures provided by the Chancellor's office¹, the university began the year with a projected deficit of ~ \$12.9 million as a result of enrollment declines, reduced state support for higher education, loss of stimulus funds and other factors. That is, our projected expenditures for this fiscal year exceeded our projected available funds by that amount. To partially address this, the administration imposed a 4% cut across all academic units and a 5% cut across non-academic units. These actions reduced our systemic deficit by 57% to ~\$5.6 million. It is noteworthy that the entire deficit could have been addressed by implementing a 7-8% cut, but it was concluded that this would have compromised the ability of many sections of the university to fulfill our core missions.

Short term and one time measures (e.g. the hiring freeze) are projected to produce savings of about another \$1.6 million leaving a net shortfall for this year, absent any other action, of ~\$4.0 million.

Hiring freezes etc. cannot remain in place indefinitely and correction of our systemic deficit (\$5.6 million) will require additional long term structural changes in the university. These will take time to plan and implement if we are to avoid compromising our ability to fulfill our core missions.

That still leaves us with a shortfall of \$4.0 million this fiscal year, of which only ~7 months remain. To partially close this immediate shortfall, the Chancellor has proposed furloughs, which would result in additional savings of ~\$2.6 million². The Chancellor's proposal involves four furlough days, each occurring on a day when classes are not in session to minimize the impact on our students. The Chancellor's proposal also spreads the days out so that they occur in four separate pay periods to minimize the impact on individual employees and their families.



Furloughs are short term measures intended to address the immediate budget shortfall this fiscal year so that there is time to implement the necessary long term systemic changes without requiring us to take other immediate drastic actions (e.g. permanent layoffs, departmental closings etc.) such as have occurred at many other universities.

Many voices have been raised on these issues and many points of view expressed.

The Faculty Association Position and a Dissenting View

The FA has produced a white paper entitled “Finances and the Future of SIUC”³ in which they discuss their observations regarding the university’s financial situation and the possible effect of furloughs. Much of that document includes an analysis of what the author(s)⁴ perceive to be inefficiencies or misdirected priorities in SIU’s budget. For example, observations regarding administrative support costs originally offered by senate president Kumar at the Fall faculty meeting are reproduced in the FA document. In the long term, these may be relevant to addressing the systemic deficit. They do not, however, address the immediate shortfall unless those putting them forward are proposing layoffs of administrative support staff or other cuts that can be implemented immediately. At least \$2.6 million (or up to \$4.0 million) must be found in the ~ 7 months that remains in this fiscal year.

The FA white paper states that furloughs are not a fiscal necessity, but appears to offer only one suggestion regarding our short term cash shortfall – borrow the money. However, this option is unwise and may not even be available. As acknowledged in the FA document, borrowing authorization was given to Illinois universities to “help meet the financial burdens caused by the state's late payment of funds”³. Legislation authorizing university borrowing is very specific - loans are short term measures against delayed state payments. In essence, they are bridge loans. Future income to pay back the loans is guaranteed by already authorized state appropriations. This type of loan is not applicable in this case. While it is true that the state continues to be late in making payments to the university, the shortfall that would be covered by the proposed furloughs is not a result of delayed payments (and I would not support furloughs if that were the case!). Our total projected revenues for FY11, delayed or otherwise, are not sufficient to cover our projected expenses. The required funds are not available in the budget and an alternative source of future revenue would have to be identified in order to procure any loan. Borrowing with no clear way to pay back the loan is one of the things that got Illinois into its current financial situation and is no solution to our problems.

In opposing furloughs, the FA notes that no other State University in Illinois has chosen to implement furloughs this year. This is true. Most of our sister institutions began their restructuring processes and many implemented furloughs last year. Our administration, then led by Interim-Chancellor Goldman, chose not to begin to make major changes last year, preferring instead to draw on reserves to cover short term needs and waiting on the arrival of Chancellor Cheng to allow our new “permanent” leadership team to take the lead addressing these issues. Obviously we cannot draw on dwindling reserves forever. The university did take steps to try to avoid the current situation. If you recall, for example, the President/Board of Trustees decided to forego tuition increases this year in hopes of increasing enrollment. That strategy has failed and we can delay no longer. The time for us to begin this process is now upon us. The first step in this process is meeting our short term need in the time remaining this fiscal year, without compromising our mission or our long term ability to continue to accomplish our mission. A few days furlough seem to me to be a reasonable and measured way to achieve this.

Much of my own career has been spent outside the academy (I joined SIUC in 2003 after working in industry and government positions). I have been employed by organizations that have gone through

“downsizing” (aka “rightsizing”, “RIF” and other euphemisms) three times. I have seen the effect that these processes have on both individuals and on organizations, and I have seen different approaches to implementing these types of restructurings. My experience is this: If these changes are not made carefully and with well-thought-out long term planning, they will be done again! And the second time is always much worse than the first. Organizations that rely on attrition to achieve reduced personnel costs invariably lose the wrong people. In any economy, there is always demand for quality employees, in any profession, including academia. If SIUC does not act to stabilize its fiscal situation, outstanding faculty will leave. Furthermore, attrition never occurs evenly, resulting in organizations that are lopsided - overstaffed in some areas and unable to fulfill basic functions in others. Such situations are unstable and lead to subsequent rounds of restructuring or to the failure of the organization. Hence, long term restructuring of an organization needs to be accomplished with great care, with careful planning, and requires diligent leadership. It cannot (or at least should not) be rushed – hence the need for short term sacrifices to get us through the immediate crisis so that we have the time to move deliberately forward as we address the structural issues that need to be solved.

