Report of the University of Rochester Faculty Salary Reduction Advisory Committee

May 19, 2020

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Summary

This report summarizes the formation and work of the Faculty Salary Reduction Advisory Committee (FSRAC), the options it has considered for reducing the cost of the salaries of UR faculty, and options it proposes for the administration to consider. It also details additional cost-saving measures that could be adopted or considered, either simultaneously with these options or at a later date.

Our findings and recommendations:

I. **The current situation:**
   A. **Existing impacts on faculty** include suspension of the faculty merit raise program (a $2M reduction in AS&E, Eastman, Simon, and Warner, annually), a loss of access to resources for research, and increased workloads due to the hiring freeze and on-line instruction. In addition, faculty at SMD have been told to plan for a salary cut of 10% of the portion above $100,000 effective July 1.
   B. **Other cuts at the university**: Many staff have been furloughed and laid off. Administrators have reduced their base salary by 20% of the portion above $200,000 effective May 1.
   C. **Peer comparison:** Most of our peer institutions have implemented faculty salary and hiring freezes. Three peer institutions (Duke, Johns Hopkins, and Northwestern) have eliminated retirement contributions for one year. Some public universities have implemented a progressive furlough schedule. No peer institution has announced widespread salary cuts.

II. **Short-term alternatives:**
   A. **Reduce faculty compensation for FY2021Q1 (July 1-Sept 30, 2020):** Faculty compensation reductions starting July 1 reflect our desire to express solidarity with the staff, faculty and administrators who have already taken pay cuts, and to protect the lowest earning workers in the future. This proposed cut is comparable in scale to that announced for SMD faculty.
   B. **Progressivity**: A faculty compensation reduction equivalent to 2% on the portion of base salary above $50,000, and an additional 8% on the portion of base salary

over $118,000. This cut results in an average reduction of 0.8% for those earning below $100,000, 2.4% for those earning between $100,000 and $200,000, and 5.7% for those earning above $200,000. This proposal balances the goals of progressivity and shared sacrifice. All faculty members would contribute, but the most vulnerable would be protected from the largest cuts.

C. **Furloughs or Retirement Contributions**: Our proposed compensation reduction should be implemented as furloughs or as changes to retirement contributions so that it is structurally temporary.

D. **Metrics**: The Committee will collaborate with the administration to establish clear metrics to indicate that compensation reductions can be ended.

III. **Long-term recommendations:**

A. **Continuing efforts**: The Committee will meet at least monthly and review the need for continuing reductions beyond September 30. Considerations will include analysis of the evolving budget picture, including savings and revenue losses, and continued analysis of measures taken by peer institutions.

B. **Transparency:** Access to relevant data was identified as a matter of great concern by many of the 200+ faculty members who commented on the Committee's May 11 memo. Before recommending additional reductions, the committee will need sufficient data in order to understand the school budgets.

C. **Shared understanding of budgets**: In order to make effective recommendations to the administration, the Committee needs to know how any faculty compensation reductions fit into the complete budget picture of the University, including: total current and projected budgetary shortfalls, which shortfalls are the result of pre-existing structural deficits, and which are the result of COVID-19 related changes; the amount of savings that must come from faculty salaries, the amount of savings coming from other reductions in expenditures; and plans for revenue generation to recoup the losses in the future.

Formation of the Committee and History Since Its Formation

The Faculty Salary Reduction Advisory Committee (FSRAC) was constituted on April 26, 2020, at the request of the President and Provost, to consider, evaluate, and propose plans for temporary faculty salary reductions to address current and anticipated budget shortfalls at the University resulting from the COVID-19 pandemic. Eight of its members were selected by the Senate Executive Committee to represent all of the schools (AS&E, Eastman, School of Medicine and Dentistry, School of Nursing, Simon, Warner), a range of disciplines and areas of expertise, and faculty ranks, and two members were elected by the Faculty Senate. All ten members came from nominations made by the whole faculty.

On May 2, the leadership of URMC announced a range of cost-cutting measures in response to its pressing financial situations, which included faculty salary reductions at the School of Medicine and Dentistry of 10% of the portion of base salary over $100,000.

While representatives from the Medical School serve on the FSRAC as liaisons, the President and Provost have indicated that the Committee's proposals will not apply to faculty at the Medical Center or School of Nursing. Therefore, the Committee's discussions at least at this stage, have only related to faculty in AS&E, Eastman, Simon, and Warner. On May 11, the committee learned that the School of Nursing faculty salary reductions will be decided separately by the faculty of the SON. Also on May 11, the Committee issued a memo to the faculty describing its guiding principles, considerations, and possible scenarios, and asked for faculty feedback. More than 200 faculty members commented on the contents of the memo. The FSRAC discussed a draft report with the President and Provost on May 15. The FSRAC is presenting an update on its findings and recommendations to the Faculty Senate on May 19.

Salary Reductions in Context of Previous Actions

In April, the University announced that the faculty raise pool for 2020-2021, which has been 2% for many years, will be 0%. We estimate this change saves the university $2 million, annually in faculty compensation at AS&E, Eastman, Simon, and Warner. Faculty hiring is also frozen at the University, and faculty and staff numbers will be smaller than in past years. Faculty expect, as do many other staff and administrators, that our workloads will likely increase as we aim to make our instruction flexible in response to the COVID-19 health crisis. At some schools, teaching loads for full-time faculty are expected to increase as graduate instructors and contingent faculty are not hired to teach classes.

The Charge of the Committee

The AAUP Statement on Government of Colleges and Universities[1] holds that matters of faculty status should primarily be decided by faculty and that faculty should actively participate in the determination of policies and procedures governing compensation.

