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the WMU AAUP
Advocate
at Western Michigan University

WMU's Declining Economic Impact

Jon Neill, Grievance Officer
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WMU is vital to the economy of greater Kalamazoo. The changes in the economic profile of Kalamazoo county during the last 10 years have made WMU one of the largest employers in greater Kalamazoo, and the backbone of the local economy. Because of this, everyone living in the area should be concerned how WMU is being managed. Everyone needs to pay attention to the management of WMU. And since WMU is a public institution, the public has every right to an opinion on that subject.

Twenty years ago, WMU embarked on a mission to become a research center offering a wide range of graduate degrees. Though this was an ambitious goal, it took the University only ten years to reach it. By the mid 1990s, WMU was generally regarded as having a unique place in Michigan's public university system. But the present administration appears dead set on changing this.

Over the past four years, WMU's total enrollment has declined by more than 12%. This year the enrollment in WMU's graduate programs is less than it was 20 years ago, when President Haenicke asked the University community to embrace his vision. WMU no longer has the fourth largest graduate college in the state. It has fallen behind Central Michigan University and, if the trend is allowed to continue much longer, it will be passed by Eastern and quite likely Grand Valley. The current administration has placed the University at risk of becoming a minor player in the state's university system.

Area residents need to be aware of the economic consequences of WMU's imminent decline. WMU's administration likes to occasionally remind area residents of the University's contribution to the area's economy. It claims that the University pumps hundreds of millions of dollars into the local economy. This is undoubtedly true. However, everyone needs to remember that the economic impact of the University is dependent on the number of students enrolled at WMU. Thus, as enrollment falls, so does the amount of money flowing into the local economy. And so local residents have, in all likelihood, lost tens of millions of dollars in income because of falling enrollment at WMU.

Over the past four years, WMU's enrollment has fallen by almost

4000 students, and the administration is predicting a loss of another 1000 this year. Each of these students, by WMU's own estimate, would be spending more than $12,000 per year in tuition & fees, room & board, and other personal and academic expenses just to attend classes in the Fall and Spring semesters. By our math, that comes out to $60,000,000 per year that is no longer flowing into the local economy.

A large part of the money infused into the area's economy because of WMU comes from the state. Currently the State of Michigan is giving WMU about $100 million a year to conduct its operations. On a per student basis, WMU is receiving more from the State of Michigan than Central, Eastern, and Grand Valley. One reason for this is WMU's unique status among state universities. President Haenicke worked tirelessly to convince the legislature that WMU's complement of undergraduate and graduate programs warranted a funding level well above that of Central, Eastern and Grand Valley. This year WMU received $29.6 million more from the State than Central, $33.5 million more than Eastern, and $48.5 million more than Grand Valley. But if WMU's curriculum is narrowed, and graduate education is de-emphasized, why should it be treated any differently than these universities? And so the administration has put WMU at risk of losing tens of millions of dollars in state funding. This, in turn, will translate into tens of millions of dollars leaving the local economy.

What is happening at WMU right now is not about faculty carping at difficult decisions in tough times. It's about the very nature of this University, and its roles and responsibilities in our community and the western Michigan region. The administration of WMU seems ready to allow the University to enter a state of decline — a period of downsizing — that will be difficult to reverse. If this happens, everyone in the area will feel its effects. Life will be different in the greater Kalamazoo area, economically, socially, and culturally; opportunities will be more limited for the people of our region.

For good reason, the faculty of the University believe that a large part of the blame for the condition of the University must be placed on the current administration, and that its decision to radically change the curriculum at WMU will only worsen a growing crisis. The faculty of WMU hope that the public will appreciate and support our efforts to hold the administration accountable for its actions.

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CAGO Update

Michael G. Miller
Contract Administrator
&
Jon Neill
Grievance Officer

Spring Semester

This past semester two grievances that were previously filed were taken to **Step 2** of the grievance process, and another grievance is currently being mediated.

One of the grievances taken to **Step 2** related to a member's workload and was resolved to the Chapter's satisfaction.

The other grievance taken to **Step 2** alleged that Western failed to reimburse a member for medical expenses covered by our health plan. This grievance was not resolved, and the Officers are still discussing a strategy. We were extremely disappointed that the administration did not offer the aggrieved a compromise, and we hope that the administration will eventually see its way to doing so.

Finally, a grievance filed during the Fall semester that is currently being mediated alleges professional misconduct by an administrator.

Chapter Grievances

Two Chapter grievances have been filed since the end of the Fall semester. One of these alleges that a chair's fourth-year tenure review of a member did not follow the guidelines established by the

Contract, and that the chair neglected his duties to the detriment of the member. The other grievance alleges that a chair did not give faculty preference for summer teaching.

Future Grievances

We anticipate filing **five more grievances** in the near future. One is in response to on-going professional misconduct by a chair, another relates to a member's workload, two are grievances over tenure reviews, and the last has to do with healthcare.

