

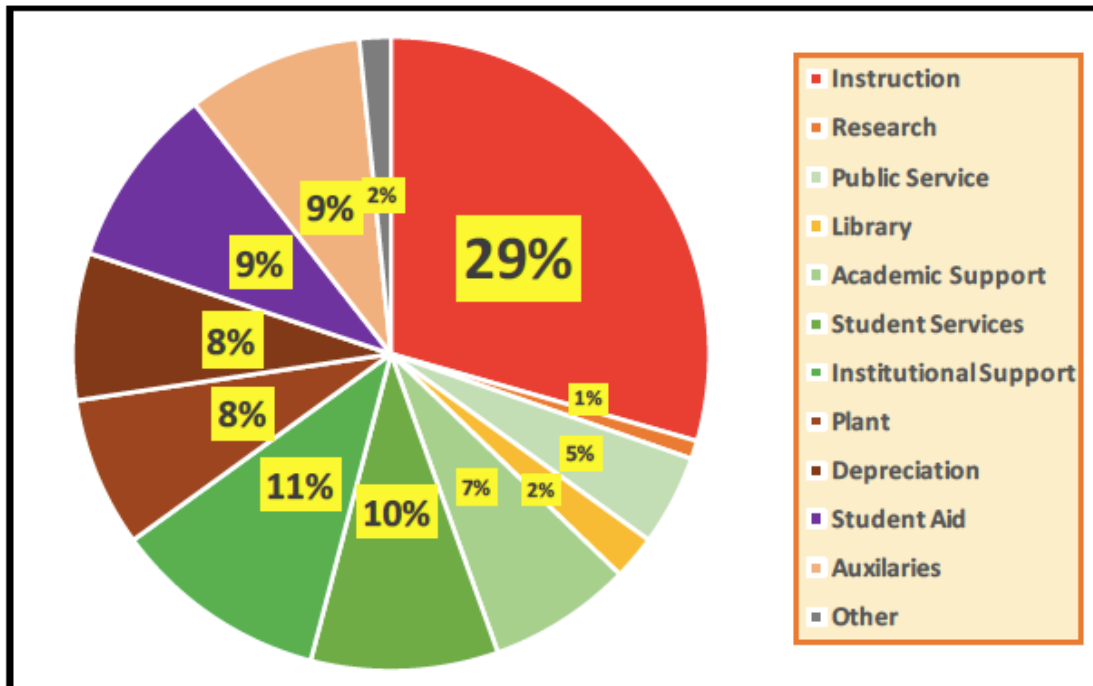
Highlights of the AAUP presentation

On November 4, 2016, Dr. Howard Bunsis, Chair of AAUP's Collective Bargaining Caucus and Professor of Accounting at Eastern Michigan University, came to MSU's campus to present "Breaking Down University Budgets: What Faculty Members Need to Know," a talk intended to help faculty and staff interpret and understand complex budget information.

The full presentation (with all 81 PowerPoint slides) is available on the Faculty Senate BlackBoard site. Below are some of the slides that Dr. Bunsis highlighted during the talk.

The pie chart below graphically represents the funds MSU, as an institution, spent in 2015 (the last year for which there is a publicly available audited financial statement).

MSU 2015 Expense Distribution: Total Operating Expenses = \$158 Million Source: Audited Financial Statements



To put the current distribution in context, Dr. Bunsis provided the operating expense distribution from 2008 (the start of the recession) to 2015. The information, in actual dollars, is below.

Expense Dollar Distribution Over Time

Source: Audited Financial Statements

In Millions	2008	2009	2010	2011	2012	2013	2014	2015
Instruction	46.4	45.4	45.2	46.3	45.6	44.2	46.0	46.5
Research	2.6	1.6	2.0	2.0	2.0	2.2	1.6	1.5
Public Service	7.1	7.3	7.1	6.9	6.1	5.6	6.1	7.3
Library	3.1	3.1	3.3	3.3	3.4	3.3	3.3	3.6
Academic Support	8.5	10.6	11.8	12.4	11.9	12.0	12.3	11.5
Student Services	11.8	12.7	13.6	15.0	16.7	16.0	17.0	15.0
Institutional Support	13.2	14.6	14.4	15.0	13.6	13.8	15.1	17.3
Plant	8.4	8.6	8.7	9.2	8.8	8.6	10.7	12.1
Depreciation	7.4	7.9	8.7	9.1	9.9	9.6	9.8	11.8
Student Aid	10.8	12.7	12.9	13.3	12.8	13.8	14.3	14.7
Auxiliaries	12.3	11.5	12.7	12.3	12.6	12.5	14.1	14.2
Other	3.0	1.1	0.3	0.1	0.1	(0.6)	0.4	2.5
Total Operating Expenses	134.5	137.1	140.6	145.0	143.5	141.1	150.5	157.9

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Here is the same information in percentage form.