The Faculty Salary Reduction Advisory Committee will

- Obtain an understanding of the financial situation of the University that motivates the administration's proposed target(s) for reductions in faculty compensation.
- Reach out to faculty throughout the University to gather input, ideas, information, and concerns.
- Propose and evaluate principles for carrying out the reductions required to meet these target(s). The evaluation will include equity, ethical, retention, and practical issues, as well as cost savings that can be realized in different proposals.
- Work with the administration to propose a long-term plan for restoration of salaries under different financial scenarios with consideration of the same issues used to evaluate the planned reduction.
- Report to the Faculty Senate on this work.
- Remain in existence as a committee, meeting regularly to review the need for continuing reductions in faculty compensation, until the fiscal crisis ends and compensation for all faculty is restored to its full levels.

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[1] https://www.aaup.org/report/statement-government-colleges-and-universities

Data Sought and Data Received from the University Administration

The FSRAC began making requests for data covering a number of areas on April 30, and availability of and access to data was a topic of our May 15 meeting with the President and Provost. We need these data to do our work over the coming months and we will continue to try to reach an understanding with the President and Provost on how more data addressing our requests can be provided in the near future.

Data requests fall into six major categories:

1. Operating budgets for schools not included in the URMC budget process (AS&E, Simon, Warner, Eastman) for FY2020 (July 1, 2019-June 30, 2020), projections for FY2021, and past years to document trends since the Great Recession of 2008-2009.
2. Data on admissions and projected tuition and other revenue, broken down by students affected and not affected by likely travel and visa restrictions, for each of the above schools.
3. Data on the endowment of each of the above schools, restrictions on those funds, and past and current endowment draw.
4. A current faculty census, by rank and track (instructional, clinical, tenure), in each of the schools, current projections for FY2021, and past data to document trends.
5. Anonymized individual faculty base salaries in the schools above, with access to reports on these separated by gender, school, and field groupings. We also requested information on other sources of compensation such as summer salary and external grants.
6. Sufficient anonymized data on administrator salaries to analyze the compensation reduction of this group as a function of base salary.

Data received to date

Initial data on projected FY2021 operating budgets was shared by the Provost with the Senate on April 28, and with the FSRAC. The FSRAC has recently received, but not yet analyzed, a more detailed budget broken down by school. These operating budgets do not yet include other cost cutting measures taken by the university, nor do they allow us to understand any need for faculty salary reductions.

The FSRAC has received anonymized faculty base salaries, without the categorization by gender, school, and field, and analysis of these is presented in the report. The FSRAC has collaborated with the Provost’s office on a framework for producing reports on the effect of salary reduction scenarios on each of those categories, and expects those results soon.

The FSRAC understands that the admissions and tuition information resides with the units. We have obtained data from the College of Arts, Sciences & Engineering, analysis of which is presented in this report, and have proposed to the President that the Deans of the other units be charged with providing this data. Similarly, the FSRAC has proposed that the Deans be charged with providing Faculty Census data to the FSRAC.

On May 15, the FSRAC learned that the planned endowment draw for FY2021 is the same endowment draw rate as in FY2020.

The FSRAC has also drawn on previous presentations on faculty salaries and peer comparison sets from the Provost to the Senate and mined data on the trends on faculty compensation relative to peers, shown in Appendix 1.

The International Services Office has provided the FSRAC with information about the numbers of faculty working at the University on H-1B visas (see below under “Mechanisms” for the relevance of this data).

Principles

The following principles have guided the Committee’s work:

1. As per our charge, the FSRAC will remain in existence, meeting regularly to review the need for continuing these reductions, until the fiscal crisis ends and salaries are restored to their full levels. The committee will offer additional analysis and recommendations as the university’s financial situation develops.

2. The FSRAC must consider requests for salary reductions in the context of the complete budget picture of the University. At this time, the FSRAC does not have sufficient data to understand how any faculty salary reductions fit into the complete budget picture of the non-URMC schools. We will continue to work with our administration to gather and analyze this data. Salary reductions must be considered in parallel with reductions in administration salaries, staff furloughs, cost reductions in schools and departments, suspension of most capital spending, and other budget-cutting measures, as well as possible temporary increases on the spending from the University’s endowment.

3. Recommendations will change over time as the budget picture evolves. Accordingly, our initial recommendations cover only the three-month period beginning on July 1, 2020. Without having a detailed view into the University’s budget, our recommendations are based principally on the basis of solidarity with the substantial cuts taken by the staff, contingent faculty, and our colleagues in the medical center.

4. These recommendations should be reviewed by the FSRAC at least on a quarterly basis, leading to new recommendations to be implemented beginning with the quarter beginning October 2020. The restoration of salaries to their pre-COVID-19 levels will be recommended as soon as possible on the basis of improved revenue streams such as tuition, student enrollment, room and board fees, endowment performance, etc., as these considerations impact operating margins in the context of additional potential implementation of cost savings measures.

5. It is the committee's desire that the funds saved through these reductions be devoted primarily to maintaining maximal employment among the staff and contingent faculty, who are crucial to the University's mission.

6. The FSRAC believes that cuts should be made on the basis of base salary rather than on faculty title, rank, or tenure-track status. Individual faculty should not be singled out for differential treatment, except by their base salary, unless there are contractual or compliance constraints that make the application of this principle impossible.

Scenarios for Progressivity of Cuts
The committee was not given a specific target for savings but rather was asked to consider a plan like that imposed at URMC.

Three scenarios were described in the May 11 memo sent to faculty in the four units to be affected, all designed to realize the same total reduction that would be realized in the URMC salary reduction plan.

Scenario A: Implement a faculty salary reduction of 10% on the portion of base salary over $100,000, to generate savings of approximately $2.6 million (on an annualized basis). This cut results in no pay reduction from faculty earning below $100,000 (32% of our faculty). It results in an average reduction to salary plus University paid retirement of 2.5% for those earning between $100,000 and $200,000, and an average reduction of 6.2% for those earning above $200,000. This is the exact formula used for the reduction taken by faculty at the Medical Center.

