

To: Rogan Kersh, Provost; Hof Milam, Chief Financial Officer
Regards: February 5, University Faculty Senate meeting
From: Executive Committee, University Faculty Senate
February 7, 2014

Dear Rogan and Hof,

We want to thank you for participating in this exercise of faculty governance. Hof stood up well to the questions posed by the group; and we know that Rogan would have preferred to be in Winston-Salem rather than San Francisco.

The elected members of the faculty senate met following the meeting from around 5:50 pm until 6:30 pm on February 5, to determine what our next step should be. Ultimately, it was decided that a memo be sent to both of you concerning our impressions and initial conclusions from this meeting. What follows may not represent the consensus of all members of the senate (around 70 percent of the elected members were present at the meeting) but it does represent the consensus of the Executive Committee of the Senate.

- 1) Asserting that a need exists for “cuts in faculty and salary fringe benefits” does not appropriately frame the issue regarding the projected budgetary shortfall for medical benefits. While the cost of the benefits is an actual “real” number, the label of “deficit” is arbitrary. It is arbitrary given that the pool available to pay the medical costs is based on an amount derived from the amount of money paid in salaries and the amount allocated to fringe benefits. This “pool” could have been significantly greater, but for global decisions made as to how to allocate *all* of the expenditures in the Reynolda campus’ greater than \$300 million budget. If the pool had been greater, there would be no “deficit.” The deficit is merely the conclusion placed on the present situation given the initial arbitrary allocation of resources.

There is a superficial logic to say that an increase in costs from the faculty/staff universe should only be borne by those in the faculty/staff universe, but this logic evaporates when one realizes that the initial allocation of resources was arbitrary.

The Senate contends that the purported \$2,000,000 medical benefits shortfall is a *University* problem, not a faculty/staff compensation problem. Accordingly, it is not a problem that can rightfully be resolved by the University Senate’s Fringe Benefits Committee. Nor can it be resolved by the creation of another committee such as the rumored appointment of a “Reynolda Campus Fringe Benefits Committee.” Of course, if such a committee were created it would not be recognized by the University Faculty Senate as having legitimacy nor authority to deal with the aforementioned “shortfall”.

Rather, the entire array of University expenditures should be examined. The scope of the University’s subsidization of the Athletic Department, the practice of paying executive bonuses, the dramatic increase in staff (particularly the senior administrative staff)—these are but a few of the areas where reasonable people might find areas of compromise as the University seeks to address this shortfall (which represents less than one percent of the projected budget).

- 2) The current shortfall in the budget is not a crisis or an emergency, nor is the amount of the projected shortfall particularly alarming.
- 3) There are many possible alternative sources of prospective budget cuts which do not negatively impact the compensation of faculty and staff.
- 4) Any cuts in fringe benefits will further exacerbate the wide and growing gap between Wake Forest faculty compensation and our comparable institutions
- 5) Any significant cut in fringe benefits will almost certainly result in negative externalities including:
 - A drop in the (already low) morale of affected staff and faculty;
 - Widespread opposition (which is almost certain to go public) to the prospective policy by the affected staff and faculty;
 - Unfortunate publicity associated with such opposition;
 - The likelihood that alumni, members of the Winston-Salem community; students; prospective students and would-be donors to the university may interpret the adoption of such “extreme measures” as indicative of dire financial difficulties facing the university or evidence of poor administrative planning for Wake Forest’s financial future.
 - A potential negative impact on the capital campaign.

In sum, the Executive Committee of the University Faculty Senate does not endorse the cutting of fringe benefits or the cutting of overall compensation in the prospective budget. We need to work together to find an alternative solution to the projected budget shortfall that takes advantage of the University’s full range of financial and administrative resources.