

Remarks to Iowa Board of Regents on the 10% Cut to the FY2010 Budget

October 29, 2009

Arnold van der Valk, President
Iowa State University Faculty Senate

The faculty of Iowa State University are well aware of the distress, hardships, and pain created in Iowa and around the nation by the ongoing economic crisis. Many of us have spouses, relatives, friends, or neighbors who have lost their jobs. We are willing to make the necessary sacrifices that will enable the university and the state to weather the reductions in state revenues created by this crisis. The faculty senate devoted most of its October meeting to a discussion of ways to reduce expenditures, including those suggested by the Board at its October 14th emergency meeting. In the brief time available, I would like to comment on three of the proposed ways to deal with the latest budget cut: faculty furloughs, reducing university contributions to retirement plans, and increasing tuition.

When evaluating the various proposals to reduce expenditures, we have used a number of criteria, the most important of which are:

- (1) Preserving the core missions of the university, teaching and research.
- (2) Making sure that the short-term savings of measures proposed to reduce expenditures do not have unintended, long-term consequences that make them counterproductive.

Given the size and timing of this latest budget cut, we agree with the Board and President Geoffroy that it is impossible to reduce expenditures by nearly 25 million dollars without having to put faculty and staff on furloughs during the remainder of the current fiscal year. The proposed plan for progressive furloughs has been widely supported by the ISU faculty as the most equitable way for faculty to contribute to reducing university expenditures. It should be noted, however, that furloughs not only mean a *de facto* reduction in salaries, but also a reduction in some benefits, most notably university contributions to retirement accounts. In short, furloughs will enable us to preserve the core missions of the university during this economic crisis with minimal long-term, negative consequences.

On the other hand, another suggested way of reducing expenditures, reducing the university's contribution to retirement accounts temporarily and possibly permanently, has been almost universally condemned as bad policy. This is not only because of its additional negative impacts on faculty compensation, but because of its negative impacts on the future of the university. ISU faculty are among the lowest paid in our peer institutions. For example, in the humanities some faculty are paid less than many janitors and secretaries. One of the few attractive features for ISU's new faculty has been a decent retirement plan. The reduction in the university's contribution to retirement plans would significantly reduce our ability to hire first-rate faculty.

It is the long-term negative consequences of reduced retirement contributions, however, that are the most disturbing. Reducing retirement contributions will adversely affect the amount of money available to future faculty as they approach retirement age. The net result is that they will

continue to work more years. All of the collective savings in reduced university contributions to a faculty member's retirement account are eliminated and then some if that person opts to remain even one more year on the job because they cannot afford to retire. The inability of senior faculty to retire because of insufficient retirement funds is already a problem. In the last year, many senior faculty opted not to retire because of significant declines in their retirement accounts. Even before the ongoing economic crisis and the resulting declines in retirement accounts, this was already a problem in some disciplines. There are senior faculty who would like to retire and administrators who would like to see them retire, but these faculty cannot afford to retire. This blocks the hiring of new, junior faculty, and the revitalization and/or redirection of academic programs that often results from hiring new faculty. Thus the proposed reduction in contributions to retirement accounts exacerbates an already serious problem.

In short, any short-term savings from reducing retirement contributions will be more than offset by its long-term negative consequences for individual faculty and for the university. The best early retirement plan that the university can have is one that allows faculty to retire when they feel that they are ready to retire. Forcing faculty to remain on the job because they cannot afford to retire is in no one's best interest. It is a classic example of a short-sighted, penny-wise-pound-foolish policy.

The ongoing shift of support from the State to students and their parents is deplored by the faculty -- most of whom are also parents -- but it is something over which we have no control. In both the short- and long-term, increasing tuition will be the only way to preserve the quality of ISU's academic programs.