Scenario B: Implement a faculty salary reduction of 2% on the portion of base salary above $50,000, and an additional 8% on the portion of base salary over $118,000. This cut results in an average reduction of 0.8% for those earning below $100,000, 2.4% for those earning between $100,000 and $200,000, and 5.7% for those earning above $200,000. This generates the same total savings as Scenario A, $2.6 million.

Scenario C: Implement a faculty salary reduction of 4% on the portion of base salary above $61,300, and an additional 6% reduction on the portion of base salary over $148K. (This is almost precisely equivalently progresive to the scenario 3 in the May 11 memo which replaced the current University retirement contributions with a 6.2% contribution up to $148K, and reduced salaries by 10.5% of the portion of base salary over $280,000.) This cut results in an average reduction of 1.2% for those earning below $100,000, 2.6% for those earning between $100,000 and $200,000, and 5.7% for those earning above $200,000. This also generates the same total savings as Scenario A.

Detailed impact of these scenarios on the compensation of the faculty is shown in Appendix 2.

The FSRAC discussed how compensation other than base pay should be treated. For example, some faculty receive supplemental or summer compensation for duties such as chairing a department, or running a program or center. Other faculty pay some academic year or summer salary from research grants or contracts. Typically, such compensation is calculated as a percentage of base pay, and so reductions on these other methods of compensation could be expected to follow a reduction in base salary. Nonetheless, it is difficult to consistently account for extra compensation in the progressive scenarios we've outlined. The diversity of such arrangements makes more detailed guidance to ensure uniform application difficult. As a result, our recommendations focus on base pay.

What do these reductions achieve?
The faculty salary reductions of Scenarios A, B, and C are projected to save the University roughly $2.6M per year, or $0.6M in University FY2021Q1. Because we don't have a complete budget picture, it is unclear how this fits into the University's overall financial picture. We believe it is likely that this will only be a small part of savings ultimately needed.

Nonetheless, the principle of shared sacrifice is of deep importance to the Committee, as it is to many others in the university community. We believe that these cuts demonstrate solidarity with staff and non-tenure track faculty colleagues across the university who are facing furloughs, pay cuts, and layoffs. It is for this reason that the Committee recommends Scenario B, which we believe best balances the principles of progressivity and solidarity. Lower-paid faculty will make a relatively affordable contribution under this scenario, and all faculty will be part of the solution.

Faculty salaries represent a significant fraction of the University's budget, $123M of the $390M cumulative budgets of Warner, Simon, AS&E, and Eastman. At our "launch" meeting with the President and Provost on April 30, the committee received assurance that funds saved from salary cuts would be managed centrally to be applied to address the greatest needs, rather than being absorbed into individual school budgets or used to address existing structural deficits. This understanding was corrected to clarify on May 1 that funds from the four schools above would be centrally held, but that salary savings from SMD and SON will be held at URMC. As numerous comments from the faculty responding to our May 11 memo make clear, faculty urgently desire to understand where savings realized by salary reductions would be applied.

Benchmarking against peer institutions
Faculty salary reductions are likely to have deleterious effects on recruitment and retention. To date, few of our peer institutions have taken steps to reduce faculty compensation, and none so far has implemented a widespread change to base salary, so we risk negative press and a blow to our competitive standing. Moreover, faculty salaries in some units of the school have already been falling in comparison to peer institutions for several years (see Appendix 1).

Faculty policies at peer institutions

	Salary freeze	Hiring freeze *	Administrator pay cut	Other comp reduction	Salary cut
Rochester	April	April	May		
Peer Institutions					
Boston U.	●		●		
Case Western					
Duke	●	●	●	●	○**
Emory	●	●			
Johns Hopkins	●		●	●	
NYU	●	●			
Northwestern	●		●	●	
Stanford	●	●	●		
Tulane	●	●			
U of Chicago	●				
U of So. Cal.	●	●	●		
Vanderbilt	●				
Wash. U St Louis	●	●	●		
Peer Ivy Universities					
Brown	●	●	●		
Columbia	●	●			
Cornell	●	●	●		
Harvard	●	●	●		
U of Penn	●	●			
Yale	●	●			

*Salary and hiring freezes have variability across schools. For instance, some salary freezes exclude promotion raises and some exclude those earning below a threshold. Some hiring freeze policies state that exceptions will be allowed. We do not consider "slowed hiring" a freeze, though some schools announced such language.
**Duke has cut by 10% the portion of pay above the IRS limit of $285K to keep their retirement contribution freeze from becoming regressive at high salaries.

Universities with furloughs/pay cuts: University of Arizona, University of Louisville, University of Wisconsin, University of Georgia

The Impact of the Scenarios on Faculty Members

Appendix 1 shows the current state of UR faculty compensation relative to peer institutions. When a breakdown of the proposed salary reductions by school is provided to the committee, we can place that in context of the recent faculty salary history.   Appendix 2 details how the proposed scenarios would change faculty compensation, broken down by salary and rank and by quartiles within rank.

Discussion of Mechanisms to Effect Pay Cuts and revenue generation
As outlined in the committee's charge, any reductions of faculty salaries must be temporary. The committee has considered how to structurally assure that base salaries will be restored in full.

The three primary mechanisms for compensation reductions that the committee has considered are reductions in base salary, furloughs, and a reduction in University-funded contributions to retirement accounts. Each of these approaches could be implemented at the scale of Scenarios A, B, and C with nearly equivalent progressivity, meaning that the compensation reduction as a function of base salary would remain the same, regardless of the mechanism by which that reduction is achieved.

Reductions to base salary carry the greatest risk of becoming incrementally permanent since they require unusual action to reverse. They may also undermine, more than other mechanisms, efforts to recruit and retain faculty in competitive markets, given that no peer university has announced widespread salary cuts. We strongly discourage the university from choosing reductions to base salary as the chosen mechanism.

