To: Marquette University Academic Senate, Board of Trustees, Executive Leadership Team and the Marquette Community
From: Marquette Faculty Council

3 December 2020

As Faculty Council, the standing body charged with monitoring matters of shared governance at Marquette University, we reach out to convey to you the concerns of the faculty as Marquette's leadership, faculty, and staff join together to face the current budget challenges the university. Faculty Council works with the Academic Senate to represent the broadest interests of the faculty. The Council is made up of tenured appointees from every college and area of instruction, and we have received numerous letters from individuals and groups of faculty over the past months, largely from tenured and tenure-track faculty who are concerned about the impact of decision-making that does not appear to be driven by careful analysis.

Faculty at Marquette hope that the trustees, in carrying out their duties as financial stewards of the university, are guided by the letter issued by our Jesuit Rector and campus Jesuit community, reminding us that, "At its fundamental level Marquette cannot simply figure out how much money it has and then decide where to spend it. Rather, it must articulate robust values rooted in the history of the Society of Jesus and in Marquette's own founding documents. And after that, armed with a coherent vision, it can begin to figure out the fulfillment of its core values by undergoing a process of asking what resources we need to bring about those goals. We understand that some financial realignment is necessary, but our budgetary constraints cannot dilute what a Jesuit education demands."

This letter enumerates the concerns we have heard from faculty about the allocation and timing of the current wave of budget cuts, presents an analysis of publicly available financial data about where Marquette spends its money, and suggests alternatives to balance the budget while retaining Marquette's ability to preserve its Catholic, Jesuit mission and the rankings that will be important to attracting future generations of students.

We hope the trustees will preserve our tradition of excellence as they consider their fiduciary duty to the institution. Any shifts in budget allocation, staffing, and reconsideration of institutional priorities should occur with a clear 5-year and 10-year plan that envisions how Marquette arrives at 2026 and thrives beyond it. Cuts made without these data potentially threaten the long-term welfare of Marquette and its students, and we therefore request that these considerations inform all deliberations and discernment regarding the current budget crisis.

The Marquette University Handbook for Full-Time Faculty outlines in Chapter 305 a process for addressing a chronic budget shortfall that may result in terminating faculty. Many faculty are concerned that this process has not been followed. Any failure to conform to the Handbook will open Marquette to the risk of litigation and damages our community. Adhering to the principles of shared governance, as outlined by the American Association of University Professors and the Association of Governing Boards of Universities and Colleges, would help to ensure that budgetary decisions are sound and fully-informed.

Faculty Concerns

Faculty are concerned that the allocation and timing of budget cuts proposed by President Michael Lovell risk irreparably harming the institution and our ability to carry out its mission.

1. **RANKINGS:** If Marquette does not remain in the top 100 schools in the U.S. News and World Report rankings, it may not be able to weather the storm of demographic transition. We are currently ranked at #88. Class-sizes, student debt ratio, and educational expenditures are all variables in USNWR rankings. USNWR has announced that it will increase the weight of the student debt ratio in factoring future rankings. Harm to this standing may take more than a decade to recover, and may further threaten the financial well-being of the university. Increasing class sizes and online teaching may negatively impact USNWR rankings, and also negatively affect student retention and completion. Any cuts that are considered must model out the impact on the USNWR rankings.

2. **METRICS FOR EVALUATING PROGRAMS**: The current budget depends on cutting programs, but evaluations are being made with incomplete data. Along with taking 30-45 credits for one's major, undergraduate students complete the rest of their 120 required credit hours within and beyond their own departments and colleges, including the Marquette Core Curriculum. Cuts to any college will have ripple effects across the university. The number of majors is an incomplete metric for making such decisions (e.g.. Health Sciences students average over 50% of their credit hours in Arts and Sciences, including coursework that prepares students for the MCAT examination). No reductions in staffing should be undertaken without careful evaluation of how this will impact all currently matriculating students. The administration should present these data to faculty and trustees before making final budget determinations.

3. **ALLOCATION OF CUTS:** The proportionality of cuts should be thoroughly vetted by the trustees. Instruction and student services are central to the university's core mission, and are also the primary way in which the university generates revenue. Cutting into Marquette's capacity to offer students a range of programs and classes will cut into our ability to generate revenue. Laudable projects like the Near West Side Partnership or the Office of Economic Engagement do not serve the central mission of the university and might be placed on hiatus until the university has survived the current financial challenges.