Tenure Reviews

In May we were contacted by four faculty who received negative tenure reviews from the Provost. One of these was a sixth-year review and we are delighted to inform the Chapter that on appeal, the Provost reversed her decision and is now recommending that the faculty member be awarded tenure. The three other individuals were informed by the Provost that their tenure-track appointments would not be renewed. On appeal, the Provost changed one of these decisions. However, she upheld her decision in the other two cases. These two faculty have therefore been terminated, effective at the end of the Spring 2007 semester. These two decisions will be grieved. It is our opinion that in both cases, the administration violated the Contract, and that, if the Contract had been followed in carrying out each of their reviews, both individuals would have received positive evaluations.

Other Contract Matters

The Contract Administrator has been working to resolve a number of disputes between faculty and the administration. One involves the transfer of a faculty member to another department. Another dispute relates to healthcare. In particular, the administration refuses to allow faculty who have been granted professional leave to purchase health insurance from the University for more than 18 months. This strikes us as a ridiculous rule that is nothing more than an officious application of COBRA.

In addition, the Contract Administrator has responded to literally dozens of calls from faculty asking for interpretations of the Contract or for advocacy on their behalf. He has also met a number of times with the administration's Contract Administrator to resolve various problems that faculty have had working with administrators. The following is a list of the issues that either the Contract Administrator or Grievance Officer was asked to address, advise, or investigate:

- Prescription drug benefits
- Workload of faculty over breaks
- Professional leave policies
- Sabbatical leave policies
- Healthcare/Dental benefits
- Faculty retirement
- Faculty resignation
- Department policy statements
- Faculty travel reimbursement
- Termination of an appointment
- New faculty hires
- Leave of absence policies
- Salary adjustments
- Pay period adjustments
- Hiring of term appointments
- Library fines of faculty
- Dealing with the Ombudsman
- Patent/Intellectual property rights
- Healthcare/Dependent benefits
- Tenure and promotion
- FMLA/sick leave
- Faculty workload
- Stopping the tenure clock
- Workload reduction

Remember, if you have any questions regarding the contract, please contact the AAUP and ask to speak to the Contract Administrator.

Reminders

If you have a baby, you ***must notify human resources within 30 days.*** If you fail to add that child to your health insurance by that time, he or she will not be covered by your insurance and cannot be added until the next open enrollment period.

Several inquiries have come to our office about missing work to observe religious holidays. When classes are in session, any absence for that purpose will count against the faculty's necessity leave (up to 5 days). But be sure to notify your department chair or director that you will be using necessity leave for religious observances. You will not be deducted pay for missing work or lose all other benefits.

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The Financial Health of Our University: 1999-2005

Jon Neill
Grievance Officer

The administration has circulated a document purported to show the dire financial straits that the University is currently being forced to navigate. We can only guess at the administration's motives in sharing this information, but we suspect that one purpose is to elicit sympathy and understanding from faculty and chairs as positions are cut and other cost savings measures are taken.

Throughout negotiations the Chapter's team was frustrated by the administration's unwillingness to be candid about its fiscal priorities and the University's finances. Unfortunately, the administration does not seem to realize that it will lose what little credibility it has left unless it provides the University community with a clear, honest appraisal of the financial situation at Western and its implications for our future. Of course, to do so, it would have to share its vision of our University's future with us. But that's another matter.

Though the administration may not have used the word crisis to describe the University's financial situation, it certainly has portrayed it as such. But we feel this is simply an attempt to manipulate us. It is our studied opinion that the University is far removed from any thing resembling a financial emergency. On the contrary. The University is more than holding its own, financially speaking. Consider this. While faculty and chairs have sat listening to the administration bemoan the University's empty coffers, the University has been accumulating assets — liquid assets — at a phenomenal rate. As it pleads for patience and forbearance from faculty, chairs, and deans alike, painting a financial picture of deficits and declining revenues, it salts tens of millions of dollars away through voodoo accounting rites that invoke ghost budget lines and zombie funds.

Whatever the administration may say about the University's financial position, these facts are indisputable:

1) Over the past 7 fiscal years, ***tuition revenues have increased.*** Each year. from $66.7 million in 1999 to $159.2 million in 2005. That is a 139% increase, or a 15.6% annual increase in tuition revenues.

2) Despite a substantial decrease in the state appropriation, ***total revenues have increased*** since 2001, from $362.4 million to $424.9 million, or by 17.2%.

3) ***Since 2003, the fair market value of the University's investments has nearly doubled.*** In fact, between June 30, 2004 and June 30, 2005, the fair market value of the University's investments increased by $58.1 million or 67%. These investments now amount to $144.7 million.

The third fact is, in our mind, shocking. How is it that the administration can increase its liquid assets — certificates of deposit, money market funds, mutual funds, bonds, etc. — by $58.1 million in the midst of a financial emergency? In our opinion, the answer is through creative accounting. What we need to remember is that even when the budget is being balanced or even slightly in deficit, the University has a net cash inflow. More specifically, the University's annual expenses typically add up to an amount less than the cash flowing into the University from various sources.