If the university ultimately uses this mechanism, we recommend that annual salary letters from the Deans of the school should refer specifically to the full base salary of each faculty member (which, except in cases of faculty receiving raises associated with promotions or previous raise commitments, would be the same amount as the salary letter sent at the beginning of FY2020) and should recognize that a temporary reduction from this salary may be required during the current crisis. As guidance to the Deans, the letter could read: “Your salary for the year is x. Although a temporary reduction in salary may be required during the current crisis, your salary will revert to x as soon as the budgetary situation of the institution has recovered.”

By contrast, furloughs, by their nature, are temporary and do not affect base salary. For other categories of employees at the University of Rochester, and previously at other universities during the Great Recession, furloughs have been used to temporarily reduce personnel costs. In recent weeks, faculty furloughs have been implemented in some state universities, for instance in Wisconsin and Arizona. To be consistent with the recommendations above, furloughs would have to be implemented in days per quarter. For example, an implementation consistent with Scenario B would be 0.5 days per quarter for faculty whose base salary is below \$110,000; 1 day per quarter up to \$140,000; 2 days per quarter up to \$180,000; 3 days per quarter up to \$245,000; and 4 days per quarter above \$245,000. The impact of grouping salary into discrete bands on reductions for this example is shown in Appendix 2. A program of furloughs would likely require faculty, who frequently have regularly scheduled daily duties such as teaching, to take day-at-a-time or even part-day furloughs. Given the nature of faculty duties, the committee believes it likely that no significant reduction in faculty workload would accompany furloughs; nonetheless, the structurally temporary nature of furloughs makes them an attractive option to preserve base salaries.

A third potential mechanism would be a temporary reduction to the retirement contributions funded by the University[2]. Like furloughs, a cut to retirement contributions has the benefit of leaving base salary unaffected. A further benefit is the flexibility it grants faculty, in comparison to furloughs or direct reductions to salary. Faculty members in urgent need of liquidity will still have their full base salary. Others may prioritize their retirement savings and choose to dedicate a greater portion of their salary to voluntary contributions to their 403(b) accounts, either on a pre-tax or post-tax basis, up to the limits set by the IRS. In almost all cases, faculty will be able to structure their compensation into the same breakdown of take-home pay and retirement contributions they would receive under a furlough or salary-reduction plan, if they so desire.

The Committee also evaluated a suspension of all retirement contributions funded, which would be similar to the peer institutions that have reduced faculty compensation through retirement contributions. However, this committee, along with the administration and many fellow faculty members, have expressed concern that such a cut would be insufficiently progressive; it is even regressive for the highest earners. In contrast, the example in Appendix 2 of how Scenario C could be implemented as a modification of retirement benefits demonstrates one way to make a retirement-based plan progressive. Near equivalents to Scenarios A and B could also be implemented as changes to University-funded retirement benefits. Our recommendation, should the decision be made to suspend retirement contributions, is that this change follow the same progressive principles as the others discussed in this report--including a *temporary* salary reduction for the portion of salary above IRS limits on contributions to retirement plans. This follows the same outline of what has been implemented by Duke.

A change in benefits would necessarily apply to the entire University. Therefore, one challenge to the scenario of a cut to retirement contributions is that SMD has already announced salary reductions, to take effect July 1. The committee recommends that if retirement contributions are to be reduced, the SMD revisit its plan so that its faculty are not saddled with reductions to both salary and retirement contributions. A further potential difficulty is that, according to CFO Holly Crawford, adjustment of retirement contributions may require that the university request a change in the Department of Health and Human Services fringe benefit rates charged to outside entities who pay for faculty salaries through grants or contracts. A difference between these rates and actual fringe benefits paid would require that the University refund fringe benefit expenses charged to grants and contracts that were not paid in benefits.

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[2] For 2019-2020, the University provides all employees, including faculty, with a contribution to their 403(b) retirement account calculated as 6.2% of their salary earnings up to $59,200, and 10.5% of salary earnings between $59,200 and the IRS limit of $280,000. In 2020-2021, the University plans to increase the “breakpoint” from $59,200 to $61,300, as it routinely does each year. The upper limit, however, will remain at $280,000 even as the IRS allowed limit for 2020-2021 increases to $285,000.

There are restrictions on applying salary reductions and furloughs to employees holding H-1B visas, but not, we believe, on retirement contributions.[3] We seek clarity from the Office of Counsel on the exact limits on compensation reductions that can be applied to this group of faculty without negative consequences, and whether restrictions on furloughs, or “benching” in the Department of Labor guidance, apply to short-term, i.e., one day or part-day furloughs, or only to prolonged furloughs. Approximately 30 faculty members across AS&E, Eastman, Simon, and Warner are H-1B visa holders. The University may need to exempt them from salary reductions or furloughs.

In addition to the principal recommended mechanisms of furloughs or cuts to retirement contributions, the Committee finds several additional ideas worthy of consideration. Concerns about competitiveness of faculty salaries relative to our peers, and thus the university’s ability to retain and develop faculty, could be addressed in part by structuring some salary reductions as salary deferrals. To provide an incentive for faculty to remain at the University even if salaries become less competitive, future payment of such deferrals could be tied to the faculty member remaining at the University or retiring from the University. The committee also remains interested in investigating other possibilities for voluntary salary reductions, perhaps in exchange for deferred compensation or a reduction of duties[4] for some period of time. We further advocate that the University investigate programs to provide greater incentives for voluntary retirements, again perhaps deferred.

We also encourage the university to consider other methods of revenue generation. In the near term, loans or a larger draw on the endowment could be a less costly approach than cutting faculty compensation. The administration has argued that increased endowment draw will endanger the university’s future. While we share their concern for the University’s financial stability, the Committee feels that faculty recruitment, retention, and development are also crucial to the University’s long-term success. We recommend that endowment draw be modestly increased to mitigate the impact of the present crisis on the University’s human capital.

