

Report of the General Faculty meeting

September 30, 2020

Johnson:

I strongly support the process we are going through, and support the proposal of the board, because it's a central part of our ability to create a financially stable institution. The fringe benefit proposal is essential toward creating an equitable environment for faculty and staff. There's now a disparity in terms of benefits. The hardship proposal is essential towards providing a tool other than currently available to us, which is the elimination of entire departments to put faculty resources where they are needed most. The streamlining of the amendment process would be an improvement of what is currently available. I'm confident that the proposals will emerge from this process improved, a process where faculty and the board work together. We are aware of the impact these proposals are having on faculty and staff, and everyone needs to see where it is heading. For this purpose, we'll be scheduling a regular community forum on Oct. 14. I will talk about our recent past, past, and future, and how they are connected. We'll look at our enrollment trend and financial projections. We'll talk about the cost measures we'll need to break even, and the central roles the strategic plans will plan in reversing the trend. My projection are the same as what Mr. Donnelly will describe today--without the May 29 cost restructuring plan that we announced and started to put in place, we'd be facing a \$20 million deficit by 2023. We have a sizable problem to solve and we need the tools to be able to solve it.

Donnelly Presentation:

- Introduced other board members on the call.
- Acknowledgments of the impact of Covid on the JCU community. The board consistently views the quality of the faculty as our most valuable asset.
- Background of higher ed market: in the core market where we recruit students, the demographics are declining. This, combined with the local competitors, has led to difficulties in maintaining enrollment, and declining revenues. The efforts to balance costs lead to underinvestment in critical areas such as marketing, new academic programs, and faculty and staff compensation.
- Current financial position: the current short-term crisis can be isolated from the structural financial challenges. The board has allowed \$3 million additional endowment draw, offered a separate and additional \$3 million reduction in unrestricted net assets which may increase by up to another \$7 million, and extra board contribution. FY 2022 losses are expected to be larger than FY 2021 as UG enrollment declines further. The board's #1 financial concern is the significant projected structural losses beginning in FY 2023.
- FY 2023 revenue projection (numbers could be off either way): assuming roll-forward 2020 UG enrollments with actual '20 class of 630 and estimated '21 and '22 of 675 and 700, assuming '22, '23 tuition pricing was flat with '21, similar % of UG enrollment on campus as recent years, and constant fees and R&B, the estimated operating revenue of '23 is \$70 million compared to \$82.5 million in '20.
- FY 2023 cost and loss projection: JCU's PF operating costs in FY 2020 of \$82.5m (excluding the \$5.2m of implemented structural cost savings) grows to \$90m in '23,

assuming faculty and staff salaries restored with an inflation rate of 2%, \$5m incremental annual investments in the strategic plan for improving marketing and enrollment efforts and developing new academic programs.

- The projected \$70m revenue and \$90m cost lead to a \$20m loss, larger than what the administration estimated in the spring.
- Why is marketing an important investment? JCU's marketing spend was benchmarked well below comparable institutions. As a result, JCU's admittance rate is far higher than similar institutions, and JCU's average net tuition pricing for the incoming class this year was \$12,250, closer to smaller local universities than higher-quality peer institutions.
- Proposed Amendments: The board has got feedback from the faculty council executive committee and the faculty handbook committee.
 - Amendment process proposal: got specific feedback, found it constructive, can address much of it, plan to do that as we get to the end of the 30-day cycle
 - Benefit proposal: Herbert will work with HR to get more detailed proposal about how the benefits committee could work. The board thinks what they proposed is common/best practice and a more equitable approach. We think progress can be made here as well.
 - Budgetary hardship amendment: two things we agreed with Brent's team, 1) we agreed to sit with the faculty financial ad hoc committee, and take them through the \$20m projection; 2) concerning the loopholes around budgetary hardship, we can constructively address those.
- Problems with current Handbook: Part 4, section V of the Handbook describes the discontinuation of entire departments or programs for any reason, including budgetary and other reasons, and does not allow departments to reduce resources to avoid losses. The board estimates that using the current handbook provision, between 2 to 4 times more faculty positions would need to be eliminated to reach the same saving level as the proposed amendment method.
- The board believes that tenure and academic freedom is critical, but also believes that long-term financial sustainability is critical to supporting tenure and academic freedom. The board is proposing the new budgetary hardship provision to improve the ability to save faculty positions in cases where budgetary hardship exists, rather than the current blunt tool that requires entire departments be eliminated to achieve budget savings. We are committed to work with faculty to improve it. We'd love to find ways to not have to use the tool.
- How does the board see the path forward? Review with faculty and the JCU community the proposed amendments; listen to faculty feedback, increase clarity of amendments to avoid unintended consequences.
- The board does not see the current proposal as a challenge to tenure, but sees it as an improvement over what is currently available, wants to collaborate with faculty to improve it

