

Faculty Senate Minutes
Monday, January 23, 2012
Misner Room, Collins Library

Senators present: Tiffany Aldrich MacBain, Elise Richman, Susannah Hannaford, Keith Ward, Kris Bartanen, Kriszta Kotsis, Marcus Luther, Mike Segawa, Fred Hamel, Ross Singleton, Kelli Delaney, Leslie Saucedo, Steven Neshyba (Chair)

Guests present: Sherry Mondou, Douglas Cannon, Wade Hands, Alyce DeMarais

The meeting was called to order at 4:02 p.m.

Approval of the Minutes

The minutes of December 5, 2011 were approved with minor changes.

Announcements

None

Special Orders

None

Liaison Reports

None

Elections Document

Senators made minor suggestions to the draft of the document. MacBain will present the final draft at the next Senate meeting.

Report of the Benefits Task Force

- I. Cannon explained that the representatives of the Benefits Task Force (BTF)—Cannon, Hands, Mondou, and Bartanen—would begin by discussing the process of determining the budget and creating the report. (Visit <http://www.pugetsound.edu/about/offices--services/finance--administration/policies--documents/budgeting-at-puget-sound/> for the BTF Report.) They would then discuss the external environment and the competitive pressures they faced. Later, Cannon and Hands would address the areas of revenue and expenses, and finally, the committee would field questions.
- II. Process:
 - a. Cannon said: the Budget Task Force process is unusual for a school of our sort, and the process is lengthy in that it involves the whole campus community. Today the discussion concerns the (vast) annual operating budget, which includes such regular expenses as faculty salaries; the BTF also fields requests for one-time expenses that the committee presents as itemized recommendations to the president.
 - b. Cannon explained that the membership of the BTF is inclusive: 2 cabinet officers, 2 faculty members, 2 members of the staff, 2 students. With the

exception of the Academic Vice President (chair) and the Chief Financial Officer (VP for Finance and Administration), both of whom are always members of the BTF, these representations are rolling, and all members are appointed by the president. In the case of the faculty in particular, the Budget Process document provides that normally the Faculty Senate Chair joins the BTF the year following her/his tenure as Chair. Occasionally, there is an exception to this rule, as when, last year, Mott Greene was appointed in Cannon's stead because although Cannon was outgoing Senate Chair, he was also on leave. Cannon replaced Greene this year. The Budget Process document also provides that the other faculty representative serves on the Finance and Facilities subcommittee of the Board of Trustees. (Visit <http://www.pugetsound.edu/about/offices--services/finance--administration/policies--documents/budgeting-at-puget-sound/> to read the Budget Process document.)

- c. Cannon said that the budgeting process began with a meeting with the president, in which he emphasized the strategic objectives of the university and spoke of the situation our community finds itself in, especially with regard to the national economy. They went on to have series of meetings in which they received reports from representatives of 18 different areas of the university, each of which has its own budget. Cannon emphasized that the academic division is only 1 of the 18. Sometimes these representatives requested increases; sometimes they allowed for decreases. All were asked to do an exercise in which they had to determine what they would do if they had to shrink their budgets by 10%. During these meetings, the BTF asked questions of the representatives. Following that series of meetings, the BTF met for a half-dozen meetings in which they considered the requests against the background of the university's larger mission. They categorized requests according to how necessary they were (as opposed to, say, how desirable), and they recommended funding the "necessary" expenses in their report.
- d. The BTF recommendations include a recommendation about tuition increase. The vast majority of the university's revenues come from this "elastic" category.
- e. Hands said that, in terms of these meetings with the 18 divisions, he was surprised last year—his first year on the committee—because he had no idea how many university operations worked. He commented that there are a lot of things that get done—an amazing amount—and that a lot of people spend time worrying about these things. He said he appreciates that members of the different divisions come to the BTF to explain what they do, what they would cut, etc. According to Hands, the budget process is grassroots, bottom-up, and time-consuming; yet it's also transparent, democratic. Cannon echoed Hands's comment, saying that the BTF and the Faculty Senate are authorized to share the budgeting information: "It's the only part of the budget that we control, and we can share it."
- f. Bartanen noted that when the budget goes from the president to the board, it goes via the Finance and Facilities committee, of which Hands is a member and Mondou is the supporting senior officer.

- g. Cannon put in a word for Janet Hallman, who “does all the numbers work.” Said Cannon, “She’s an alum, and we can be proud of her.”