In the longer run, the university will have the ability to recoup its COVID-19 related revenue losses by offering new education products, such as master’s degrees, and making small temporary adjustments to admissions criteria. Appendix 3 details our analysis of losses in tuition revenue for the college and proposed mechanisms to recoup these losses over the next five years.

Themes from Faculty Responses to the 11 May memo as synthesized by the Committee (approximately 210 responses)

[3] https://webapps.dol.gov/elaws/elg/h1b.htm

[4] As one example, a plan that reduces salaries in a progressive manner could be accompanied by an increased teaching load for tenured and tenure-track faculty, but in which a choice to take a salary deduction would offset the need for a faculty member to accept additional teaching. Faculty could choose the best contribution to the university, be it time or money, and department chairs would facilitate trading between the two. This plan would not apply to non-tenure-track faculty.

- P**reference for Scenario 1**,[5] to protect those making less than $100K, who are most likely to include NTT faculty teaching the heaviest loads, who may have the heaviest additional workload if we shift entirely to online teaching for fall.
- Some support for scenario 2[6] on the grounds of equal sharing in sacrifice.
- Preference **against** Scenario 3,[7] reducing all faculty's retirement contributions.
- Strong interest in having **all administrators take the same cuts** as faculty, and **reducing the number** of senior administrators at the University.
- Interest in incentives being offered for faculty to retire
- Interest in the option to take **leave without pay** (sabbatical-type leaves)
- Interest in **salary deferrals** as an option
- Advocacy for **increased endowment draw**
- **Deep concern at the lack of information** given not only to committee but to faculty more broadly—a feeling of a general lack of transparency
- Concerns about the relationship these cuts could have to **structural deficits** at ASE, Eastman, Warner, and to existing salary inequities among the schools.
- Concerns about H-1B visa holders, salary from grants, how summer salaries would be affected and how furloughs would be possible in practice given the nature of faculty work.

Conclusion

The FSRAC is committed to helping the University for the duration of the financial crisis brought on by COVID-19. We recognize that faculty salary reductions, while regrettable, may be a necessary step as the University faces new expenses, losses in revenue, and deep uncertainty. Moreover, we strongly support the principle of solidarity and shared sacrifice, and recognize that fairness and community spirit suggest that faculty should bear some of the burden that has thus far fallen primarily on staff, contingent faculty colleagues, and administrators.

But as our work continues, we will need a more detailed picture of the university's finances. At the moment, the cuts we recommend have been informed solely by balancing notions of equity, progressivity, and solidarity. Larger financial considerations have not been part of our analysis, because they cannot be made without data: we simply do not know if the cuts we recommend are equal to those the University needs. Over the months to come, the committee is eager to work with the University administration to establish appropriate metrics for the continuation of cuts, if this proves necessary, or—more hopefully—for the prompt restoration of current base salaries.

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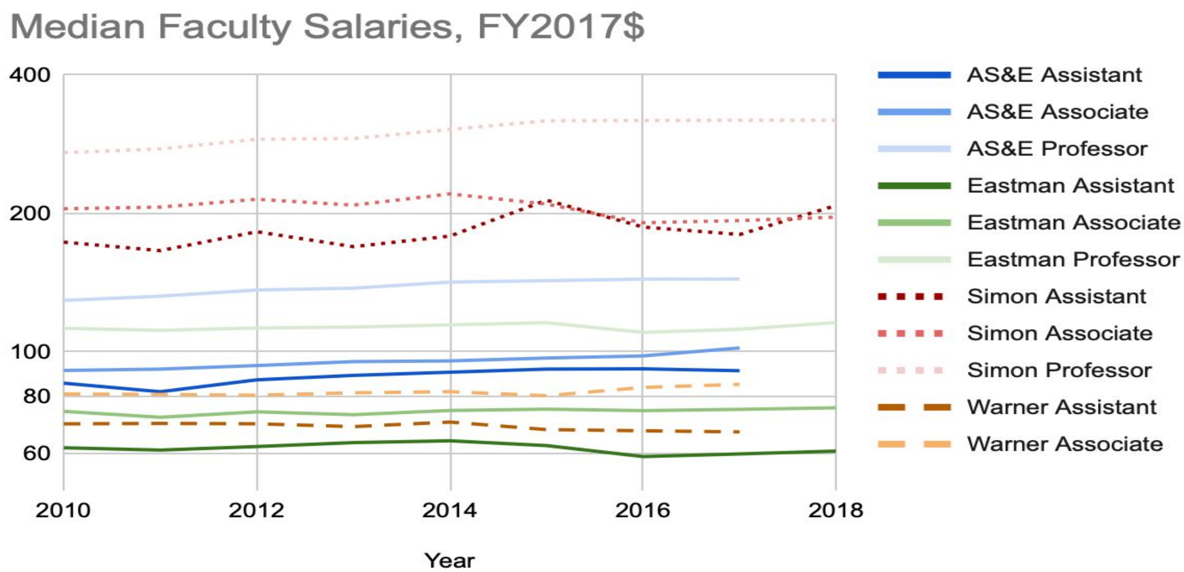
[5] A faculty salary reduction of 10% on the portion of base salary over $100,000, to generate savings of approximately $2.6 million (on an annualized basis).

