

EDITORIALS

Not so fast, legislators

"Illinois has experienced long-running and intensifying operating fund liquidity pressure, given faster growth in expenditures than in revenues."

—Moody's Investors Service, Dec. 29.

The state of Illinois' debts and unfunded liabilities now total a future-killing \$160 billion. A habit of "faster growth in expenditures than in revenues" will do that.

This week, many of the lawmakers who engineered Illinois' spectacular record of failure are returning to Springfield for a final few days of last year's legislative session — and they're in a rush to grab gobs of new revenue. Plans are afoot to raise the 3 percent state income tax to either 4 percent or 5 percent. To vastly expand legal gambling at casinos and racetracks. To borrow \$3.7 billion for state employees' pensions. Or to blow well beyond that unjustifiable new debt and instead borrow a total of \$15 billion to feed the pension beast and also pay down a backlog of bills.

Only one force of nature stopped several of these notions from becoming law in 2010: the solidarity of Republican legislators who refused to suck still more billions into Springfield until majority Democrats make radical reforms to how Illinois manages the money it already collects. We hope that solidarity doesn't vanish just because Democratic leaders are frantic to jam as much action as they can into these few days.

The 2010 General Assembly is about to turn into a pumpkin. The new General Assembly, with more Republicans (and some freshman Democrats who campaigned as responsible money managers), takes over Jan. 12.

The overriding danger here is that Gov. Pat Quinn, House Speaker Michael Madigan and Senate President John Cullerton will create some hydra-headed monster before that date — a deal that combines several financial proposals — and foist it with little or no warning on the people of Illinois. Think back to the Springfield Surprise by which legalization of video gambling sped through the 2009 legislature and you have a sense of how much chicanery can erupt instantaneously in the state capital.

That's primarily because so many lawmakers are short-term thinkers — unable to anticipate dreadful consequences tomorrow of what they do today. Which is how that roughly \$160 billion in

debts and unfunded liabilities grew so mammoth: one quickie decision after another, with no long-range reform of how Illinois does business.

Many of these folks don't want to change how Illinois does business. Ask yourself what has changed in Springfield since these words appeared on this page one year ago Monday:

No more servings of Springfield Surprise

Your state is in dreadful shape financially — well on its way to being New Michigan or, worse, New California. ... The list of money-saving moves private companies long ago would have made goes on and on. One result of the pols' chronic refusal to respect the public's money as if it was their own: Officials of this state, and too many county governments, deliver greater loyalty and more secure futures to their public employees than they deliver to the citizens who pay their salaries. That's unjust. Illinois pols cannot ask for more in taxes until they reform how they spend the tens of billions they already collect each year. ... Another loopy preconception that needs to be jettisoned: That Illinois can sustain itself by continuing to borrow.

Well, since you read that passage, your Illinois lawmakers have:

- Managed to drive the state's credit rating to the worst — yes, below Michigan's and California's — in the nation. And Moody's certainly appears as if it's plotting yet another costly downgrade of Illinois bonds.

- Appeased the public employees unions by refusing to modify future pension benefits earned by current workers.

- Continued to borrow and borrow and borrow, burying *our* children and grandchildren even deeper in *our* debts.

We hope the current legislators — and especially those who'll leave office next week — will stand strong against proposals that would further doom Illinois' future. We hope they'll continue to demand significant spending reforms before new revenue washes on Springfield.

We also hope legislative leaders don't hand the rest of us another serving of Springfield Surprise. Whatever deals you cut, lawmakers, make sure you give the people of Illinois three or more days to react before you conduct your final votes.

Because, come Jan. 12, the 2010 legislature will be history and some of its members will be gone. But the rest of us who live in Illinois will have to contend for a long time with whatever good — or irresponsible — governance happens in the next few days.

Bloomberg

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Professor Buyouts Rising at State Schools as Budget Cuts Squeeze Pensions

By David Milkenberg and Janet Lorin - Jan 4, 2011

Darrell Fasching planned to keep teaching religious studies at the University of South Florida until he was offered a year's salary of about \$90,000 to retire and give up tenure rights earned over almost three decades at the school.

Fasching, 66, took the cash and left the Tampa campus Dec. 21, joining hundreds of professors at flagship universities from Illinois to Nebraska and Texas who have been coaxed into retirement with offers of as much as two years of pay to reduce operating costs.

Tenured teacher pay averages \$117,000 a year at the top 200 U.S. public universities, according to figures from the Washington-based American Association of University Professors. Annual contracts for replacement instructors cost an average of \$52,500, the group said in an April report.