III. External Environment:

- a. Mondou began by saying that the university community continues to operate in a difficult economic environment. It’s important to remember how difficult it is for the families who are trying to put their students through college. Unemployment is currently at 8.5%, and although that figure marks a slight improvement, it’s still high. Interest rates are next to nothing. These factors matter to us in that we have cash that we invest that is a revenue source for the budget. In addition, families that were able to save for college are seeing those savings deteriorate, and declining wealth, including retirement funds, has them anxious. Home equity is nonexistent for many. In short, families are very price-sensitive right now. According to Mondou, families have always been reputation-sensitive. With the addition of price sensitivity, even families who can afford an education at a private university like Puget Sound are wondering if they should. Many are choosing lower-cost options. Puget Sound is mindful of this issue and is responding proactively. Mondou said that we have to continue to build a national reputation and continue to market the fact that we provide a really valuable education. She observed that we must focus on highly targeted recruitment: we must have the right proportion of students who are financially ready and able to pay. Of course, all colleges are competing for these same students.
- b. Saucedo asked if Mondou knows of any movement on the issue of retention, citing the fact that 3 of her 16 freshmen advising have announced their intention to leave Puget Sound due to financial reasons.
 - i. Mondou replied that the university has not seen a slippage in retention rates recently, though she has not yet seen the information from this semester. Puget Sound graduates just shy of 70% of its students in four years and is looking to raise this figure to 75% (and improve the five-year graduation rate from 75% to 80%), a figure comparable to its national peers. She added that recruiting plays into this retention, too, as does the proportion of students who live on campus, which helps to explain why the university is focusing so much on the residential project.
 - ii. Bartanen said that a good thing at Puget Sound is that when we do increase tuition—as the BTF’s budget recommends that we do now—we also increase the financial aid pool. Other places don’t necessarily do this: they don’t adjust financial aid awards each year even though tuition increases. Bartanen suggested that Saucedo send her three students to Maggie Mittuch in Student Financial Services.
- c. Hands directed the attention of the Senate to Page 4 of the BTF report in order to demonstrate where the funds come from: tuition and fees; housing and dining; and gifts, investment earnings, and grants. He explained that the money that comes off of the endowment is based on a moving average, spread out over three years, meaning that there is currently less endowment payout as a revenue source. Hence, to increase the budget we must rely upon

tuition increases. This is what the BTF had to consider as they discussed the salary increase requested by the Faculty Salary Committee (FSC). The tuition increase the BTF recommends is the lowest in 40 years; the BTF also recommends a small increase in room and board fees.

- d. Singleton asked the BTF to discuss to what extent the investment in alumni is paying off.
 - i. According to Mondou, we have “found” more alumni. We measure this in terms of the number of alumni volunteers we have in place. It all starts with research and relationships. Huge gains do not materialize immediately, but we have seen gains in the Puget Sound Fund, have begun to receive money within the current Campaign, and have garnered \$74.8 million in commitments to the Campaign.
 - ii. Bartanen said that the annual fund grew to a new record level: the investment in university relations and development is generating increased gifts.
- e. Cannon said that the 3-year rolling practice with respect to withdrawal from endowment means that we are still in the shadow of the dramatic decrease in endowment of 2007-08. We had to absorb a quarter-million less from the endowment than we had last year. (He was speaking of the investment earnings off of the endowment.)
 - i. Neshyba asked what “absorbed” means.
 - ii. Cannon explained that the concept can be clarified by the revenue picture that Hands pointed to: As for revenue, it’s primarily from tuition, but we do have revenue from endowment income, and the Board’s policy has been to have a 5% “take” on endowment revenue. That’s something that they have maintained even with the reduction in endowment. This practice is a reflection of a very conservative policy (relatively speaking) on the Board’s part.
 - iii. Bartanen added that as the endowment has generated less income, the faculty salary budget (that covers compensation for endowed positions) has had to absorb over \$150,000. For example, academic budget managers had to go find additional funding to find the level of support for summer student research to maintain what it has been in the past. That’s what we mean by absorbed.
 - iv. Hands said that the national financial crisis has hurt us relatively, and that before he was on the BTF he did not understand that. He thought, if you have an institution with a large endowment vs. one that has a small endowment, the big one should be hurt more. Now he sees that the problem is with the parents and the students and the competition our university has from other places that can give bigger financial aid packages because they have bigger endowments. A lower real cost of high-quality education is what parents and students really want.
- f. Cannon shifted the discussion to the expense side of the ledger. He said that, in light of economic factors and strong encouragement from president with respect to what our situation is, there was a strong will on the part of the BTF to come in with a tuition increase that was very low. Hence the increase of

less than 4%. But, he added, with the lower “take” from the endowment, “something’s got to give.” The huge portion of our expenses is compensation. There has been unhappiness among the faculty, particularly with respect to Puget Sound’s compensation relative to comparison institutions. Also: the total pool increase in the most recent two years has been small, and the staff salary committee wants an increase too (though the staff realize that their salaries are not as low, comparatively, as faculty salaries are). (According to Bartanen, the pools have increased every year, even through the recession, though the increases have been 1%, 2.22%, and 2%. Even these small increases have meant over \$5 million in increases in the budget.) Cannon said that, ultimately, the BTF recommends a 3.7% salary pool increase for the faculty and a 3% pool increase for staff, a differential to which the staff members of the BTF agreed. To accommodate these increases, the BTF had to make some very difficult choices.