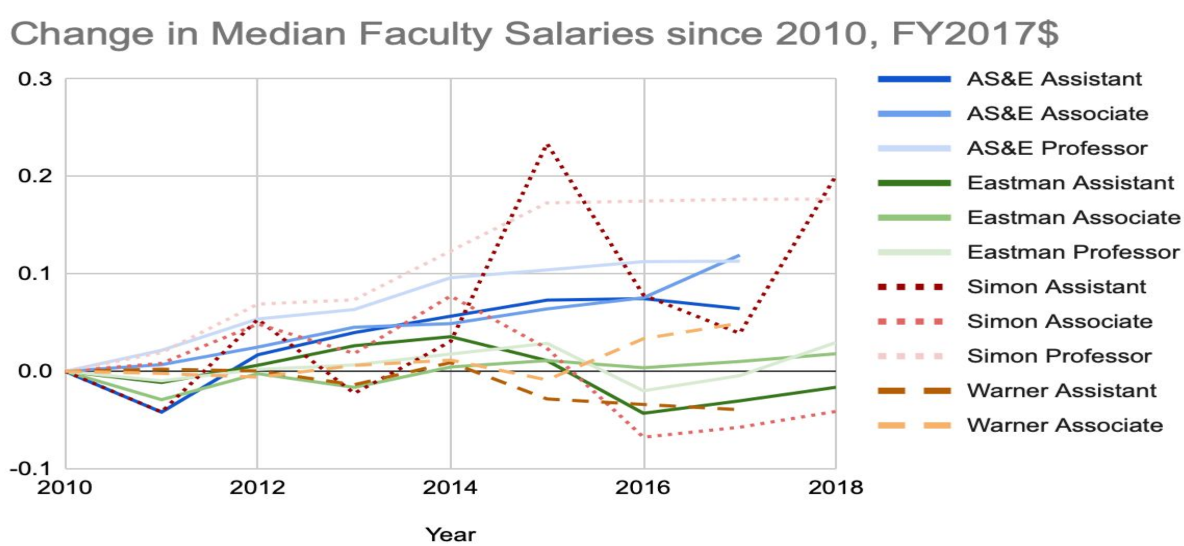
[6] A faculty salary reduction of 2% on the portion of base salary above $50,000 and an additional 8% on the portion of base salary over $118,000.

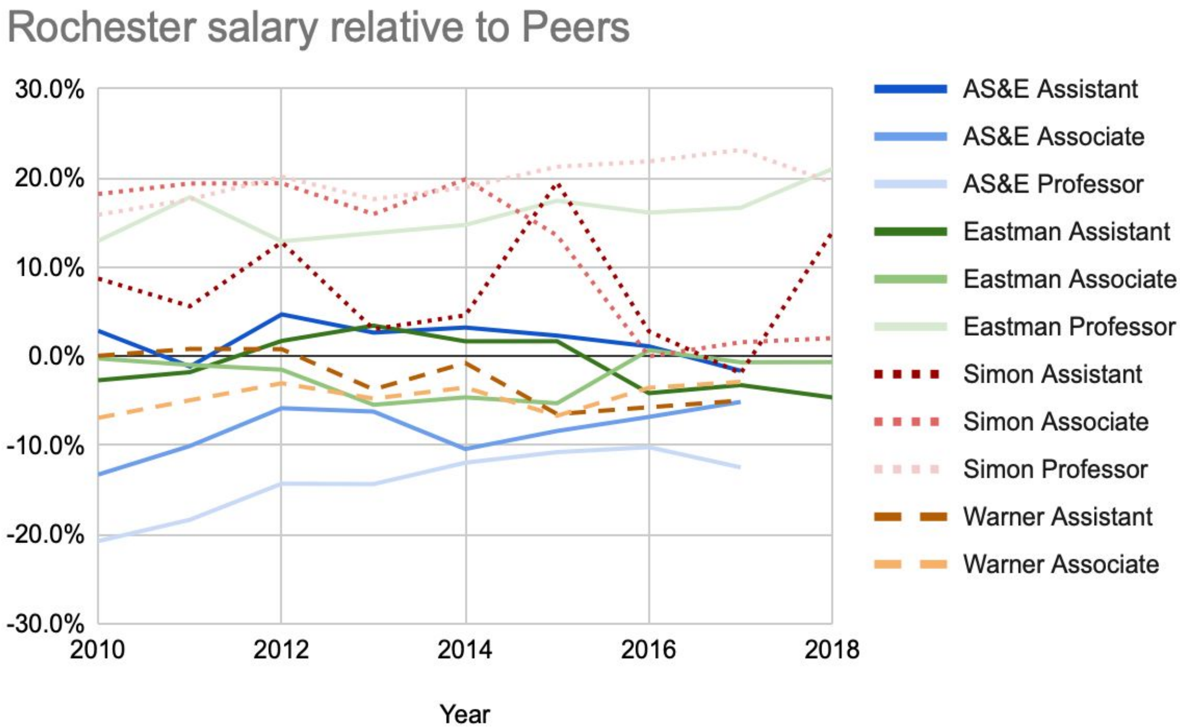
[7] Replace current University retirement contributions with a 6.2% contribution up to $148K, and reduce salaries by 10.5% of the portion of base salary over $280,000.

