

Northwestern University
Minutes of the Faculty Senate
Guild Lounge and Videoconference
January 11, 2023

The Northwestern University Faculty Senate held its standing monthly meeting on January 11, 2023, in the Scott Hall's Guild Lounge and over Zoom videoconference. President Ceci Rodgers called the meeting to order at 5:01 p.m. A quorum was present.

The president noted that the minutes from the November 9, 2022, meeting were approved electronically and entered into the record.

The president then began her report.

The president said the Senate recently held two important events with university leaders. One was a luncheon with the Board of Trustees. The topic of discussion was "How Can the University Maintain Excellence in Hiring and Retention in an Evolving Employment Landscape?" She said the small group discussions among Senators, Trustees and University leadership was highly productive. Two weeks later the Senate and other top administrators were invited to a reception hosted by at University President Michael Schill at the Buffett House. The Executive Committee met privately with the University President beforehand where they discussed faculty and University priorities. The president noted that both events were successful and demonstrated the important ways in which the Senate develops and maintains the bonds of shared governance.

The president then provided an update on the gender-neutral bathroom resolution the Senate approved in November 2021. Senate leadership recently met with Associate Provost Mark Francis and learned that three bathrooms have been approved and are in the planning or construction phase at Annie May Swift Hall, Ford Engineering Design Center and Fisk Hall. A fourth is near approval for Norris Center.

The president said the work of the Community Safety Advisory Board is done and a final report is expected soon, according to Vice President for Operations Luke Figora. A successor to the CSAB, the Campus Safety and Wellness Committee, has been constituted and will be co-chaired by Associate Vice President of Campus Security and Safety Bruce Lewis and Interim Vice President of Student Affairs Mona Dugo. The president and Senator Celia O'Brien, chair of the Social Responsibility Committee, will represent the Faculty Senate at the committee's quarterly meetings. The president also noted that Vice President Figora will update the Senate on these developments at the next Faculty Senate meeting in February.

Last year, the president said that some senators expressed the desire to see more Northwestern honorary degrees go to recipients in the humanities. The Honorary Degree nomination deadline for the 2024 Convocation is March 1. Senator Luis Amaral has graciously offered his assistance to anyone who would like it, based on his experience with the nomination process.

The president indicated much of the information in her report was in a newsletter she sent to Northwestern-affiliated faculty the first week of the winter quarter. She said that increased communication, both with the Senate and all faculty, was one of her goals this year (the open rate for the email was approximately 34%, which is nearly 3,000 faculty). With such goals in mind, the president said the Senate leadership and staff will also be revamping the Senate website in the coming months.

The president concluded her report.

The Senate then went into a closed session to consider an honorary degree nominee.

After the closed session, the president introduced Provost Kathleen Hagerty and Associate Vice President for Finance and Treasurer Mandy Distel, who gave the annual University budget report.

Provost Hagerty began by providing a strategic overview and context for the University's financial statements, which are [publicly available](#). She said they decided to take this approach to provide faculty with a better sense of the available financial resources, current restraints on spending, and what decisions the administration makes. Currently, the administration is working on resource

planning for Fiscal Year 2024. Provost Hagerty said they have two priorities for FY2024: continued prioritization of faculty and staff compensation and developing further capacity for future academic investment. For the former, Provost Hagerty said continuing to increase salaries can be challenging because salary and compensation are such a large portion of the operating budget, approximately 60%, or over \$1.5 billion. Nonetheless, increases in salary will remain a priority, she said. Provost Hagerty also said that in addition to increasing salary for faculty already at Northwestern, faculty hiring plans for FY2024, FY2025, and FY2026 (the University prepares rolling three-year plans for spending) have been approved or pre-approved and represent nearly \$109 million in University-wide investment. Likewise, several academic capital projects are underway (not a comprehensive list according to Provost Hagerty): Jacobs Center renovation, InQbation lab at 1801 Maple Ave, build-out of Mudd Hall 4 & 5, and Tarry building renovations. Provost Hagerty added that the administration is also investing in IT capital to enhance research computing, data science, and various other research needs.

Provost Hagerty said the University's financial position remains strong overall, with both a positive operating margin and a resilient balance sheet. She noted that this outlook puts the University in a good position to invest in and strengthen the academic enterprise while keeping careful watch over pressures facing all universities today, such as the ongoing fallout from the pandemic, the downturn in the (stock) market, stubborn inflation, and the ripples effects of the war in Europe.

Associate Vice President Distel then provided an overview of the University's operating revenues and expenses. She detailed the five major categories of the University's operating revenues: grants and contracts (\$828.5 million, or 29%; can only be spent on research), tuition and fees (\$740.9 million, or 26%; actually about \$1.2 billion, but \$560 million is spent on financial aid), endowment payout, investment income, and pledge payments (\$665.5 million, or 23%; endowment payout set by the Board of Trustees), sales, services, and other (\$380.1 million, or 13%), and private gifts (\$270.9 million, or 9%). Associate Vice President Distel then shared the major categories for operating expenses: salaries, wages and benefits (\$1.56 billion, or 57%; about \$300 million is supported by grants), non-personnel expense (\$895.1 million, or 32%), and depreciation and interest (\$295.1 million, or 11%).

