

Report of the General Faculty meeting

August 5, 2020

1. The board meeting this morning has approved the budget.
2. Lauri Strimkovsky and Steven Herbert explained the budget
 - Projecting a total of \$2.2m loss.
 - The board has approved an additional \$3m draw from the endowment. We can also go back to them for additional draw in case of delay in in-person instruction.
 - In the case of delay of in-person instruction, each month's loss of room and board is about \$1.6m.
 - Covid costs: we are spending \$1.3m on technology, which is not included in the operating budget.
 - We projected 1,358 students living in residence hall, got 70 requests in recent weeks to be let out of the housing contracts.
 - In the last academic year the enrollment was 2,940. Currently our enrollment is just over 2,700. If we start remotely, the enrollment is expected to drop to 2,600. The largest class of recent years, the cohort of 844, will graduate soon. The long-term projection for full-time undergraduate students is around 2,600.
 - The projected deficit in the beginning of of summer is around \$15m; it is now around mid \$12m. We aim to close the gap to 2.2m this year.
 - The proposal for retirement benefit cut is thought to be in good shape; that of the medical benefit is still being worked on with more information coming in. The SLT hopes to make it available in early September so a vote could follow from there.
3. President Johnson reported that the leadership team is actively considering a remote start of the fall semester.
4. Questions and Answers
 - 1) The \$6.3m structural deficit is what it would have taken when we had close to 3,000 undergraduate enrollment to operate as normal, including salary increases etc.
 - 2) The \$2.2m loss takes into account the benefit cut of the staff but not of the faculty; it is also a net loss that accounts for the reduction in expenses.
 - 3) Q: what is the current overhead ratio? What is a sustainable faculty load? How would we know when we get there?

A: overhead ratio is not a metric used in higher education. The compensation cut is short-term measure; the permanent cut is to get us to a more stable foundation. We have under-invested in marketing; we are investing more now. How do we know when we get to a stable foundation, in terms of faculty delivery of instruction? this has been discussed in T&R group of the scenario planning task force. One of the measures is student credit hours taught by each faculty member, but it is not a comprehensive measure, and many variables are out of control of faculty; credit hour taught by

department may be a better metric. The platform APS (Academic performance solutions) provides many useful data that are potential metrics of productivity. We have benchmarks from 15-30 other institutions similar to JCU. These data are used to evaluate new position requests and program productivity, and they provide a multi-dimensional measure. We still don't have fixed criteria, it is still being discussed.

4) Q: why are you unwilling to draw from endowment for the short-term costs?

A: they are not short-term issues. We have seen student population decline for a decade, which will last for another decade. We are a fixed-supply industry with an increasingly elastic demand. Consumers are increasingly price-sensitive. We can no longer generate more revenue from our current model; we have to innovate. Our expenses are increasing at 3% a year. We had a structural deficit which will continue to grow even without Covid. We cannot use endowment to solve year-to-year structural budget issues. We made a promise to HLC to wean ourselves from the dependence on endowment draw to solve annual budgetary issues. We can use endowment for one-time cost, such as covid-induced costs, severance costs (\$1.6m). There are also domino effects from large endowment draw. Our budget is dependent on some of the proceeds from some of the flexible liquidity. The SLT welcomes a small group of faculty to examine the budget. This has been delayed because they were working on getting the budget to the board today.

5) Q: about a record-high enrollment a couple of years ago.

A: the large enrollment did not increase revenue due to increased tuition discount. Our historical average is 750. The 844 enrollment was an outlier year.

6) Q: about faculty retirement.

A: total 15-16 retiring

7) Q: about graduate students.

A: the budget numbers include graduate students. But enrollment numbers don't. Graduate enrollments are up 6-7%, revenues are up 3%.

8) Q: the loss of room and board in case of remote instruction is net or gross?

A: it's net.

9) Q: our faculty are not well compensated compared to our peers. We are rated #1 for teaching and yet constantly feel that we are asked to do more for less. The current difficulty is not created by faculty but by mismanagement.

A: The SLT is responsible for the long-term financial health of the institution. But they appreciate the faculty for sharing their responses to the cut.

10) Q: predicted saving from faculty salary cut is \$1.5m, are we expecting \$1.5m saving coming from retirement and medical benefits cut? What does the SLT think about universal testing?

A: the pay cut comes to \$1.1m. The budget for part-timers is \$2m, and we have reduced it by \$300,000 for the year. Our plan for testing is symptomatic testing.

11) Q: we need a robust community conversation about our long-term strategic plan. What's the plan about starting new programs and sunseting old programs?

A: the strategic plan is in a robust draft form now. We'll bring the draft to the board in their September meeting for input, and then ask for input from around the campus. Many

parts of the strategic plan are being implemented now, e.g. the enrollment management plan. A new program in marketing and communications is being developed and will possibly be brought to the CAP in the fall. We may have announcements coming out in the near future regarding sunseting programs.

12) Q: As the institution gets smaller, does it still make sense to keep the size of the senior leadership team?

A: some vice presidents are retiring and will not be replaced. But we also have to consider if we have enough staff members to do the work.