Q&A:

Donnelly answered the questions already submitted in writing:

Dan Kilbride asked me about the responsibilities of the board in how we got here. There are many factors that led us to this position, but I acknowledge that we've also made mistakes as an institution, we didn't invest in growth strategies which might have lessened the challenges we face today, although there would have been costs to these strategies which would lead to difficult choices, but perhaps less difficult than what we have today.

1. Questions around the process and questions about "best practice": I believe we followed the handbook process. The board developed the initial ideas and we reviewed them with outside counsel that specializes in higher ed. Regarding benefits, it's not common for institutions our size to have multiple benefit plans across the campus. Regarding the budgetary hardship, there are a large number of universities currently using "the department elimination tool." The counsel said that there are a number of universities using the proposed tool, and a growing number of universities that are working on similar provisions.
2. Could you describe the numbers and natures of positions eliminated, and why haven't the leadership positions been eliminated?
We've eliminated, mostly in voluntary but also involuntary separations, approximately 60 positions, $\frac{3}{4}$ of which are staff positions, and $\frac{1}{4}$ faculty positions. On the leadership side, there have been positions eliminated and consolidated. They have also had benefit and salary cuts. The board feels that these burdens should be shared equitably.
3. Questions about tenure:
The board believes in tenure. We don't believe our proposal is a challenge to tenure. We believe the amendments proposed will ultimately save faculty position as compared to the existing provisions. We are concerned in attracting and retaining faculty, but are more concerned that if we don't address the financial challenges, what that would mean for our ability to attract and retain people.
4. Questions about collaboration and shared governance, and trust:
The board believes in shared governance and collaboration. I believe that Steve believes in shared governance. We feel that we have a fiduciary role around shared governance, but we want to support it and demonstrate it with our engagement in this process.
5. Questions about "hardship" loopholes:
I think we can address that constructively with Brent's group and with the faculty finance ad hoc committee.
6. Questions around notice period:
There is a suggestion that there is a change in that. We don't believe so, but it's a little technical legally. I think it's best answered in writing.

Questions from the chat room:

1. The faculty does believe that these proposals, especially the hardship proposal, does destroy tenure. Can you name some comparative schools that actually use the same kind of "hardship" language?
We'd be happy to provide a list. Some AAUP document talks about how financial exigency is outdated and too extreme of a condition. Institutions should work on

developing these. Our budgetary hardship language is very much in line with that. We frankly stole language that our attorney was drafting for others. With regard to the 102 vote, we acknowledge that vote. Our view is that we need a tool like that, we should work on making that tool better. If we don't address with urgency the challenges we are facing, it will get worse. Abusive use of this provision is not our intention. We think it's for extraordinary circumstances.

2. The board proposal allows the termination of individual faculty members by reducing the size of academic programs. How might this affect the academic freedom of professors who is considering conducting controversial research or classroom activities? What could guarantee that they will not be targeted for individual termination if they offend donors to the university or supporters of the administration?

The situation you described that the tool would be used in the fashion you described, for us, it's a total non-starter. It's just wrong. Let's work on language that would tighten that up. We don't want to go there.

3. How can we attract faculty to new programs that are envisioned to be in high growth areas if we are perceived to have invalidated tenure and academic freedom?

Yes, we need to draw faculty who will be able to develop high growth programs. It would benefit the whole institution. We need to make investments to make that happen. Part of the board's job is to help fundraise to build up those startup class. Our belief is that, if, two years from now, JCU has not addressed its financial situation, it would be dire enough that why would these people come here anyway. Our view is that we are not challenging tenure any more than what the existing provision is already challenging. It's actually an improvement. We should work on relocation together with leadership and faculty.

4. By what objective criteria would decisions be made to eliminate positions, what would be the criteria to judge if a financial hardship actually exists?

On the second question, I'd rather sit with the faculty finance ad hoc committee and work on that. On the first one, I'd ask Steve to speak.