- i. Bartanen said that for Fiscal ‘12 the operating budget has been reduced, and just under a million dollars of that came from the Academic Division; the rest came from Finance and Administration. The BTF needs to make another reduction, just under \$750K; the committee is trying to be able to support strategically important things for Puget Sound, and one of those is compensation. Last year Puget Sound hired fewer visiting faculty members to replace sabbatical leaves (almost \$800K of the million dollars was from faculty compensation). Because of this decision, there are fewer classes with “less than 5” and “less than 10” students. Because the balance of the reductions in the current year academic budget came from reductions of staff, most of those came from points of transition: we reduced a couple of positions and encouraged some retirements. Bartanen continued to say that she and Alyce DeMarais made a commitment that they would not reduce teaching department budgets. They did make cuts in administrative budgets: the Dean’s Office, the bulletin, the Associate Deans’ Office, the Library. In the coming year, said Bartanen, we need to reduce the budget further so will have fewer people to cover sabbatical leaves and some reductions in staff. The impact of the reduction in our sabbatical replacements has been to see our average class size move from 18 to 19. The student-teacher ratio has moved from 11:1 to 12:1. She said that she is open to other ideas if folks have them. The first priority is to maintain our educational quality. Bartanen added that Segawa has made some reductions to the Office of Student Affairs.

1. Neshyba asked, “When you say there are 4 fewer sabbatical replacements, that’s relative to a five-year budget, right? That’s not 4 on top of the cuts made last year.” Bartanen replied that it is on top of the cuts made last year. She explained that these are operating dollars, which are dollars that continue. (Capital dollars, such as for construction, are outside of the operating budget, and are one-time

expenditures.) When those dollars for sabbatical replacements come out, they come out cumulatively. Visitors cost an average of \$80K in salary and benefits. Last year, pulling out \$800K meant cutting the equivalent of 10 positions out of the faculty budget. To pull out \$320K doesn't mean exactly 4, as we try to use the available dollars to maximize teaching coverage. We have 26 FTE sabbaticals next year—the highest year of sabbatical leaves we've had—exactly at the moment we've reduced the budget. But Bartanen said she does not see this as a crisis; she sees this as something we can manage by looking at the course schedule carefully. She said that people are working at a very detail level to try to put the faculty resources in the right places.

2. Cannon said that this is a decision that very much involves the faculty and how we do our work and how we schedule. He continued to say that Bartanen has been very open to faculty input. During the BTF discussions about course openings and the like, Cannon tried to make sure that they talked about whether they could pay this price. The Senate and campus community can talk a bit about how this is affecting the product we are delivering.
 3. Bartanen said that Cannon has been very thoughtful about this issue, and she has tried to figure out where she could access data to illustrate the impact. For example, our Common Data Set reports show that in Fall '11 we had 7 fewer courses than in Fall '10. In Fall '10 we had 6 fewer than in Fall '09. In terms of order of magnitude, it's not like we had to cut 50 courses. The challenge is in making the cuts in the right places.
- ii. Saucedo, citing her group of freshmen at risk for attrition, said that two could not get into second-semester Spanish because the professors wouldn't over-enroll. She said that it seems that we don't want to risk alienating freshmen in this way. Senators Segawa and Delaney encouraged that students go to Academic Advising in such instances to help them to access classes.
 - iii. Hamel said that it is clear as always that the BTF put in a considerable amount of time and effort in creating the report. He was interested in how members of the BTF feel when they say that they think the increase in faculty salary will help Puget Sound's position, yet the FSC says it's not enough.
 1. Mondou said that whether or not it's enough will depend a lot on what our Northwest peer institutions do with faculty compensation. To the BTF, a 3.7% increase seemed better than 1% or 2%.
 2. Hands said that the general energy on the BTF was that they really couldn't go more years with very little or no increase.

Committee members feel like they really dealt with the issue this year—because their commitment was there. He stressed that there were a lot of sacrifices made to get to this 3.7%, and he believes that the university is moving in the right direction. The FSC looked over a long period of time and found a cumulative impact. The BTF has not taken care of the cumulative impact, but they have begun.