4. **TUITION REVENUE:** Given that Marquette is heavily tuition-driven, the university must continue to bring in students. This will continue to be the university's primary source of funding, and drastic limitations on the class-size will have immediate and devastating effects on the quality of education that the university can deliver. Profitable programs should not be slated for closure without more thorough financial analysis. Summer courses should be offered regularly and should not duplicate the efforts of other more low-cost institutions, but should capitalize on Marquette's Milwaukee location, and Marquette's world-class experiences in order to justify the tuition rates. To maintain a steadier tuition revenue stream, transfer students should be aggressively recruited. This year's deferrals, and recent announcements of an impending COVID vaccine, suggest there are many opportunities for admitting students in 2021.

5. **TUITION DISCOUNT RATES**: In order to maintain viable class sizes, the trustees must have a rigorous discussion of the tuition discount rate with the provost and admissions leadership. Trustees must draw on their experiences of capping discount rates: Have past decisions resulted in smaller class sizes? What revenue losses were associated with missing the class size? While some believe that holding tight caps on tuition discounts can increase the number of full-pay students, other analyses consider that this is the very pool of students shrinking in the coming demographic shift while competition to recruit them will increase. Marquette should consider that even a student paying discounted tuition is bringing revenues into the institution. Giving the admissions department a larger financial aid pool and greater latitude with the tuition discount rate will also impact student debt ratio, which, as referenced before, plays a role in USNWR rankings.

6. **DIVERSITY, EQUITY, AND INCLUSION**: Among its Jesuit peers, Marquette has consistently ranked last in the number of women Full Professors. It has, until recently, trailed behind its peers in recruiting diverse faculty. If leadership were to merely terminate faculty who are more recently hired, the resulting firings would disproportionately terminate Black and brown faculty, as well as women. This result could well violate the faculty handbook's guidelines. It is neither ethical nor financially responsible, as our faculty should reflect the demographics of our future students.

The faculty implore all decision-makers to fully explore these issues, and to satisfy themselves completely that Marquette's future is secured, and that decisions made in the midst of a crisis do not impact the long-term health of the institution and Marquette's ability to deliver the Jesuit education which is its mission.

Faculty Concerns about Administrative Overspending
Faculty have analyzed publicly available records to try to understand where the budget crisis is coming from and to find options for cutting costs that will not impede our mission or rankings. Tax data (IRS Form 990) allow the trustees to compare MU's discretionary spending with some of our AJCU peers, selected because they are similar in terms of their finances and student body size. Between 2015 and 2019, Marquette increased its spending disproportionately in some areas.

1. **Advertising expenses: Marquette: +73% Loyola +4% Creighton -47%**
Academic Affairs represents less than half (47%) of total spending on advertising costs reported in 2019. We need a careful analysis of which advertising is raising more revenue than it costs.

2. **Travel expenses: Marquette +23% Loyola +2% Creighton +16%**
Marquette should be cutting travel costs in ways that do not harm our professional development and scholarly reputation.

3. **Office expenses: Marquette +20% Loyola -3% Creighton +9%**

Faculty are unclear about how such expenses have increased so dramatically, and assert the need to identify potential areas for efficiency.

4. Consultants (excluding legal, accounting, and investment management): Marquette +23% Loyola +11% Creighton +3%
Presumably, some of these consulting fees were for search firms (Provost, Deans of Communication, Arts & Sciences, and Business Administration), but this suggests Marquette is relying more on consultants for a number of functions that could otherwise be delivered by faculty and staff (e.g., advising, recruitment/enrollment, research support).

5. **Upper administrators' compensation[1]: Marquette +24% Loyola +10% Creighton -13%**
Marquette's upper administrators' compensation has outpaced that at similar universities.

6. **Ratio of upper administrators' increase in compensation to all other employees' rate of increase: Marquette 1.3x more; Loyola .83x more, Creighton .81x less.** The growth in compensation for upper administers and other highly compensated employees outpaced wage growth for all other MU employees, while the opposite is true at Loyola and Creighton. ("Other salaries and wages" at Marquette was +18%, Loyola +12% Creighton +16%.) Please keep in mind that faculty compensation is also a weighted variable within USNWR rankings, and that MU does not compare favorably to its peers in compensation.

These data make the case that spending in administration needs to be cut more than spending on instruction, relative to their size in the budget.

A similar story is told by data reported to the U.S. Department of Education's Integrated Postsecondary Education Data System (IPEDS).[2] According to IPEDS, Marquette spends a lower percentage of its budget on instruction than its peers. These data show that Marquette spends $0.44 on administrative expenses for every dollar spent on instruction. The average for AJCU member institutions is $0.38. The average for Marquette's AJCU peers on this referent list is even lower: $0.30. And the average for all of the colleges and universities on the list of MU's referent institutions is lower still: $0.28.[3]

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[1] The IRS defines this category as ""Compensation of current officers, directors, trustees, and key employees" as distinct from "Other salaries and wages."