With the Center for Budget & Policy Priorities in Washington forecasting U.S. states will face fiscal 2012 deficits totaling \$140 billion, "these buyouts will become more common," said Roger Meiners, who teaches economics at the University of Texas at Arlington.

"Most states have horrific budget problems and they haven't dealt with the kinds of cuts in higher education that are going to be necessary," he said in a telephone interview.

State support for colleges and universities fell 3.5 percent to \$75.2 billion in fiscal 2010, following a similar drop in 2009, according to figures from the Center for the Study of Education Policy at Illinois State University in Normal.

Growing Demand

"Enrollment meanwhile continued to grow even faster, in some states by more than 10 percent," said Paul Lingenfelter, president of Boulder, Colorado-based State Higher Education Executive Officers, in an analysis posted on the association's website. "Severe budget shortfalls and unmet educational needs are reaching crisis proportions, and budget reductions are continuing" in some states, Lingenfelter said.

Florida, which may face a deficit of more than \$3 billion in the next fiscal year, cut funding for its 11 public universities by 22 percent from 2008 to 2010, University of Florida President Bernie Machen said in March. Tuition was permitted to rise as much as 15 percent this year at the Gainesville school, the budget and policy center in Washington said on its website in November.

“The budget picture in Florida is very bleak and things aren’t looking any better for next year,” said Fasching, the retiring professor in the fourth most-populous state. He said Florida’s economic outlook prompted him to take the buyout.

Missouri State Offer

Missouri State University in Springfield is offering up to \$25,000 in bonuses to the first 50 qualified professors who agree to retire, according to information posted on its website. The school offered buyouts to faculty members last year as well.

“We anticipate having a significant reduction in our state appropriations for fiscal year 2012,” President James E. Cofer Sr. said in a Dec. 17 statement on the website. With 70 percent of Missouri State’s budget paying salaries and benefits, Cofer said, “there is little doubt that personnel will be affected by the reduction.”

Nationwide, state spending for each full-time student fell 5 percent in the past academic year and 9 percent the year before, the College Board said in an Oct. 28 report. Tuition and fees for in-state students at four-year public schools rose an average of 7.9 percent this academic year to about \$7,600, it said. Costs have risen 5.6 percent annually through the past decade, after inflation, the New York-based nonprofit said.

Texas A&M University in College Station convinced 104 professors to retire, said Karan Watson, the interim provost. At the University of Texas in Austin, 27 of 88 eligible professors in the College of Liberal Arts accepted buyouts totaling two years of salary, said Gary Susswein, a spokesman.

Richer Offers

Buyouts like those offered in Texas are expensive, and schools must have the resources to provide them, said Ronald Ehrenberg, an economist who teaches labor relations at Cornell University in Ithaca, New York. Moody’s Investors Service rates the University of Texas System’s debt Aaa, its highest grade. The University of Texas Investment Fund managed \$25.1 billion in assets as of Nov. 30, according to a statement on its website.

The Texas system’s endowment, which includes Texas A&M and other schools, is the fifth-largest among U.S. colleges, behind Harvard University in Cambridge, Massachusetts, Yale University in

New Haven, Connecticut, Princeton University in New Jersey and Stanford University, adjacent to Palo Alto, California. Just 23 four-year schools have Moody's highest debt rating, including Harvard, Princeton and Yale.

State appropriations cover 14 percent of the University of Texas's budget, down from almost 60 percent in the 1976, Susswein said.

Anticipated Savings

The buyouts may save the two schools more than \$15 million a year, based on average salaries for the departing educators of about \$89,000 at Texas and \$120,000 at Texas A&M, said Watson and Susswein. Texas cut spending at its public universities and other state agencies by 7.5 percent over the past two years and is seeking 10 percent more over the next two years to cope with a projected deficit of more than \$15 billion, Susswein said.

"It's short-run budget pressures that are driving this," Ehrenberg said in a telephone interview. "The danger is you may lose your most talented faculty."

To avoid losing academic stars, Chancellor Harvey Perlman at the University of Nebraska at Lincoln reserved the right to approve individual buyouts that were accepted. The incentives included a year's pay for professors who were at least 62 years old and taught at the school for 10 years or more, said David Lechner, vice president for business and finance. Perlman hasn't disclosed how many professors will participate, Lechner said.

Tenure Protection

Tenure rules and laws prohibiting mandatory retirement can make removing senior instructors difficult, said Meiners, the University of Texas economist who co-authored "Faulty Towers." The 2004 book examines the effects of the job-protection system.

Educators typically earn tenure over five or six years based on teaching performance, research and professional service, said John Curtis, research director at the American Association of University Professors, in a telephone interview. The system is supposed to protect academic freedom and promote innovation rather than promise a lifetime job, he said.