3. Bartanen said that Puget Sound is 3-4% behind the median of our national peer group, though that figure depends upon the category of faculty rank. She talked to Doug Goodman, who said that we may wish to adjust the salary scale, for it could be the scale itself that is compressing our average.
4. Saucedo recalled that the FSC reported that Puget Sound has a younger professorship than do other universities, and that concerns her. She asked how we will keep giving raises.
 - a. Bartanen responded that the BTF does not have that kind of data.
 - b. DeMarais said that although Puget Sound has hired a lot of faculty in the last 10 years, we've hired them at a higher level as time has progressed. At the other end, we retain our faculty members well. So we have some turnover, but we have quite a few full professors, and they come up to full professor early relative to some other colleagues.
 - c. DeMarais noted that although the recommended salary pool increase is 3.7%, the salary scale increase may be less.
- iv. Neshyba noted that the increase in salary may be higher for some than for others.
 1. Bartanen said that one of the things that DeMarais does is calculate the cost of what it takes to move people up through salary steps and promotions and whether we can cover that by gains from people who retire. The scale itself gives increases, too. If we're able to move the scale up 3.5% (as an example), then assistants would see an increase of about 6%, associates would see an increase of about 5.5%, and some full professors would see a larger increase while those remaining in step would be at 3.5%, etc. She invited any input that people may have on this system.
- v. Singleton said that part of Puget Sound's strategic plan involves a commitment to a 1% increase above inflation.
 1. Mondou said that that is not an element of the strategic plan, but is a working assumption the BTF is using in the long-range financial plan.
- vi. Cannon said, from a faculty perspective, that when you get down to it, a lot of this issue about our salaries in relation to peers has to do with

board policy. In the '80s to '90s there was a Board-supported initiative to gain a certain ranking as compared to our northwest peers. When it was achieved, the board's priorities moved strongly in the direction of financial aid. Since then, the board hasn't had that unequivocal commitment to relative salaries. Cannon has raised the question of why. Whatever the answer, the goal to improve financial aid has been paramount. The other part of the issue is that faculty salary is a moving target: our peers have to compete for faculty, too. The board isn't going to participate in an arms race for salaries. That kind of conversation among the members of the BTF as well as in the community as a whole has sent the message to the board that salary matters. Cannon thinks that the message is being heard.

- g. Neshyba voiced three questions: 1) Why do room and board revenues seem to be outpacing inflation; 2) does the phrase "fringe benefits" describe all benefits; 3) what are the strategies of "strategic student recruitment"?
 - i. In response to question 2, Mondou said "yes."
 - ii. In response to question 1, Mondou said that a group of campus members looked at our housing program and what it would take over time to keep the residence halls renovated and to be able to have a high-quality food service program, and at that time the group recommended a higher-percentage increase over the next 5 years. Mondou said that the university has pulled back on that. We use the room and board money to invest in the maintenance of the residential experience.
 - iii. In response to question 3, Mondou said that we have 7,000 applications each year, and we want to be very targeted about where we spend our time in recruiting students and how we engage with prospective students. It's a very hands-on exercise, very targeted. According to Mondou, one has to think about which of the prospective students one should spend the most time with, how to use alumni throughout the country, issues about using data and technology in smart ways, and how work with the different kinds of initiatives that the competition uses. She described recruitment as a competition for students' attention: a school competes for prospective students' memory as they go through this process and weigh many options.
 - iv. Bartanen said that George Mills prioritized in his request the use of the technology not only to have good contact with students but also the technology that tracks the application process, where students live, where they go to high school, etc. In addition as a consequence of the investment in alumni, Puget Sound has 400 volunteers ready to help us to recruit: but someone needs to coordinate that, train them, track them, etc. Again, that's an investment that you hope to have a yield on. There are some regions where we have had success or potential for greater success, and we've focused on staffing there. The BTF could only get to part of what Mills needed. The BTF decided

they would direct some funding to his office and let him choose where to direct the funds, how to prioritize.

- v. Cannon added that, of the lesser items in the budget report, this is probably the area the BTF spent the most time talking about. It costs Puget Sound over \$3,000K per student to recruit. When we think of this in connection with our mission, we think: how could it not cost that much money?
 - h. Directing his comment to Hamel's question about salary, Segawa said that the university must also balance financial aid for its students. Segawa said that we know that we're lagging even more behind on the financial aid piece than on the salary piece, and he believes that that's a critical variable that we have to balance here, as well. We must concern ourselves with getting the right class and the right students and retaining them.
 - i. Luther said that from his perspective as a student representative, the financial-aid "bottom line" is very important, especially the kind of targeted ("merit") aid that maintains the quality of admitted students. Because our campus utilizes the classroom formats of discussion and seminar so much, the quality of students is very important: students "make a class" as much as does a professor. He believes that, especially if we're going to increase class size, we will want to have really good students at Puget Sound.
- III. Bartanen closed the session by saying that the comment period is open, and that colleagues can send comments to Ron Thomas at president@pugetsound.edu.

Adjournment

The meeting adjourned at 5:28 p.m.

Respectfully submitted,

Tiffany Aldrich MacBain
Secretary