ACADEMIC SENATE

UNIVERSITY OF SOUTHERN CALIFORNIA

February 16, 2022

Virtual Meeting

2:00 - 4:00 pm PST

Present (Senate Members): Adler, D. Armstrong, M. Apostolos, J. Baker, D. Becker, C. Beckman, M. Bodie, D. Brooks, A. Campbell, J. Cantiello, P. Cardon, K. Carlson, B. Carrington, J. Chamberlin (alternate for M. Chatterjee), J. Clements, D. Cole, E. Collins, M. Crowley, J. Dopheide, C. Finch, A. Foster, L. Gale, S. Gruskin, S. Gupta, L. Hoffman, K. Imagawa, A. Imre, J. Israel, L. Klerman, T. Kobza, G. Kung, R. Labaree (alternate for C. Young), K. Lincoln, T. Mayfield, A. Motamed, J. Moore, A. Parra, B. Pyatak, D. Pecchenino, L. Perin Gallandt, M. Polikoff, A. Rechenmacher, C. Resnik, B. Salhia, A. Sanchez, T. Sandmeier, L. Serna, C. Soto (alternate for M. Press,), T. Tambascia, A. Van Speybroeck, J. Walker, E. Warford, N. Warren, R. Watanabe (alternate for S. Iqbal), R. Wood (alternate for F. Liley), G. Zada, E. Zeamer, S. Zweig

Absent: C. Jones, D. Milstein, A. Tzoytzoyrakos, A. Yang

Guests (Senate Member alternates & invited guests): F. Bar, Y. Bar-Cohen, P. Cannon, G. Condell, K. Culpepper, E. Fife, J. Keim, M. Levine, D. Mazmanian, C. Neuman, I. Puri, B. Shuster, J. Staten, M. Todd, B. Turner, L. Vest, C. Zachary, C. Zukoski

AGENDA

Call to Order

Academic Senate President Tambascia called the meeting to order at 2:00 pm.

Approval of Minutes

Secretary General Brooks presented the January 19 Academic Senate meeting minutes for approval.

Motion to approve the January 19 minutes. Seconded and passed: 33 in favor and 0 opposed.

Update from Provost Zukoski; FY ’22 Update

After expressing how pleased he was to be in attendance, Provost Zukoski provided important updates.

- He noted that we are past the Omicron peak and we expect our positivity rates to continue declining. We will continue following guidelines from the Los Angeles Department of Public Health and we expect changes in guidance in the next few weeks.
- Despite the uncertainty related to COVID, faculty have continued being productive and Zukoski acknowledged several faculty for their recent achievements. He also pointed out that the Wall Street Journal recently ranked USC as the best large school in the West.
- Rick Caruso has entered the Los Angeles Mayor’s race and will be stepping down as Chair of the USC Board of Trustees. The University has a process for rapidly putting into place a Chair Elect. The Nominating and Governance Committee of the Board of Trustees oversees the

process and the full board makes the final selection of the Chair.

Zukoski invited Jim Staten, Senior Vice President for Finance and CFO, Greg Condell, Vice President of Finance, and Mark Todd, Vice Provost for Academic Operations to provide an update on USC's financial positioning and principles, and the budget process.

- The budget for the current year is $6.2 billion of top-line (i.e., gross) revenue, which puts USC among the largest universities in the United States relative to top-line revenue. Of the top-line revenue, about $2.1 billion comes from tuition and educational programs, $2.7 billion from our medical and healthcare enterprise, and $1.4 billion from designated activities, such as sponsored research, endowments, and restricted gifts. The three largest contributors to our top-line revenue are healthcare (42%), net student tuition and fees (29%), and contracts and grants (13%). About 76% of our expense-bases are direct expenses for academic, health care, and student service missions (e.g., compensation and benefits, space, supplies, insurance, bond interest payments, etc.) and about 23% are expenses for University and school support services that support the three major missions (e.g., ITS, insurance, bond interest payments). Athletics generates about $100 million a year (including TV revenue and media rights merchandising, for example) and comprises approximately 1% of expenses. Regarding how we are viewed externally, we hold a Moody's AA1 rating, which is 1 down from their top rating, and a Standard and Poor's AA rating. We have had both these ratings over the last number of years in spite of the issues we have faced. Both agencies reaffirmed our ratings about a year ago today, but we currently have a negative outlook on our ratings, which Staten suggests stems from the $1.1 billion Tyndall settlement and debt incurred from low-interest rate loans taken out to invest in some of President Folt's priorities for the University. Staten indicated that the best case scenario for this year is an operational gain of $35 million, but he also pointed out that there is a chance that the University will only break even (for a range of $0 to $35 million).
- Budget drivers for next year include undergraduate tuition, tuition in Master's and professional programs, online programs tuition, endowment, fundraising, and clinical activities. Though not yet been finalized, Central Administration expects undergraduate tuition to rise by 5%; tuition increases for graduate programs may vary depending on the needs and circumstances of the program. Academic and Auxiliary units will submit their budgets in early March to The Budget Online (TBO) and budget hearings with academic units will take place throughout March. In April, TBO budgets will be approved on a rolling basis and budget recommendations will be prepared for the Finance Committee. In April/May, the Finance Committee will approve budgets and TBO budgets will be converted for general ledger upload.
- Regarding the University's $8.2 billion endowment, Central Administration can approve a payout range between four and six percent of the endowment balance. For 2023, the incremental endowment spend is expected to be $34.4 million (about 5.28% of the endowment balance— a considerably higher payout rate than in previous years), which would bring the total estimated endowment payout to $322 million. Seventy-five percent of the payout goes to schools.
- Advancement fundraising for 2022 is expected to be at least $550 million (the target amount). This is a drop from the heights of the University's major fundraising campaign, but not from pre-campaign fundraising. Some of the money raised through advancement goes into the endowment and some of it supports key strategic initiatives, purchasing hard assets like buildings, and operational and programmatic expenses.
- Although USC has an endowment of $8.2 billion, we also have 2.5 billion dollars of debt, some

