

UT-AAUP Newsletter Budget Issues - Part I

(sent April 25, 2020)

Dear Colleagues,

The UT-AAUP became aware several weeks ago that the University of Toledo has severe budget problems. Since then we have been working with the Gaber Administration including Matt Schroeder, VP of Finance, to obtain information and to understand the overall UT finances. Tim Brakel has invited Matt to speak at Senate this Tuesday.

Matt has been very cooperative and the discussions have been amicable. We have presented possible budget cuts not involving faculty. There have been no discussions concerning faculty pay cuts or layoffs. Our position is that there must be other cuts before faculty cuts. This is required by our Collective Bargaining Agreements. We will monitor the cuts recommended by us.

President Gaber, her cabinet and the Deans have taken a 20% salary cut for six pay periods through the end of the fiscal year on June 30, 2020. We calculate this is an overall cut of about 4.615% for the entire fiscal year.

President Gaber has said additional administrative cuts will be announced on May 1. We anticipate that there will be 10% salary cuts for the next administrative layers below the 20% cuts. Our calculation is this will be equivalent to a 1.54% cut for the entire fiscal year ending June 30, 2020.

Some of the Deans have told their colleges to expect 20% cuts and that there may be faculty layoffs. We believe there could be some selected college cuts well below 20%, but no faculty layoffs. Again, the Gaber Administration has not discussed faculty cuts with the UT-AAUP. The Deans should not be talking salary cuts or layoffs.

We understand there have been discussion with the CWA staff union, but we have no information on those discussions.

UT has serious financial problems this fiscal year, FY-20 ending June 30, 2020 and for FY-21 ending June 30, 2021. Although enrollment decline is an issue, our finances are primarily caused by deficits at UTMC, our University hospital. UTMC has had deficits almost every year since the merger. These deficits have accelerated since the Affiliation Agreement with ProMedica and have totaled about \$60M over the past three fiscal years. The UTMC deficit next year, FY-2021 could be \$80M. In addition, UTMC has long-term and short-term liabilities of over \$125M. All of these deficits and liabilities are being covered by our General Budget of \$400M. This means that student tuition and fees have been and are being used to support UTMC deficits and liabilities.

Because our enrollment is down, we are no longer able to generate sufficient revenues to cover both our academic enterprise and the UTMC deficits. Our current overall enrollment tracking for this Fall is down 17%, about \$34M. We have budgeted for an enrollment drop of 7% with a revenue drop of \$14M. We believe that enrollment tracking will improve week by week until Fall, but it is expected to be down overall.

Dr. Gaber has recently issued an excellent letter on the UTMC crisis. Under separate cover we will reissue her letter in case you missed it. Please read it. You are also encouraged to follow the continuing news on the UTMC financial problems.

The UT Board of Trustees (BOT) has released an RFP (Request for Proposals) offering to work with any responsible party to save UTMC. This RFP has been opposed by Marcy Kaptur, Mayor Wade Kapszukiewicz, former Mayor Carty Finkbeiner, and others. They apparently want UT to keep UTMC as part of our University and continue to support it. Unfortunately, none of them has come forward with funds to help us. We are on our own and we have little or no cash. For years, our academic enterprise has kept UTMC afloat, but we can no longer do so on our own.

Many of us have spent decades at this institution. It is on the verge of being destroyed by the UTMC deficits. Dr. Gaber, with the backing of the BOT, is working to solve this tremendous financial problem for the good of all including the UTMC employees. There are good people at UTMC who are in danger of losing their jobs. These are sad times.

The outlook is extremely bleak. Even if we close UTMC, the shut down costs will be \$125M because of existing debt obligations that are guaranteed by UT. The UT academic enterprise does not have the financial resources to continuing covering the UTMC deficits. We do not have the revenues – the well is dry. We are facing a financial meltdown of our institution.

These are desperate times and decisions must be made for our academic institution and for UTMC. If decisions are not made, both could fail. President Gaber needs our support. Stand with her in these very difficult times.

Faculty questions and comments are invited and welcome.

UT-AAUP Executive Board