Expense Percentage Distribution

In Millions	2008	2009	2010	2011	2012	2013	2014	2015
Instruction	34.5%	33.1%	32.1%	31.9%	31.8%	31.3%	30.6%	29.4%
Research	1.9%	1.2%	1.4%	1.4%	1.4%	1.6%	1.0%	0.9%
Public Service	5.3%	5.4%	5.1%	4.8%	4.3%	4.0%	4.0%	4.6%
Library	2.3%	2.3%	2.3%	2.2%	2.3%	2.3%	2.2%	2.3%
Academic Support	6.3%	7.7%	8.4%	8.6%	8.3%	8.5%	8.2%	7.3%
Student Services	8.7%	9.3%	9.7%	10.4%	11.6%	11.3%	11.3%	9.5%
Institutional Support	9.8%	10.7%	10.2%	10.4%	9.5%	9.8%	10.0%	11.0%
Plant	6.3%	6.2%	6.2%	6.4%	6.1%	6.1%	7.1%	7.6%
Depreciation	5.5%	5.7%	6.2%	6.3%	6.9%	6.8%	6.5%	7.5%
Student Aid	8.0%	9.3%	9.2%	9.2%	8.9%	9.8%	9.5%	9.3%
Auxiliaries	9.1%	8.4%	9.0%	8.5%	8.8%	8.9%	9.3%	9.0%
Other	2.2%	0.8%	0.2%	0.1%	0.1%	-0.4%	0.3%	1.6%
Total Operating Expenses	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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Both tables show the steady decrease in instructional spending over time at MSU.

Dr. Bunsis favors using audited financial statements because they record what was actually done with funds. Budgets are helpful in so far as they show us what an institution *plans* to spend in a given year, but plans can and do change for a variety of reasons, and budgeting categories can easily be shifted. The categories and classifications of audited statements (the data points Dr. Bunsis used to create the charts and tables above) remain consistent over time; they are therefore better sources of information.

The table below demonstrates why budgets are so difficult to analyze. Although we can easily see where there are major shifts in allotment (see the highlighted boxes), we cannot always determine what each shift denotes, as categories within divisions are not always stable. The catch-all designation of “Other” also complicates understanding, as it is a nebulous category that can refer to almost anything.

Why Budgets are Difficult To Analyze

E&G Operating Budget by Division	2013-14	2014-15	2015-16	2016-17	\$ Change 2016 to 2017	% Change 2016 to 2017
President and Administration	815,741	971,846	1,029,672	847,426	(182,246)	-17.7%
University Advancement	4,517,273	4,732,032	4,612,856	4,424,179	(188,677)	-4.1%
Admin & Fiscal Services	18,022,042	19,041,737	42,749,938	20,949,754	(21,800,184)	-51.0%
Student Success (Life)	12,614,222	13,652,238	14,109,315	18,102,356	3,993,041	28.3%
Academic Affairs	77,717,279	81,159,115	59,001,535	54,683,555	(4,317,980)	-7.3%
Other	5,004,603	4,043,532	4,214,182	23,741,179	19,526,997	463.4%
Total Operating Budget	118,691,160	123,600,500	125,717,498	122,748,449	(2,969,049)	-2.4%

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If we look only at the percent change in divisions from 2016-2017, it would seem as though Administrative and Fiscal Services took a major hit, whereas Academic Affairs was relatively spared. Even with this “hit,” though, Admin and Fiscal Services ends up with a greater overall budget in 2016-2017 than it was apportioned in 2013-2014. The same cannot be said for Academic Affairs, which is apportioned 23 million dollars less in 2016 than it was in 2013.

Without downplaying the challenges that MSU faces as an institution of higher learning (in the Commonwealth and the nation), Dr. Bunsis articulated a number of positive financial points, particularly in regards to reserves and bond ratings (see slides 31-40 in the full presentation). His concern was not with MSU's current financial health but its academic future. He was particularly dismayed to see the steep decline in the number of assistant professors over an 8-year period, a decline that amounts to a 50% reduction.