of which is owed on bonds, many long-term. Rates for some bonds are less than 3%, some slightly over 3%. We are not making payments on all our loans on an annual basis, but instead are setting aside funds so that we can make payments when they are due.

- All of the University's strategies are part of a 5-year financial plan started in FY20 that considers operational, capital, and cash planning. Central Administration makes annual budget assumptions but does so within the context of multi-year modeling, as guided by the 5-year planning effort. This year, modeling began in January and iterates through March. March and April are dedicated to aligning the Capital Plan and the Operating Plan. During April and May, final draft plans are shared with successive levels of University and Health System leadership as part of a consolidated review. Finally, the full five-year plan, in financial statement format, is presented to the Finance Committee in June.

In response to a request from a Senator, Staten discussed how endowment policies and payouts are determined. He explained that the Board of Trustees sets the floor and ceiling of endowment payments at 4% and 6%. Based on the value of the endowment each quarter of the previous 12 fiscal quarters, an average endowment balance is calculated. The balance is then used to determine a spend rate that falls within the floor and ceiling. When making decisions about endowment spending, the needs, growth, and legal restrictions of the endowment are also taken into account. For example, per another policy set by the Board of Trustees, the annual endowment spend rate cannot be increased more than 5% over the prior year unless an exception is granted. Such an exception was sought and granted for FY22 and FY23. However, as clarified by Staten, Central administration did not request an exemption to the 4% - 6% payout range policy in the past two years.

A Senator asked about the possible explanation for the flat level of expenditures during the increases in the endowment during the Great Recession. Staten pointed out that he was not at the University at the time but speculated that the flat level may be related to a desire at the time to preserve the endowment for the longer-term future of USC.

Senate Resolution 21-22-05 on Annual Cost-of-Living Salary Adjustment

On behalf of the Executive Board, Tambascia proposed and read Resolution 21-22-05, Annual Cost-of-Living Salary Adjustment. The resolution calls for USC to "design and implement beginning in the 2022-2023 academic year an annual cost-of-living salary increase that accounts for general consumer price inflation in Los Angeles." The resolution further calls for the adjustment to reflect a three-year moving average of inflation as indicated by the Bureau of Labor Statistics' Consumer Price Index (CPI) - Los Angeles, and for any merit-based compensation, in the form of salary or bonus, to be distinct from this inflation-adjusted compensation base. Academic Vice President Pecchenino provided context for the resolution, explaining that it was an attempt to reconcile recent documents (e.g., Dornsife Faculty Council (DFC) and Engineering Faculty Council (EFC) resolutions and the USC AAUP letter) and ongoing EB conversations with senior leadership on the issue of distinguishing cost of living adjustments from merit raises. He noted that intentionally the resolution focuses narrowly on one compensation issue and that the Senate continues working on other issues, such as salary floor and compression; equity and transparency; merit review; and benchmarking. Pecchenino also explained that the Resolution was designed to encourage Central Administration to require schools to spend a portion of the annual administrative salary pool on cost-of-living increases.

