

REPORT & RECOMMENDATIONS

TO: President Carol Folt
Provost Charles Zukoski
Senior Vice President Felicia Washington
Senior Vice President James Staten
Academic Senate

FROM: Faculty members of the Joint Committee on Finances and Enrollment:
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Academic Senate President (COFE Co-Chair)
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I. INTRODUCTION

On Friday, May 22, 2020, Provost Charles Zukoski held an all-faculty webinar during which he announced certain proposed budget cuts that the administration believes are necessary to address budget shortfalls that are likely to occur due to a variety of circumstances, including expenses that the university has incurred in response to the COVID-19 pandemic. The administration is predicting that by the 2021 fiscal year, the university will have a budget shortfall of between \$300 - \$500 million. The administration proposed a series of cost-saving

measures to respond to this shortfall, including a salary freeze, a hiring pause, a travel pause, reductions in procurement spending, reductions in IT spending, reductions in health care benefits, “unit savings” (to be determined by each unit), a pause to the university’s retirement benefits contributions, and “progressive furloughs.”

On May 26, 2020, the Academic Senate held an urgent meeting and adopted [Resolution 19/20-08](#), which requested, among other things that the Senate and the Provost “appoint a Faculty Budget Advisory Committee that will have access to all relevant data, including sufficiently detailed university-, school-, and unit-level budget data. The Faculty Budget Advisory Committee would be consulted by the senior administrators before making or modifying decisions in response to the financial crisis created by the COVID epidemic.”

On May 27, 2020, the Executive Board of the Senate asked the Provost to join the Senate in calling for an emergency meeting of the Joint Committee on Finances and Enrollment (COFE) to serve as the requested budget advisory committee. COFE is a standing university committee that is charged with working closely with the Senate to make recommendations to the Provost (and to the Board of Trustees through the Provost) that will help shape “the central policies of the university about university-level finances (e.g., net tuition, income and expenditures etc.).” The committee includes the Senate officers and can include additional members “as needed in any year.” The Executive Board also recommended that additional faculty with relevant financial expertise be added to COFE for the purposes of these discussions. Those faculty included the incoming Senate Academic Vice President and President Elect Tracy Tambascia, Associate Professor TJ McCarthy from the Price School of Policy, Dr. David Peng, the President of USC Care (who was later replaced by Dr. Vivian Mo), and Professor Romain Ranciere, Chair of the Department of Economics in Dornsife.

The Provost agreed to the Senate’s request for an emergency meeting of COFE and the addition of the listed faculty members to that committee. COFE held an emergency meeting on May 28, 2020, which was attended by the Provost Zukoski, Senior Vice President of Human Resources Felicia Washington, Vice President of Finance Greg Condell, Vice Provost Martin Levine (who is the co-chair of COFE with the Academic Senate President) and other relevant administration officials. During that meeting, the faculty asked Provost Zukoski, SVP Washington, and VP Condell for more detailed information regarding: (1) the major causes of the predicted budget shortfall that had been discussed during the Provost’s May 22 presentation to faculty; (2) more detailed explanations as to why the administration was not recommending other possible alternative measures to address the budget shortfall, including borrowing additional money, using pre-existing bond funds, using the portion of the endowment that is unrestricted or income from the endowment, making larger cuts to administrative spending, cutting spending on the athletics programs, and using the proceeds from sales of university assets; (3) more detailed explanations of how the progressive furloughs and cuts to retirement benefits will be implemented; and (4) whether the administration had considered the effects of the proposed cuts on USC’s lower-wage employees, the effects of the cuts on recruitment and retention, and other ways to make these cuts less onerous on employees, such as not imposing the cuts until after the budget shortfalls are more certain.

After that meeting, the faculty on COFE met to discuss the results of that meeting and developed the recommendations set forth below.

II. RECOMMENDATIONS

The faculty on COFE recommend that the university formulate its budget plans in a manner that is consistent with the general principles listed below, and that it implement the listed action items.