The University makes cash outlays each year for operations, debt service, and to pay down its debt (debt retirement). Operating expenses consist of spending on instruction, academic support, departmental research, public service, etc. In the University's audit, seven sources of revenue are listed: tuition and fees, net auxiliary activities, grants and contracts, other sources, the state appropriation, gifts, and income from investments. Tuition and fees, grants and contracts, net auxiliary services, and other sources are added together and referred to as "operating revenues." The following table lists the amounts for each of these categories of revenues, for total operating expenses, debt service, and payments on the University's debt for 2004 and 2005.

Revenues	2004	2005
1) Tuition & fees (net)	152.1	159.2
2) Grants & contracts	48.2	41.1
3) Net auxiliary activities	89.1	82.7
4) Other	21.4	18.6
5) Operating revenues **(= 1 + 2 + 3 + 4)**	310.8	301.6
6) State appropriation	108.0	113.4
7) Gifts	12.4	15.6
8) Investment income	6.8	6.6
Total revenues (= 5 + 6 + 7 + 8)	**438.0**	**437.2**

Spending	2004	2005
A) Total operating expenses	403.8	407.7
B) Interest paid on debt	13.0	12.7
C) Debt retirement	6.5	4.9
Total spending (= A + B + C)	**423.3**	**425.3**

Clearly then, in both 2004 and 2005 the University had a cash surplus. The administration has tried to mesmerize the community with its tales of a multi-million dollar deficit. But from what we can see, this deficit is a fiction. A phantom conjured up to intimidate and frighten us. The fact is that in each of the past two years there was a net cash inflow of $9.6 and $17.1 million. However, there is another source of ready cash hidden under operating expenses.

Each year the administration charges operating revenues with the depreciation of the University's physical plant. For example, last year this charge was $24.4 million and the year before $21.9 million. Realize that this is money coming into the University's coffers that is not being spent. You might ask, isn't that what the administration spends to maintain the physical plant? The answer is no. They have a separate charge for that, referred to as operations and maintenance of plant. In 2005 this expenditure was $29.7 million, and in each of the six previous fiscal years, this expenditure was at least $19 million. Therefore, when we add this "expense" to the net cash inflow, it brings the cash surpluses for 2004 and 2005 up to $34 and $39 million!

Keep in mind, these revenues do not include the capital appropriations made to the University. In 2005, the state capital appropriation plus capital gifts and grants added up to 22.1 million dollars. Also, the 58.1 put into investments is not earmarked for the two new buildings going up on campus. Both of these buildings were financed by a bond issue. We quote from WMU Management's Discussion and Analysis (p. 10):

> The University issued general revenue bonds in the amount of $37.6 million in 2005 . . . The 2005 issuance was to finance the construction of the chemistry building . . . and the Richmond Center for Visual Arts.

And so, the University's financial condition situation hardly seems to be critical. There appears to be enough revenue coming into the University — despite a significant decline in enrollment — to keep operations at their current levels. Moreover, the administration has set aside ample funds to keep operations at their current levels should revenues fall. We will admit that we may be overlooking any number of convolutions in the University's budgeting process. However, until the administration is willing to be honest and forthright about the University's finances, we can only conclude that the administration has been purposely misleading; that its portrayal of the University's financial condition is a calculated attempt to dupe the community and scare its unwitting faculty into submission to its fiscal priorities. As harsh as that may sound.

And so, we find ourselves wholeheartedly agreeing with the statement by Western Management's Discussion and Analysis (p. 4):

> The University's financial position remained strong at June 30, 2005. . .

In view of recent events, we sincerely hope that the administration will be forthright with us concerning its budgeting of the University's revenues. We are as eager to put the University on firm financial ground as the administration. However, we cannot be a partner in this endeavor unless we are given accurate information about the University's finances, and participate in the discussions where the its priorities are determined.

Data from the University's audits (mil. $): 1999 - 2005

	1999	2000	2001	2002	2003	2004	2005
Tuition & Fees (net)	66.7	74	104.7	121.9	134.7	152.1	159.2
Total Operating Revenues	245.6	265.7	228.4	253.3	286.2	310.8	301.6
State Appropriation	111.5	116.5	123.8	125.7	121.3	108	113.4
Total Revenues	343.8	374.7	362.4	387.4	412.3	424.7	424.9
Total Operating Expenses	343.1	380.7	368.9	393.1	411	403.8	407.7
Cash & Investments					73.8	86.6	144.7
Depreciation	20.7	25.9	23.1	21.6	19.4	21.9	24.4

Source: The data for 1999 - 2002 comes from "An Analysis of the Financial Statements of Western Michigan University, Fiscal Years 1999-2004," prepared for the WMU-AAUP by Rudy Fichtenbaum, Professor of Economics, Department of Economics, Wright State University. The data for 2003 - 2005 were taken by me from the independent audits conducted by Plante & Moran for the University in 2005 and 2004.

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