A Senator asked if the EB intended to include wages for part-time personnel in the resolution. He clarified that he asked the question given that the resolution could result in major expenditures for some schools if it is applied to part-time faculty as well as full-time time faculty. Tambascia responded that the resolution does not distinguish between part-time/full-time status, rank, or track, but instead refers to "faculty." Speaking on behalf of the American Association of University Professors (AAUP) chapter at USC, which spearheaded an open letter that has 900 faculty signatures in favor of motions such as the one proposed by the EB, Howard Rodman, President of the USC AAUP Chapter, expressed concerns about the erosion of faculty salaries. He noted that the cost of living in Los Angeles, according to the Bureau of Labor Statistics, went up 7.5% in the last 12 months while faculty salaries have not. Additionally, he noted that some faculty have gotten a 0% increase in their wages in the last two years while inflation has increased by 8% or more. He suggested that calls for a cost-of-living increase for USC faculty aim to achieve both fair compensation and to make USC adequately competitive in the marketplace. Rodman thanked the Senate for considering the resolution and offered his full support of the resolution.

Several Senators raised concerns about the possible effect of the resolution on schools that may not have the capacity to generate revenue needed to support cost-of-living increases. Tambascia acknowledged that the EB was aware that capacity to support increases may vary across schools and that the resolution could impact schools differently. Recalling past visits from President Folt, a Senator asked if there was a sense of Folt's timeline for recalibrating faculty salaries. Tambascia shared that Central Administration has communicated that the salary benchmarking process this year would include more data provided centrally, but that schools will still be asked to provide data on comparable programs from both private and public institutions. Using these data, Deans are being asked to develop plans to close salary gaps and to work closely with the Provost Office on devising plans within the next three or four years to address any disparities that exist. A few Senators voiced concern about finite pools of money and cost-of-living increases leading to decreases elsewhere, such as promotion and merit pools. Pecchenino indicated that, functionally, there is one pool of money and that more examination of these issues is necessary, particularly given the variation in resources across schools.

Although the proposed Resolution's ask is an obvious and good one, declared one Senator, it is still a small one. The Senator expressed concern that agreeing to the small ask may make it easier for Central Administration to deny requests related to more serious issues, such as low salaries, lack of equity, and salary compression. Pecchenino agreed and emphasized the need for ongoing conversations with Central Administration to address a long list of related issues rather than trying to address them all in one year. Tambascia explained that the intent of the proposed resolution was to be focused and actionable. She offered her reassurance that there would be more resolutions to address other related issues and more efforts to engage faculty councils in addressing issues at the local level. A Senator suggested that it would be helpful to examine the various resolutions and conversations around the compensation package in order to consider the totality of the discussions. She also emphasized the importance of considering unintended consequences of the resolution, such as having to teach an additional course or eliminating some programs.

In response to concerns about wording of the Resolution relevant to concerns expressed by Senators, a Senator offered a friendly amendment to strike the word, "Any" from the beginning of sentence on line 25 of the resolution to read as follows:

> Merit-based compensation, in the form of salary or bonus, should be distinct from this inflation-adjusted compensation base.

Tambascia called for a vote on the friendly amendment.

Motion to amend Resolution 21-22-05. *Passed: 34 in favor and 2 opposed.*

Tambascia then called for a vote on the amended Resolution 21-22-05.

Motion to approve Resolution 21-22-05. *Passed: 44 in favor and 2 opposed.*

<u>Update on PWG on Sustainability Research – Ishwar Puri, Vice President for Research & Dan Mazmanian, Professor of Public Policy and Chair, PWG on Sustainability</u>

Past President Adler introduced Ishwar Puri, Vice President of Research, and Dan Mazmanian, Professor of Public Policy and Chair of the President's Working Group on Sustainability (PWGS), who then offered updates on the PWGS. Mazmanian shared that the PWGS plus its 6 committees includes over 100 members representing faculty, students, and staff. The Research Committee, comprised of more than 20 members, is focused on developing university-wide research themes and support for interdisciplinary teams that address sustainability and social impacts. It has carried out a Strengths, Weaknesses, Opportunities, and Threats (SWOT) type analysis to determine opportunities based on the strengths and needs of the university. The human good has been defined as starting with addressing specific circumstances of Southern California and Los Angeles, with implications for state, nation, and the world. Currently, the Committee is developing two proposals, one involving the creation and implementation of a novel Sustainability Postdoctoral Fellows program and the other a seed program in support of interdisciplinary teams of USC researchers, recently announced by the Office of Research. Other conversations underway involve the possibility of cluster hires and how best to address cross-cutting themes that have emerged, including water and water implications, urban design, and transportation mobility. After providing their update, Puri and Mazmanian responded to questions from the floor. They requested that Senators share with their schools and Deans that the PWGS is available and that more information about the working group can be found at https://sustainability.usc.edu.

<u>Adjournment</u>

Tambascia thanked everyone and adjourned the meeting at 3:57 pm.

Respectfully submitted,

Devon Brooks

Secretary General of the Academic Senate