Number of Faculty by Rank: Huge Decline in Assistant Professors

Source: AAUP Salary Survey

	Full	Assoc	Asst	Instructor	Total
2008	61	130	120	68	379
2009	64	136	105	69	374
2010	62	137	92	64	355
2011	62	139	94	68	363
2012	59	155	83	77	374
2013	71	151	78	70	370
2014	77	150	69	75	371
2015	75	144	64	76	359
2016	88	131	60	70	349
# Changes:					
2008 to 2012	(2)	25	(37)	9	(5)
2012 to 2016	29	(24)	(23)	(7)	(25)
2008 to 2016	27	1	(60)	2	(30)
% Changes					
2008 to 2012	-3%	19%	-31%	13%	-1%
2012 to 2016	49%	-15%	-28%	-9%	-7%
2008 to 2016	44%	1%	-50%	3%	-8%

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According to Dr. Bunsis, normal attrition and rates of promotion do not account for such a rapid reduction. A reduction such as this is usually the result of official or unofficial hiring freezes.

In Dr. Bunsis's estimation, academic institutions cannot remain healthy, or respond to unforeseen challenges, without the infusion of new professors bringing novel approaches and different talents. He encouraged members of the audience to ponder the consequences of this decline and to consider what type of institution they would like MSU to be in the coming years.

The final portion of the presentation (slides 68-81) was devoted to the athletics budget. Dr. Bunsis, a diehard sports fan himself, is deeply troubled by what he sees as the unsustainable market of college athletics. Schools like MSU (and his own institution, EMU) can never compete with powerhouses like UK or U of L, but they still devote a significant portion of their increasingly scarce resources to maintain a sign of prestige that cannot be shown to offer a material return on investment. He wants to see this change, and he offered some practical suggestions for how this change may occur.

Although Dr. Bunsis’s presentation drew on facts and figures compiled by *USA Today*, his findings were identical to those laid out in “Sports at Any Cost,” the Nov. 15, 2015 *Huffington Post* article. (Note: this article, MSU’s official response to it, and the Chair of Senate’s response to that response are all available on the Faculty Senate BlackBoard site, under “Budget info” in a folder entitled “Issues—athletic spending.”)

**MSU Athletic Subsidy Percentage per USA Today:
Subsidy = Percent of Athletic Expenses Subsidized
by the Core Academic Mission**

	2008	2009	2010	2011	2012	2013	2014	2015
Ticket Sales	\$97,936	\$164,870	\$176,026	\$184,864	\$148,041	\$143,275	\$134,958	\$126,533
Contributions	\$257,368	\$162,341	\$343,335	\$161,945	\$253,953	\$165,650	\$127,678	\$456,605
Rights / Licensing	\$429,869	\$561,236	\$392,623	\$660,024	\$593,590	\$829,794	\$778,454	\$701,392
Other Revenues	\$251,489	\$489,699	\$375,348	\$354,407	\$376,990	\$373,560	\$450,826	\$595,600
Total Direct Revenues	\$1,036,662	\$1,378,146	\$1,287,332	\$1,361,240	\$1,372,574	\$1,512,279	\$1,491,916	\$1,880,130
Total Athletic Expenses	\$7,885,882	\$8,715,580	\$8,613,511	\$9,318,304	\$10,376,374	\$10,192,319	\$10,833,587	\$11,685,666
Total Subsidy (Expenses - Direct Revenue)	\$6,849,220	\$7,337,434	\$7,326,179	\$7,957,064	\$9,003,800	\$8,680,040	\$9,341,671	\$9,805,536
Subsidy Percentage (Subsidy / Expenses)	86.9%	84.2%	85.1%	85.4%	86.8%	85.2%	86.2%	83.9%

- In 2015, the subsidy of \$9.8 million for 10,875 total headcount
- EVERY STUDENT PAID \$902 IN 2015 TO SUPPORT ATHLETICS

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When Dr. Bunsis presented this information, he asked a question that a number of people on campus have already posed: in an era when public universities are merely assisted by the state and mostly supported by student tuition, how can those selfsame institutions reasonably expect all students to subsidize an athletics program that only offers direct benefits to a small subset of the student body? If athletics truly is a part of student success, it needs to benefit *all* students, and the only way to make that happen, Dr. Bunsis argued, is to withdraw from the current athletics “market” and reallocate resources so that all students get the help student athletes do.