[2] Any college or university that participates in, or is an applicant for participation in, any federal financial assistant program authorized by Title IV of the Higher Education Act (HEA) of 1965 is required to submit data to IPEDS. IPEDS defines *Administrative cost* per student as expenditures per student for day-to-day executive operations of the institution (e.g. legal department, fiscal operations, public relations, development office), not including student services (e.g., career services or financial aid) or academic management. *Instructional cost* is a measure of expenses per student for direct instruction (e.g., faculty) as well as academic support (e.g., museums, libraries). Thus, a ratio of 0.25 means that the institution spends 25 cents on administration for every dollar it spends on instruction.

[3] The American Council of Trustees and Alumni (ACTA) is an independent, nonprofit organization dedicated to promoting academic excellence, academic freedom, and accountability at America's colleges and universities. It maintains that the administrative/instructional cost ratio is an important indicator of an institution's budget priorities.

Faculty understand that Marquette is facing a budget crisis. Instruction is how Marquette generates the bulk of its revenues. In order to close our budget gap, Marquette should focus on decreasing *administrative* expenses at a far greater rate than instructional costs. **Indeed, doing so will help our USNWR rankings**, as financial resources are one criterion used in USNWR's methodology. Just as we are concerned that increasing class sizes could threaten our ranking, we should also be worried that MU's budget priorities may be holding us back.

Alternative Budget Cuts to Preserve Mission and Rankings
Faculty have developed some ideas for ways to save money that will not hurt Marquette's ability to keep focused on its mission and stay afloat through the demographic changes of the future. According to Faculty Handbook Chapter 305, all other expenditure cuts must be exhausted before faculty are terminated. There are alternative pathways to closing the estimated $45 million budget gap, and the campus community is not hearing enough about MU's commitment to pursuing these alternatives to laying off faculty and staff and closing academic programs, which carry both implications for Marquette's Jesuit mission and our future financial well-being:

- **Cutting the discretionary spending categories outlined above (e.g., advertising, travel, and office expenses) back to Fiscal Year 2015 levels** would save the university $17 million. Of course, costs for these categories may be increasing and so the realized savings could be less. However, the point remains: cuts in discretionary spending could help the university address the budget gap.

- **Selling property on Michigan Avenue** could yield an estimated $10 million. While there may be some long-term financial impacts from selling this property, the long-term impacts of slashing programs and reducing faculty could be a terminal blow to the university's longevity. Real estate is more easily replaced, but Marquette's reputation and USNWR ranking would be more difficult to recover.

- **The retirement buyout should be in the area of $5 million in estimated savings. The trustees should consider keeping the buyout in place through 2026.** While this is not a strategic way to shrink the faculty, it is an ethical one and does not impact Marquette's ability to deliver key programming and remain competitive. The costs of salary are most often offset by consistent healthcare savings, which are considerable.

- Some documents reference a **$10 million contingency fund** to use in times of financial difficulties. The trustees should inquire into the status of these funds and consider their willingness to tap these funds to address short-term financial needs during this public health crisis.

- The Executive Leadership Team has taken temporary pay cuts. But a question remains about why these should be temporary. Marquette's first lay president is one of the most highly compensated presidents among private, national universities. Compensation of upper administrators is also higher than our peers. This past year, Texas Christian University's (TCU)'s Faculty Relations Committee did a comparison of "Officer compensation as a percentage of total expenses at USNWR private universities ranked in the top 150 national universities." **Marquette ranked 7th on this list of officer**

compensation, well above our national ranking of 88. Indeed, just **returning to 2015 compensation levels for top officers** would save MU over $1.5 million annually.

- The trustees should consider whether Marquette could **increase the endowment's spending rate slightly,** as other universities are doing. Marquette always uses a portion of the endowment to fund operating expenses. COVID-19 represents an unusual event and financial threat that is not expected in the future.

This document represents only some of the solutions and considerations that many faculty have developed in evaluating the future of Marquette. The faculty provide these analyses because of their faith and investment in Marquette and its future. The faculty who have participated in this analytical exercise are experts in their fields and routinely conduct such analysis in their research, as well as business and public sector consultancy. Principles of shared governance, which are required for Marquette to retain its accreditation, maintain that faculty must have input into any decisions that impact the academic mission of the institution. We hope these considerations will help protect Marquette's traditions and secure its future.