Associate Vice President Distel stressed that all of Northwestern's financial reports (school, unit, department, etc.) are consolidated into one statement. They show Northwestern's wealth, annual performance overall, and cash usage. However, school and unit management budgets are used to develop and manage budgets as well as assess performance.

Provost Hagerty elucidated some of the nuance in the consolidated budget by delineating between appropriated schools (Weinberg College of Arts and Sciences, School of Communication, School of Education and Social Policy, McCormick School of Engineering, the Graduate School, Bienen School of Music, Medill School of Journalism), which are partially supported by budget appropriation along with other school-specific revenue sources, and non-appropriated schools (Feinberg School of Medicine, Kellogg School of Management, School of Professional Studies, and Northwestern-Qatar), which keep their own revenues, but also must support their own expenses, including central overhead costs. There are also auxiliary units (such as residential services, parking, and athletics), which use revenues from sales and services to support operations, and administrative units, which are supported by a budget appropriation. Provost Hagerty said these distinctions are important because, since the operating expenses for the University are consolidated, they only show a surplus or a deficit. However, if there is additional money left over, it is already appropriated to a school or unit for the following year. That money then essentially belongs to the school or unit.

Senator Amaral asked about the overhead rate (the annual payment to central administration for overhead costs) at non-appropriated schools and whether those numbers are ever re-negotiated, and if so, how often those numbers assessed. Associate Vice President Distel said Northwestern's model for overhead rates changes depending on rate of growth at the University. She said they examine expenses and revenues annually.

Associate Vice President Distel said the amount of additional money left over from the operating budget for FY2022, was generated in the following areas:

- Appropriated schools = ~17%
- Non-appropriated schools = ~50%
- Auxiliary and administrative units = ~33%

Associate Vice President Distel said there are future commitments against those surplus funds.

Associate Vice President Distel then went into the financial results for FY2022 (linked above).

Overall, net assets for the University decreased by \$711.5 million in FY2022, due in large part to poor performance in endowment investments. Similarly, there were some large changes in revenue and spending from FY2021 to FY2022. Associate Vice President Distel broadly attributed these changes to a return to normalcy after two years of Covid restrictions, i.e. more people on campus meant more revenue coming in from services like dorms, but also more spending on items like travel and in-person events. All told, the surplus was \$138.7 million.

Associate Vice President Distel then gave a budget overview for FY2023. She first listed the budget priorities outlined in previous public statements: growth in compensation for faculty and staff; supporting academic priorities; funding the design and construction of major capital projects; investing in facilities and IT infrastructure; and investing in diversity, equity, and inclusion goals. Associate Vice President Distel also highlighted how the University thinks about faculty compensation growth when they build the budget. She said that faculty recruitment and retention costs are funded separately from the annual merit pool for faculty and staff. These separate funds are used for faculty hiring plans, tenure-track promotions and retention, and additional compensation in support of sponsored research.

Associate Vice President Distel said that the FY2023 budget outlook is positive. She said successful hiring strategies have decreased the staff vacancy rate. She added that non-personnel expenses, such as events, travel, and professional development, now exceed pre-pandemic levels. Also, they are continuing to track inflationary pressures on both compensation and non-personnel expenses.

Provost Hagerty then highlighted the FY2024 resource planning process. She said that at the beginning of the fiscal year the administration holds a series of discussions to determine overarching components of the University's budget. Beginning in late January, each school presents its strategy and funding options to University leadership for consideration. In March, a range of tuition rates for FY2024 will be brought to the Board of Trustees' Finance Committee for consideration, along with information about financial aid. Provost Hagerty noted that the Faculty Senate and the administration have a formalized process for ongoing Faculty Senate representation in the

University's annual resource planning, and there are several touchpoints throughout the year where faculty can provide input. In March and April, the Resource Planning Workgroup meets and makes decisions about allocations. They then communicate those decisions to the University leadership in May, for their review and approval. Finally, the administration presents the budget to the Board of Trustees for approval in June.

Following the conclusion of the budget report, the president opened the floor for questions.

Senator Ezra Getzler asked if there was a date for when graduate student stipends will be announced. Provost Hagerty said they will announce that very soon. Senator Getzler also asked about the portion the Feinberg School of Medicine is responsible for in the non-appropriated schools and in the University's overall budget appropriation. Associate Vice President Distel said she did not have the exact numbers, but, looking at overall activity for the University, Feinberg is less than half, but close to approaching half. She also said that the research enterprise on its own is a much different and higher proportion.

Senator Kyle Henry asked if the Board of Trustees has ever tried to renegotiate terms with donors to pull funds back into the general operation fund pool. Provost Hagerty said she was not aware of that ever happening. Senator Henry then asked about the current staff vacancy rate. Provost Hagerty said at the peak there were 800 vacancies. She said now they were down to about 500.