Like the authors of “Sports at Any Cost,” Dr. Bunsis did not focus on the size of MSU’s athletics budget (which is middle of the road or relatively small, something to be expected given the size and position of our university). He was interested in the amount we (or, more correctly, our students) subsidize it. The *Huffington Post* article placed us 5th in the nation; Dr. Bunsis placed us 1st in the OVC:

2015 Subsidies of Ohio Valley Conference Institutions: MSU is the Largest % Subsidizer in the Conference

Ohio Valley Conference	Total Expenses	\$\$ Subsidy	% Subsidy
Morehead State	\$11,685,666	9,805,536	83.9%
Tennessee State	\$12,831,317	9,937,681	78.4%
Tennessee Tech	\$14,016,396	11,360,598	77.5%
Southern Illinois	\$8,867,986	6,665,035	75.0%
Southeast Missouri State	\$11,923,049	8,683,213	74.0%
EKU	\$14,570,279	10,736,348	73.7%
Jacksonville State	\$13,215,127	9,736,116	73.7%
Tennessee-Martin	\$10,602,110	7,747,171	73.1%
Eastern Illinois	\$13,360,791	9,635,048	72.2%
Austin Peay	\$11,995,068	8,051,735	71.6%
Murray State	\$15,139,758	10,518,808	66.7%
Conference Average (w/o MSU)	\$12,652,188	\$9,307,175	73.6%
MSU vs. Average	(\$966,522)	\$498,361	10.3%
MSU Rank (of 11)	9	5	1

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Table of MSU Individual Athletic Revenues

Year	Ticket Sales	Contributions	Rights /Licensing	Other	Total Direct Revenues
2008	\$97,936	\$257,368	\$429,869	\$251,489	\$1,036,662
2009	\$164,870	\$162,341	\$561,236	\$489,699	\$1,378,146
2010	\$176,026	\$343,335	\$392,623	\$375,348	\$1,287,332
2011	\$184,864	\$161,945	\$660,024	\$354,407	\$1,361,240
2012	\$148,041	\$253,953	\$593,590	\$376,990	\$1,372,574
2013	\$143,275	\$165,650	\$829,794	\$373,560	\$1,512,279
2014	\$134,958	\$127,678	\$778,454	\$450,826	\$1,491,916
2015	\$126,533	\$456,605	\$701,392	\$595,600	\$1,880,130

- Ticket sales include the dollars of tickets sold for ALL Sports; the amounts are embarrassingly low
- Very little money is being raised
- Other could be game guarantees (MSU gets paid to play Power Conference teams)

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The reason why we (or, more correctly, students) have to subsidize athletics is because the program provides little in the way of revenue. Dr. Bunsis highlighted what he considered the “embarrassingly low” ticket sales for events. (Note: these sales are for *all sports* for the *entire year*.)

This subsidization doesn't just burden students. It takes away from the university's core mission. Dr. Bunsis finds it troubling that MSU (like his own institution, EMU) will pay more every year for athletics because the market seems to demand it while working to keep instructional spending down.

Athletics vs. Academics

	Athletic Expenses	Instruction Expense
2008	\$7,885,882	46,438,012
2009	\$8,715,580	45,398,891
2010	\$8,613,511	45,168,444
2011	\$9,318,304	46,295,191
2012	\$10,376,374	45,591,539
2013	\$10,192,319	44,203,014
2014	\$10,833,587	46,025,933
2015	\$11,685,666	46,454,685
\$ Changes	Athletic Expenses	Instruction Expense
2008 to 2012	\$2,490,492	(\$846,473)
2012 to 2015	\$1,309,292	\$863,146
2008 to 2015	\$3,799,784	\$16,673
% Changes	Athletic Expenses	Instruction Expense
2008 to 2012	32%	-2%
2012 to 2015	13%	2%
2008 to 2015	48%	0.04%

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At some point, Dr. Bunsis insisted, people are going to realize that the current college sports market is unsustainable. Conferences are already becoming more selective (and expensive), and it is just a matter of time before regional schools like our own will literally be unable to compete.

The end of the current market, though, does not have to mean the end of sports at a school like MSU. Dr. Bunsis asked the audience to consider this scenario: if a school like MSU decided to pay its coaches a reasonable salary (that of the average full professor) and not what an ultimately unsustainable market allowed, they'd still have qualified people willing to take on the job, and there'd be no negative effect on ticket sales (as the small body of diehard fans would come anyway). If we scaled back on travel and didn't "invest" money to maintain a prestige status, our student athletes would still play sports, and reap all of the positive benefits from this activity, and we'd have funds to supply the same level of academic support to non-student athletes. We were encouraged to imagine world where all students have access to the tutors and advisors provided student athletes. In such a world, we'd have increased retention rates and more students progressing successfully to a degree (rates that have become even more important in the era of performance funding).