Private colleges and universities have cut budgets because of falling endowment returns and rising competition for tuition dollars, Curtis said. Mostly, they've resorted to freezing wages and hiring and curbing benefits, he said.

At Harvard, retirement incentives were offered to 176 professors 65 or older with at least 10 years on the job, according to last year's annual faculty report. It said 46, with a median age of 70, accepted.

Lasting Effect

The effects of departures by the most-seasoned professors may not show up immediately in schools they leave, Curtis said.

"Experienced and active faculty members who will be leaving and replaced in the short-term are going to be followed by people who are much more transient," Curtis said. Instructors lacking tenure don't have as much support to develop new courses or work with students outside of class, he said.

At Texas A&M, senior faculty turnover had slowed since 2008 because diminished retirement savings made it harder to quit, said Watson, the interim provost. The collapse in assets from the start of the financial crisis to March 2009 erased \$11 trillion from the value of U.S. equities, according to data compiled by Bloomberg.

South Florida's Fasching had postponed his retirement after U.S. equities fell to a 12-year low in March 2009, cutting his retirement savings by a third. "The one-year salary they offered me was enough to put me over the top," Fasching said.

Costs May Rise

In California, which is facing a \$22 billion budget gap for the year that begins July 1, faculty buyouts aren't being contemplated, according to Dan Simmons, a law professor in Davis and chairman of the system's academic senate. Even so, retirement costs may rise faster than projected.

One group of administrators including academic deans is pressing state university regents to increase retirement benefits for those who are the best paid, earning more than \$245,000 a year, Simmons said. The group wants the increases to be retroactive to 2007, adding \$51 million in costs to the system's pension, which already confronts a \$21.6 billion funding gap, according to Peter King, a system spokesman.

Buyouts may have an unintended consequence, by prompting senior faculty members to postpone retirement because they anticipate another incentive plan, Cornell's Ehrenberg said. "Once you do it, people will hang around, hoping you'll do it again," he said.

Illinois Buyouts

About 133 professors age 55 and older at the [University of Illinois](#) in Urbana-Champaign took buyouts offered last year which included a half a year's salary, said Michael Andrechak, associate provost for budgets and resource planning. The state, which faces a deficit equivalent to more than half its \$26 billion general-fund budget, owes its university system \$400 million, he said.

Removing senior professors will provide little benefit for the Illinois employee retirement fund because the money has already been pledged to the educators, Andrechak said. About \$1.7 billion of the state's \$5.3 billion backlog of bills for fiscal 2011 was owed to its pension plans, Moody's said in a Dec. 6 report.

About 59 percent of employees of U.S. universities participate in defined-benefit plans, mostly sponsored by state governments, according to TIAA-CREF, the New York-based nonprofit that specializes in retirement plans for educators.

Tenure and union contracts hinder administrators as they try to cut personnel costs quickly and cheaply, said [George Leef](#), research director at the John William Pope Center for Higher Education Policy in Raleigh, [North Carolina](#).

"You've hardly seen any hardball tactics except at institutions that are on the verge of collapse and only then do they get serious about reducing costs," Leef said.

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At 2 Texas Campuses, Faculty Buyouts Create Staffing Headaches

By Katherine Mangan

Austin, Tex.

More than 130 tenured professors at Texas' two flagship universities have accepted buyouts that are expected to save their financially constrained departments nearly \$18-million a year.

The offers, which included up to two years of pay for some liberal-arts professors, have provided a needed cushion for faculty members who were ready to retire, a bonus for some who wanted to move to other jobs, and new leases on life for a few lecturers who were due to be terminated. But they also created end-of-semester headaches for department chairs who had to quickly reshuffle their teaching rosters.

The retirement incentives are the latest responses by the University of Texas at Austin and Texas A&M University at College Station to continued state budget cuts. State universities absorbed a 5-percent cut during the 2010-11 biennium and have been asked to plan for an additional 2.5-percent cut this fiscal year and a possible 10-percent reduction over the next two-year budget period, which starts this coming fall.

Both universities had already laid off adjuncts, lecturers, and staff members.

Tenured faculty members, whose jobs come with a guarantee of employment, got a carrot for leaving instead of a stick moving them to the door. The University of Texas offered buyouts over the summer to 71 tenured professors in the College of Liberal Arts. The criteria: A person's age plus his or her years on the faculty had to exceed 93. The professors were offered a lump-sum payment equaling two years of salary if they left at the end of the fall semester, and they had until October 18 to decide.

Twenty-seven faculty members in the College of Liberal Arts accepted the offer, and their departures are expected to save the college \$2.4-million a year. Four more in fine arts and communication also accepted buyouts.