Steve Herbet: the current provision is that if you eliminate a whole program then you eliminate the faculty line. It doesn't say under what circumstances you can do it. I know there are different interpretations. I think the intention was, if you eliminate a program and there's no other academic need/fit, then you can reduce the line. It doesn't say that in the current handbook. And I know there's an amendment to close that gap. Similar type of thing could be used in the budget hardship amendment. If you eliminate a line because of need then you have to look at fit and find out where that is. We need to consider credentials, can't just have any faculty teaching in any other disciplines. There are HLC and accreditation regulations and disciplinary regulations for that. So you have to find the fit as well as the need for it. We talk about the language so that it's not arbitrary and capricious.

5. Rosana: we don't have any objective criteria by which any decisions are being made. How do we determine who would be terminated? What criteria would you follow to make decisions like these, so we know in advance what these criteria are?

Brent: is there room for us to work on a proposal that would say even if you are to remove someone out of a department that person is still tenured to the university, which

is what the AAUP guideline would say, unless there is literally nothing for that person to do. There's some ground for the removal of tenured faculty even from the 1940 document. Is there room for us to craft within this proposal limitations on that so even if we are moving some people around we would maintain that people are tenured to the university, and that tenure is important, and we have a very specific criteria for what we would need to do in any of these circumstances, and we'd be able to protect against all of these things that we view as arbitrary removal of tenure?

Donnelly: I want to say yes. But I don't understand all Brent's words. In our budgetary hardship provision there is a faculty committee that's supposed to make recommendations. I get that need. It seems highly feasible to me. Steve is there any reasons I'm being too optimistic?

Steve: no. the amendment as it's currently written is very broad. And it does need to be tightened. I know faculty is working on a counter-proposal. I think that's very helpful. The process of faculty engagement needs to be spelled out, and some discussions about what that means for tenure needs to be in there as well.

6. Has there been any conversation about the impact of the proposal would have on our brand/reputation, on HLC shared governance, academic freedom?

Donnelly: we researched the HLC regulations and are confident that we are not creating HLC hurdles. With regard to our brand, I think it's a question of lesser evil. There's a lack of process in the current provision, and we're adding process to the current provision. If we don't do something to address the financial problem it'd be a much worse situation.

7. Is the board willing to work with the faculty in writing these proposals in the spirit of shared governance?

Donnelly: I agree with the spirit. We tried to follow the process which is defined as collaborative by nature. This meeting and the follow up meetings with other committees are collaborative.

Steve: I think there's an assumption that the board is bringing this and the handbook amendments as they were written are just going to be passed. I can assure you that is not the approach that Bill and the board members are taking now. They are trying to make a case: here's what we are thinking, help us make it better.

8. In the name of transparency, can we ask who originally came up with the idea of these proposals?

Donnelly: we all recognized the financial challenges in the spring. Michael, Steve, Lauri, and I had multiple conversations. We agreed early on about this difference between structural and temporary. It was apparent to us that the current tool is not good. We read the handbook and talked to the counsel and felt this is what others are doing. I wish we don't need to use the tool. But if we need to use it, I'd rather use this tool than what we have today (in the current handbook).

9. Part of the \$20m is investment, which seems to be different from hardship, especially considering that faculty positions may be removed due to this figure.

Donnelly: this is what I mean by hard choices. Our enrollment is clearly going down. I don't see how we can turn around to growth without some significant investment.

Brent: the impression is that bricks and mortar are valued more than faculty and staff. How would you respond to that?

Donnelly: I'm going to just describe it the best I can and then I would love the opportunity to take the finance task force through it in more detail. In the perfect world, how our academic product is evaluated in US News and World Report should just give us a better price. Part of this is due to marketing, and part of it is related to the fact that it's not a fully rational choice. Our selling point is the John Carroll campus. In terms of financial solutions, I think we should increase the requirement to keep kids on campus for three years. We have been deferring for some period of time the internal workings of a couple dorms specifically Pacelli and Dolan. We tried to reduce liquidity and we tried to do some borrowing to anticipate the need to do this. If you look at our P&L right now, we're partly challenged because we don't have enough kids paying room and board. I think there's the opportunity to move that up and I think we need to do some investments. If we can improve some of the dorms and require that more kids live on campus, it will help. Dorms do help in recruiting, it's not on par with the academic product in terms of importance but it is part of the whole decision-making. We should pursue the opportunity as part of the strategic plan.