Senator Karen Alter asked if last year was exceptional to when faculty hiring plans were approved (Senator Alter indicated that approvals were late in terms of the hiring cycle) and also asked for an explanation on how special draws on endowments work, specifically related to the letter from the Organization of Women faculty asking for a special draw to mitigate some of the added deferred maintenance costs and depreciation and interest charges. Provost Hagerty said the depreciation and interest expense has less to do with deferred maintenance than setting aside funds for the cost of, for example, a building over that structure's lifecycle and the interest related to any borrowing needed for the project. She said it is a way to gradually pay off a project's cost over a certain length of time. Deferred maintenance is more of a one-time cost related to a building's upkeep. Senator Alter said it was hard to contextualize the 11% in interest and depreciation. Provost Hagerty said that number is a little bit higher than usual because of the building spree between 2014-2018. She

added that the share of each of these categories (grants, tuition, etc.) hasn't changed, but rather the scale of them has due to the increase in the University's stature and related spending. Provost Hagerty also noted that she did not want to speak for the Trustees in terms of a special draw.

President-Elect Regan Thomson asked if graduate student tuition paid for by grants was included under "grants and contracts" or "tuition and fees." Associate Vice President Distel said the revenue source is a part of grants and contracts and it flips to an expense when considering tuition.

President-Elect Thomson asked how much grant money the University uses on graduate student tuition. Associate Vice President Distel said she didn't have that number on hand.

Senator Alter asked about how graduate student unionization would impact the budget—will the graduate student budget rise? Senator Alter also asked about faculty compensation and the categories therein, specifically adding an equity pool along with the merit and non-merit pools.

Provost Hagerty said she and President Schill both agree that equity and falling behind on salaries is an issue that needs to be addressed. She said the question now is one of strategy: How should be money be distributed? A lump sum to the schools and allow the deans to decide? Should individual equity or departmental equity be weighted? Regardless, she said, they are going to be looking at the problem and deciding on a way to solve it. And, as far as the graduate students, Provost Hagerty said they value them tremendously. The University wants excellent graduate students and must see what it will take to continue to attract them and support them.

Senator Barbara Newman asked how the University determines the lifespan of a building for depreciation costs. Associate Vice President Distel said the University makes an assumption on the useful life of a building when determining depreciation. They then use a set assumptions for the accounting treatment, but it often does not align with the actual lifespan of a building.

Senator Amaral began by acknowledging his comment was more a provocation than a question. He asked if the University might begin to assess the way it categorizes schools—appropriated or non-appropriated—to see if there is, for example, unnecessary duplication or perhaps something that does not make sense. He said one of the systems, in his view, that makes little sense is the salaries for faculty in Feinberg must be tied to grants. He said there could be a mechanism where Feinberg would have to pay their faculty's salary instead of through grants. Provost Hagerty said they do think

deeply about how the University is managed. She said there are constraints sometimes with regard to how a certain academic field operates and the market is then dictated by the norms within that field. And with regard to additional money left over at the end of the year, Provost Hagerty said that money is then spent on building maintenance and other costs the non-appropriated schools are responsible for.

Senator Angela Lee said if the surplus will not stay at the non-appropriated schools there will not be a surplus. They will use the additional because they know central administration will take it back at the end of the year. President Schill, who was in attendance that evening, spoke briefly to Senator Amaral's and Senator Lee's comments. He said universities tend to move slowly, and for good reason. Shared governance takes time and deliberation. He did say that Senator Amaral's challenge is a good one—questioning should always be taking place. He also mentioned the OWF letter and how without that challenge they might not have had some of the recent conversations they had about lagging salaries. President Schill then reiterated his main point, which was they are listening to faculty.

Senator Carol Schmidt asked how much the budget changes over the course of discussions with different stakeholders throughout the year. Provost Hagerty said there are a lot of things that can't change, like faculty and staff wages and non-personnel expenses. Likewise, the endowment's payout is designed not to change a lot. She said they don't want cutbacks like the one that occurred during the pandemic. Typically, they want things to remain stable. Senator Schmidt also asked about the price of housing on campus. Associate Vice President Distel said she thinks of the dorms in relation to the non-appropriated schools. Those auxiliary services have to support their services with revenue.

Senator Henry said that if open staff vacancies are around 500 and pre-covid vacancies were around 200, these continued vacancies continue to affect faculty research and production. He then asked what the Board of Trustees has been told about what is happening on the ground in terms of staffing. Provost Hagerty said the information they give the Board is the same as it is to the faculty. She said the data is the data. She said salaries are a recurring expense and that the University can't do recurring expenses with one-time payments. Senator Henry then asked how Northwestern becomes a preferred employer in the area in the midst of what he said many of his colleagues are dubbing a

crisis. Provost Hagerty said HR is working hard to get the openings filled and that Vice President Goffe is the best one to ask.

Senator Fred Turek said the designations between appropriated and non-appropriated have not been static for a century, but rather have changed in the last few decades. He said Feinberg used to be an appropriated school and around 30 years ago it was negotiated that they were to become a non-appropriated school.

With no further discussion, the president thanked Provost Hagerty and Associate Vice President Distel.

The president then asked if there was any new business. Seeing none, the meeting adjourned at 6:28 p.m.

Respectfully submitted,
Jared Spitz
Secretary to the Faculty Senate