1. Guiding principle: Shared governance will be critical in maintaining the cohesion of the community in this time of crisis. We therefore urge the administration to continue to communicate openly and honestly with all faculty concerning the status of the university's budget and its plans to address any budgetary shortfalls. We also urge the administration to regularly consult the elected faculty representatives while developing its budget plans. Having meaningful consultation with faculty before decisions are made will be crucial to maintaining not only a healthy culture of shared governance, but also a clear focus on our academic mission, for which faculty bear the primary responsibility.

Proposed action item: The administration should articulate more clearly to the entire USC community why the leadership considers it unwise to borrow or use endowment funds to meet the current crisis, and why, instead, the plan proposes cuts to current expenditures.

Proposed action item: COFE should meet at least monthly and be used as forum where the administration provides faculty representatives with access to the relevant financial data, alternative scenarios and policy measures are considered, and faculty are consulted in a meaningful way before the administration makes decisions regarding its financial plans.

2. Guiding principle: The administration should make every effort not to impose multiple cost-saving measures on faculty and staff, which taken individually may seem reasonable, but when taken in combination will unreasonably negatively impact the long-term financial situation of faculty and staff. For example, if employees are subjected to no merit increases, plus furloughs, plus a pause on retirement benefits, those three cost-savings measures will have long-term, damaging effects on their future earnings and retirement savings that will compound over time. Those long-term effects must be taken into account and weighted heavily in budget planning.

Proposed action item: Consistent with this principle, the administration should wait until November 2020 to decide what proportion of the university's contributions to its employee retirement plans should be paused. If at that time, as the financial situation becomes clearer, it appears to be fiscally possible, the university should continue paying all employees the automatic 5% retirement contribution (or at least a portion thereof), rather than pausing all of the university's retirement plan contributions.

3. Guiding principle: All cost-savings measures should be clearly explained to the community (i.e. to whom they apply and how they will be implemented), and they should be implemented in a way that is as progressive as possible, meaning that the level of the financial burden on the employee should be greater for those with higher income levels, thereby reducing the negative financial impact on the most financially vulnerable members of our community, especially given the high cost of living in Southern California.

Proposed action Item: If progressive furloughs are imposed, they not be imposed on any employees making less than \$80,000¹ annually, and employees with higher income levels should be required to take a higher number of furlough days.

4. Guiding principle: Because the current predictions concerning the likely budget shortfalls are uncertain and are likely to change as the COVID-19 pandemic evolves over time, the committee recommends that the administration regularly reassess the necessity for all cost-savings measures.

Proposed action Item: Every six months, the administration should provide the community with a report reassessing the university's financial status, discussing any alternative measures that might be used to address the budget shortfall, and reassessing the reasonableness and continued necessity for the cost-savings measures that it has imposed.

5. Guiding principle: The University should make every reasonable effort to restore any employee benefits that are "paused" and return the university to pre-COVID working conditions as soon as reasonably possible.

Proposed action Item: The administration should provide end dates (e.g., six months or one year) for any cost-cutting measures. At the end of that period, if it believes there is a need to continue those measures or add new measures, the administration should openly communicate with the community about the reasons for any continued or new measures and consult with elected representatives of the faculty and staff before making any decisions about those measures.

6. Guiding principle: While we recognize that short-term measures are urgently needed at this time, this should not stop the university from engaging, as soon as reasonably possible, in a deeper, strategic analysis of all aspects of the university, including both administrative operations and academic programs, to determine how the university can emerge from this crisis stronger and better.

¹ It is our understanding that \$80,000 is the income level used in USC's new Affordability plan, below which students will not be asked to pay tuition. If the university recognizes this an insufficient income level to afford tuition, it makes sense to recognize the financial needs of our own employees who also make at or below that income level.

Proposed action Item: The administration should announce its intention to launch this strategic review during the Fall, and should engage faculty, staff, and students in that review.