10. Mindy: This vision for new programs doesn't feel like it's coming from us, it feels like it's coming from above. We have a lot of concerns about the nature of those programs. The faculty and the curriculum are the core of the John Carroll experience. Obviously buildings matter and we need to attract people here. And here's this handbook amendment so we can get rid of some of us and do something new. But we feel that we are doing a really good job, and have gotten over a lot of hurdles such as HLC and Covid.

Donnelly: If you do a competitive analysis about ourselves versus Dayton and Xavier. These are two schools that we've lost market share to. The idea that you're losing market share to somebody that charges more speaks to a couple of different topics. Our ability to compete more effectively with those two and then to maybe expand our geographic reach is how we can put ourselves on a better footing. It's clear that nursing and engineering has helped Dayton vis-a-vis John Carroll. The investment that they made some period of time ago and so looking at logical ways and why we might be able to enter those fields is part of what we're thinking. I believe the strategic plan is a collaborative process. The board didn't invent the idea of these new academic products. We do see the benefits to the whole institution if you can be focused, if we can expand our geographic reach, and if we can have some more academic products to be offered to this customer base that we have access to and can meet their needs.

Mindy: if it is true that these other schools are taking market share away from us because they offer these programs and they're very expensive programs and that's what we invest in, then that is a very risky kind of investment because they've already done it. And so it feels more retrograde. It feels like maybe we should have a bottom up approach to making exciting programs that could appeal to the next generation of students given massive changes in the social and economic reality of the vast majority of people. We feel that we're equipped to help make some of those choices and we've also read the literature. We do want to help, but we don't feel that our voices are being heard. It's not just about principle or justice, but we do have quite a bit to offer. And so I think

that's where some of the frustration is coming in, and so the amendment feels like the wrong tool. Many of us have organized our lives around John Carroll University. We've been here our entire careers and we care about the place. And we care about students. We work really hard to do the best that we can and we want it to work out well.

Donnelly: I think Michael has and Steve have a thoughtful plan. In some of the areas that they're talking about the market will keep growing and we've done enough market research to believe that JCU would have a relatively higher ability to succeed there. No investment is riskless but Michael and his team have done their homework. Healthcare will continue to grow; IT will continue to grow. You have to look at the plan in total. Every institution develops a strategic plan with ideas about how we can grow and I've never seen one where they all worked out perfectly, the goal is that you do a good enough job on the front end of your strategic plan to identify the ones that are most likely going to succeed, you target it with all your efforts, and then you stand a better chance to succeed. I believe that we're not getting enough out of the core product that we have today. a lot of that has to do with marketing. we need to market the great faculty, this beautiful campus, and this interesting city we're in. In our era John Carroll recruited by far more kids from Chicago than Dayton did, and this year our freshman class from Chicago is 22 and Dayton's is 250.

11. Rodney Hessinger: If we can all agree on the principal of tenure to the universe, I do think that we can work together but I think that's the bedrock principle that in the amendment must be supported. So that's not really a question.
12. A lot of questions about the viability of nursing and engineering, given the cost, given the context, given the implications of hiring etc. can you speak to the cost and the likelihood of success?

Donnelly: Michael's proposal is around health care, not nursing. if an opportunity came in with Ursuline or Notre Dame about nursing, that would be great. Michael and Steve are working on some collaboration, but it is not the same as having our own nursing program at least as of today. Michael's vision is that healthcare is broader than just nursing. At this point there's no plans to build nursing from scratch. Dayton graduates lots of nurses, but they brings a lot of students in that started in nursing and end up in humanities as well. Nursing would fit in with our mission. It would be a growth area but the current strategic plan just calls for the broader area of health care.

Johnson: We alerted people as of fall of 18 that we had to start the process. we had over 80 people across the community involved and 6 different teams. We had other avenues to continually get input on those teams' progress. We will never cost-cut our way to prosperity. we're trying to provide financial stability to the institution. there's a lot of comments in the chat room about the markets, but we have to pay attention to how the student demands have evolved. Steve's teams are simply looking at the demand for program, historical demands, future demands, as to whether or not students would consider John Carroll if we provide those programs. we're in the middle of that process

right now--if we develop programs in this area where, with whom, how cost effectively we can do it, how high quality would they be, we're just in the middle of that process.