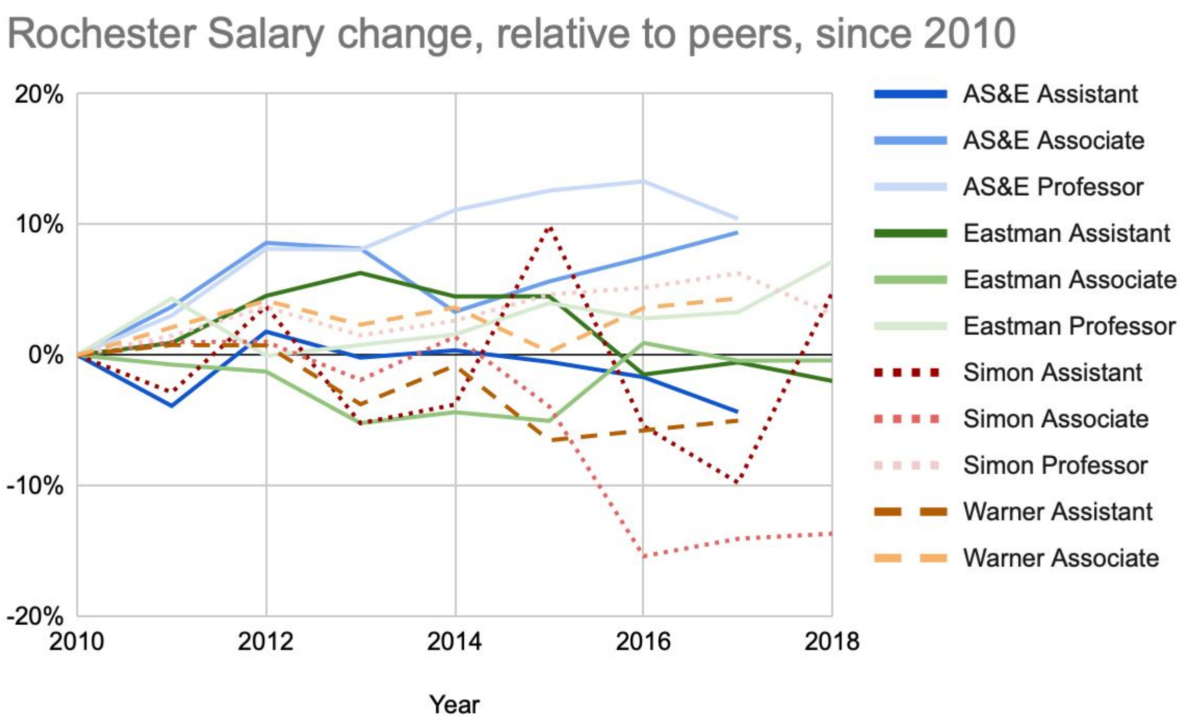
Appendix 1: Faculty Salaries in Eastman, Simon, AS&E, and Warner compared to peer institutions.

Since 2009, the Provost has routinely presented data to the Faculty Senate on salary distributions by school and rank, and comparisons to peer salaries. We mined the reports from Provost Peter Lennie in 2015 (covering 2010-2014) and Provost Rob Clark in 2019 (covering 2012-2017 for AS&E and Warner, and 2013-2018 for Eastman and Simon). The data from the presentations is not available, so the numbers were read off the graphs. The median for our peers was not given, but is calculated from the distribution of medians among the peer sets. Data for full professors in Warner and the School of Nursing are not given in these reports because of the small data sets in these categories.






Rochester salary relative to Peers
30.0%
20.0%
10.0%
0.0%
-10.0%
-20.0%
-30.0%
2010
2012
2014
2016
2018
Year
AS&E Assistant
AS&E Associate
AS&E Professor
Eastman Assistant
Eastman Associate
Eastman Professor
Simon Assistant
Simon Associate
Simon Professor
Warner Assistant
Warner Associate


Rochester Salary change, relative to peers, since 2010
20%
10%
0%
-10%
-20%
2010
2012
2014
2016
2018
Year
AS&E Assistant
AS&E Associate
AS&E Professor
Eastman Assistant
Eastman Associate
Eastman Professor
Simon Assistant
Simon Associate
Simon Professor
Warner Assistant
Warner Associate

Appendix 2: Analysis of Scenarios A, B, and C

The FSRAC was provided with a list of anonymized salaries for Eastman, Warner, Simon, and AS&E, by rank. It includes all tenure-track faculty and a group of non tenure-track faculty in these four schools who are on long term contracts. This is a total of 567 faculty.

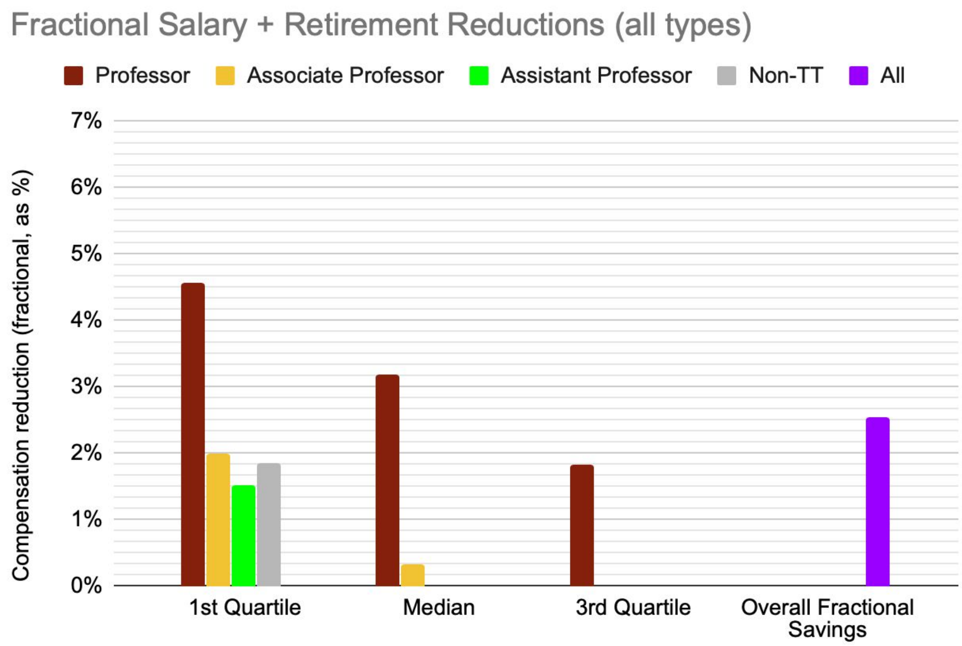
We calculated the effect of various salary and retirement contribution reductions for each of these scenarios. For retirement contributions we used the 2019-2020 formula for retirement contributions. For 2019-2020, the University provides all employees, including faculty, with a contribution to their 403(b) retirement account calculated as 6.2% of their salary earnings up to $59,200, and 10.5% of salary earnings between $59,200 and the IRS limit of $280,000[8].