Texas A&M's flagship campus also extended offers to tenured professors who had worked there for at least 15 years. The 104 faculty members who accepted them received nine months' to 18 months' pay and can work through August 31. The university expects to save more than \$15-million a year.

Filling Teaching Spots

The early retirements have freed up money for strapped departments but created administrative hassles for their leaders.

Six of the 76 faculty members in the University of Texas' English department accepted buyout offers. But because two of those professors had been scheduled to teach large sections of a required class, "Masterworks of Literature," in the spring, "we were suddenly looking at two classes with 200 to 250 seats each that couldn't run," said Elizabeth Cullingford, the department's chair.

(The department usually offers 10 sections of the course, each with up to 250 students, per semester.)

Ms. Cullingford was able to fill one teaching spot from her existing roster. "We found a willing associate professor who has taught the course before and switched her into it," she said.

But there was no one available to teach the second section. So department administrators added about 30 more students to each of the remaining sections, and some students who had hoped to take the course in the spring will have to wait until summer or fall.

These actions highlight the positive and negative sides of the buyout offer, Ms. Cullingford said: "As chair, you're thinking of your faculty members as people. One professor was longing to retire, but his 401 (k) had taken a huge hit. This allowed him to retire when he wanted to." On the other hand, "We lost a couple of people we didn't expect or want to lose."

Ms. Cullingford also hired a lecturer to replace a professor who was scheduled to teach creative writing.

Life-Changing Choices

José E. Limón, a professor of English and director of the Center for Mexican-American Studies at the University of Texas, decided to take the buyout offer even though at 66, he was at least four years away from his planned retirement date.

In January, he will begin a new phase of his career as a tenured professor of American literature at the University of Notre Dame, which accelerated its usual hiring process to assure him a job offer by mid-October—his deadline for accepting the Texas offer.

When he received the early-retirement pitch in the summer, "It was anxiety-producing, to say the least. For me, the overriding consideration was that I wasn't ready to stop working." He said he feels fortunate to have found a way to continue. The extra money is a nice bonus, he admitted.

While he is grateful for that, he is saddened by the circumstances that led to the buyout offer. "Some part of me is unhappy in the sense that it reflects the economic difficulties the university and state are going through," Mr. Limón said.

Another longtime faculty member in the Texas system is also using the incentive to move on to another university.

Thomas M. Woodfin, 58, had been an associate professor of landscape architecture and urban planning at Texas A&M when he received the buyout offer, which included nine months' salary. Mr. Woodfin was already considering a move to the University of Oklahoma. The buyout money sealed the deal. This week he'll begin as director of landscape architecture in the College of Architecture at Oklahoma.

"It's energizing. I'm looking forward to it," Mr. Woodfin said.

Some professors, though, are really ready to retire, and they are using the buyout to help pave the way. Thomas M. Cable, 68, is leaving the University of Texas's English department for more time, of "being at my desk."

"The best reason to retire is to have time for the reading and writing that I have been doing while teaching, although always in a way that has put teaching first," he wrote in an e-mail message from Burgundy, France. "There is a plain necessity of being in class at a certain time, and being there prepared, that does not hold for being at one's desk. Now being at my desk will have priority."

The department didn't have to look far to find a replacement for him in a graduate poetry seminar. Susannah Hollister, a 32-year-old postdoctoral student, will step in for her mentor this spring.

Hiring Back Instructors

At Texas A&M, each department was permitted to keep the money that was freed up through the "voluntary separation program," said Karan L. Watson, interim provost and executive vice president for academic affairs. In some cases, department heads who were faced with ballooning class sizes hired back departing faculty members or laid-off adjuncts to teach a class or two.

Graduate students will teach a few more courses in English, said Paul A. Parrish, a 66-year-old professor of English at Texas A&M

who is leaving but plans to expand his home office and continue working on projects with scholars around the country. He also plans to spend more time woodworking and gardening.

He hopes that the departures of senior professors like himself will mean that fewer adjuncts and lecturers will have to be let go.

Walter C. Daugherty, 64, a longtime senior lecturer in computer science at Texas A&M, received a notice in August that he would be out of a job by the following August. Lecturers teach a disproportionate share of the department's courses.

"When the termination notices were issued to all four lecturers in my department, it was a big shock," Mr. Daugherty said. "But with 12 months' notice, then the voluntary separation agreement, I postponed looking for a new job, expecting they would use the savings to retain lecturers."

That didn't happen, but Mr. Daugherty did receive a one-year reprieve, and he will be teaching through August 2012.

And like other laid-off lecturers, he hopes his department will conclude that it would get a bigger bang for its buck hiring them back than using their savings to bring in tenure-track professors.

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