The FA white paper also places strong emphasis on the negative impacts of furloughs on the University and its faculty. There are two aspects to this area of concern: the immediate hardships imposed on faculty and the broader impacts on the public perception of the university.

There is no denying that furloughs will be a hardship and will involve personal sacrifices. Any loss of income imposes some measure of hardship on those affected. The impact of furloughs is less than the impact of layoffs for those that permanently lose their employment, but does require sacrifices from those not at risk of permanent severance. Please keep in mind that the duties that are performed by those that would be asked to leave the university do not leave with them. If layoffs occur, then many of the duties currently performed by those laid off will be passed to those that remain, so some sacrifices will be required even of those that remain. I do not deny or attempt to minimize the hardships that furloughs will create for faculty and their families, but I believe that distributing these hardships is the better of the short term options available at present.

Regarding the public perception of the university. The State of Illinois has a ~ \$13 billion structural deficit (not debt). 10% of the workforce in Illinois is out of work. State employees in numerous agencies have been through furloughs and others have lost their jobs entirely. The public, and the state legislature, in general do not understand what faculty do or why faculty positions are protected by tenure. Many see us as ineffectual and lazy. They point to the fact that we appear to teach far less than K-12 educators yet, they perceive, we draw large salaries at tax-payer expense with no accountability because we are protected by tenure. Those of us inside the academy know all-too-well that this is not reality, but this misperception is common among the general public and legislators who do not understand what faculty do. (Recall, for example, the efforts of our former governor to impose time accounting requirements). Other Illinois universities and our out-of-state peers are seen to be implementing furloughs, accepting permanent pay cuts, or suffering layoffs; including in some cases closures of entire departments and layoffs of tenure track faculty. What is being proposed at SIU is modest compared to cuts imposed at other institutions and resistance to these modest proposals may

be seen outside of the university as SIU faculty refusing to accept fiscal reality or even as greedy and entitled.

Furthermore, constant public battles between the FA and the administration only serve to further weaken perception of the university and do far greater harm to our public image than the need for the university to implement furloughs. Such things are noticed by prospective students, their parents, and by public officials - and they are not perceived positively. At the risk of resorting to a cliché, “all ships rise and fall with the tide”; or in other words, anything that weakens the reputation of the university weakens us all. We all need to do a far better job of keeping internal matters, internal, while presenting a positive image to the broader community.

The final point raised by the FA in their position on furloughs relates to their “*legality*” (emphasis mine). Without wishing to burst anyone’s bubble, if we approach the end of this fiscal year with insufficient funds available to cover our operating expenses, then mandatory furloughs or layoffs are inevitable. No contract can require the university to expend funds it does not have. It may be that to implement furloughs the university may be required to declare the existing faculty contract (which is under renegotiation) in abeyance, or declare a fiscal emergency or take some other dramatic action, but if the coffers run dry then the administration may have no choice. Such action would only further erode public perception of the university, especially if such a crisis could have been avoided. In my opinion, such a situation is certainly not in the best interests of the faculty.

The FA is correct that existing labor agreements require the university to negotiate with the FA and other labor organizations representing other university employees over the issue of the implementation of furloughs. In fact the Chancellor’s recent message to all employees⁵ indicates that the administration is attempting to do so and has successfully concluded negotiations with representatives of some groups. However, according to recent public statements by the FA⁶, the FA is willing to negotiate the question of furloughs only in the context of negotiations of a broader contract. That is, they are refusing to negotiate the issue of furloughs separately from a broader faculty contract. Historically, faculty contract negotiations take many months. By the time they are complete there will likely not be time remaining in this fiscal year to implement furloughs as they are currently proposed. The likely outcome of this is that layoffs would occur or that policy related to furloughs would have to be changed and that furloughs would then occur all at once and possibly during teaching times. Either outcome would be highly detrimental to the university and its faculty and would magnify the hardships imposed on faculty and other staff.

A personal conclusion.

I do not pretend that I enjoy the prospect of furloughs or the effects that such cuts would have for my own family, but I believe that they are the best option available to meet the short term budgetary needs of the university. I do not believe that the administration is hiding other options or being less than candid with faculty and other staff. I do believe that in the near term this relatively small shared sacrifice will help us to avoid more draconian measures and will allow us to better weather the current financial storm and, hopefully, emerge stronger and better for having done so.

Sources:

¹ Source: Chancellor Cheng's State of the University Speech, page 10:
<http://www.siu.edu/chancel/StateUniversity2010Cheng.pdf>.

² Note: This still leaves a short fall of \$1.4 million. Presumably the Chancellors office believes that this amount can be achieved by reducing discretionary spending by such measures such as travel restrictions, deferred maintenance etc., but this is not explicitly stated in the data provided in the State of the University address. Hence, it is not fully apparent where this money will come from or how this debt will be managed.

³ Finances and the Future of SIUC. November 1 2010.
(<http://www.ieanea.org/local/siucfa/assets/finances%20and%20the%20future%20of%20siuc.pdf>).

⁴ The FA white paper is unattributed (anonymous). Although sources are cited, no information is given regarding the authorship of that document, making it impossible to assess the credibility of the analysis presented since no information regarding the qualifications of the author or authors is attainable.

⁵ Email to all staff entitled "Budget Update from the Chancellor", 11/3/10

⁶ FA Newsletter, Vol. 5, No. 2, October 29, 2010
(<http://www.ieanea.org/local/siucfa/assets/fa%20newsletter%20vol%205%20no%202.doc>)