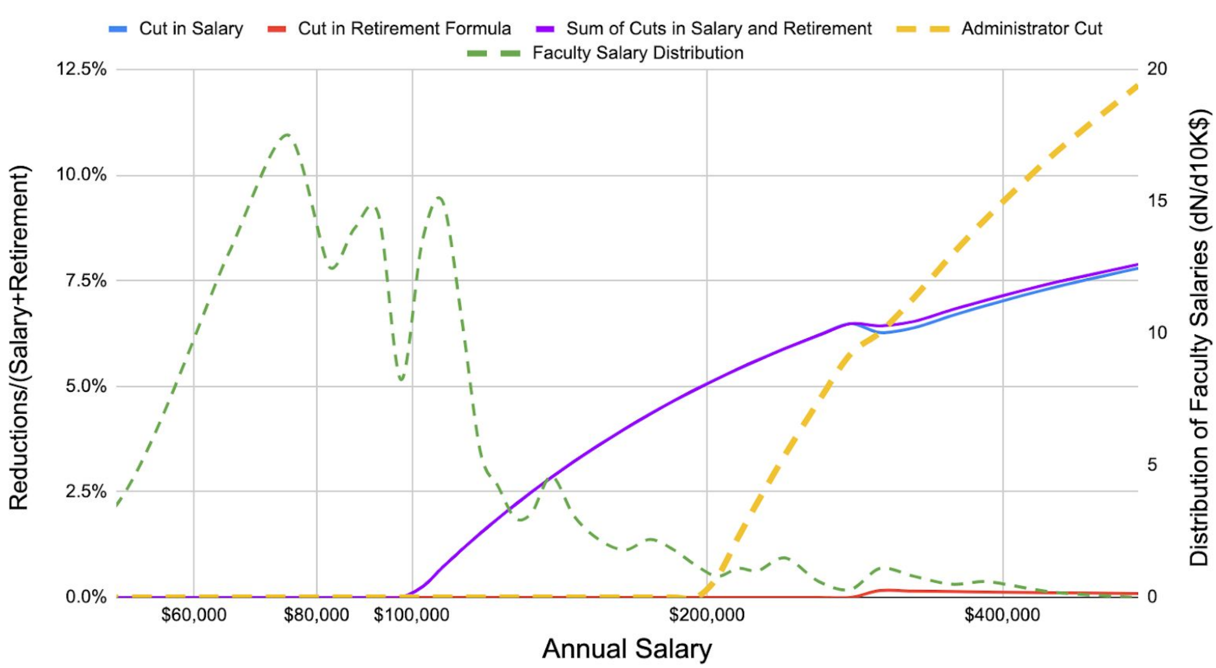
Calculations of the impact on faculty were performed on the individual salaries, or binned groups of similar salaries.

For each scenario, we calculated the reduction in compensation (salary plus University-funded retirement) divided by the compensation without any reduction. This is plotted as a function of base salary (purple line in the graphs below), and is overlaid with the same reduction calculated for administrators (yellow line, a 20% reduction on base salary above $200,000) and the distribution of faculty salaries (green line). The effect of each scenario on faculty at the 75% percentile ("1st quartile"), median, and 25% percentile ("3rd quartile") in each rank is also shown.

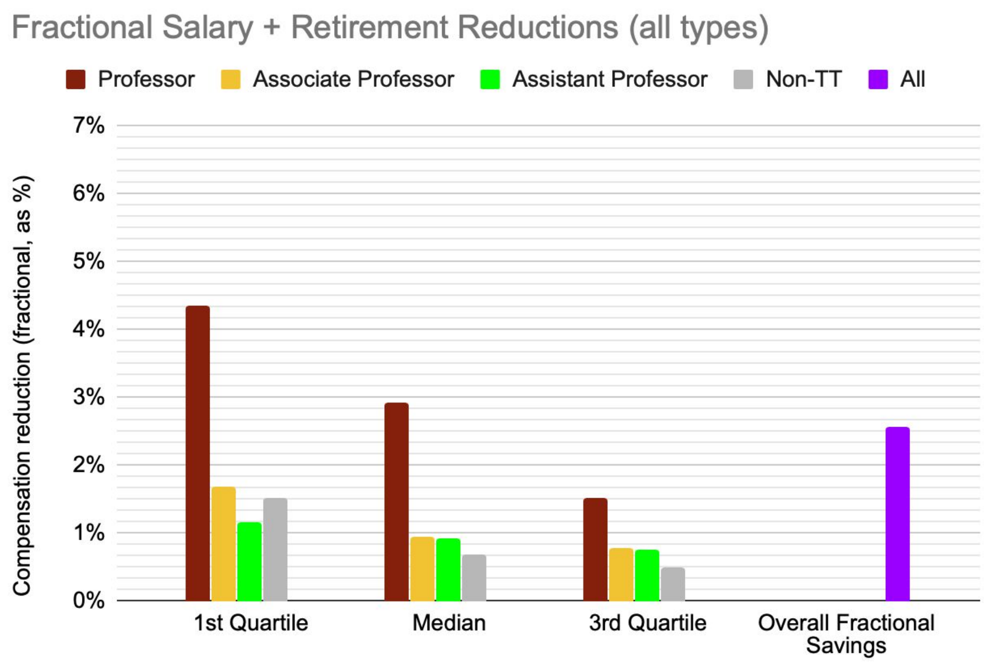
[8] In 2020-2021, the University plans to increase the "breakpoint" from $59,200 to $61,300, as it routinely does each year, and the IRS limit increases from $280,000 to $285,000. The breakpoint change will have no effect on compensation for employees earning below $59,200. For employees earning above $61,300, it will be a $90 reduction in their University retirement contribution. On May 14, the board of trustees approved a proposal to not increase retirement contributions to follow the new IRS limit, but rather continue the maximum at $280,000. This will result in a $525 reduction in University retirement contributions for employees earning above $285,000.

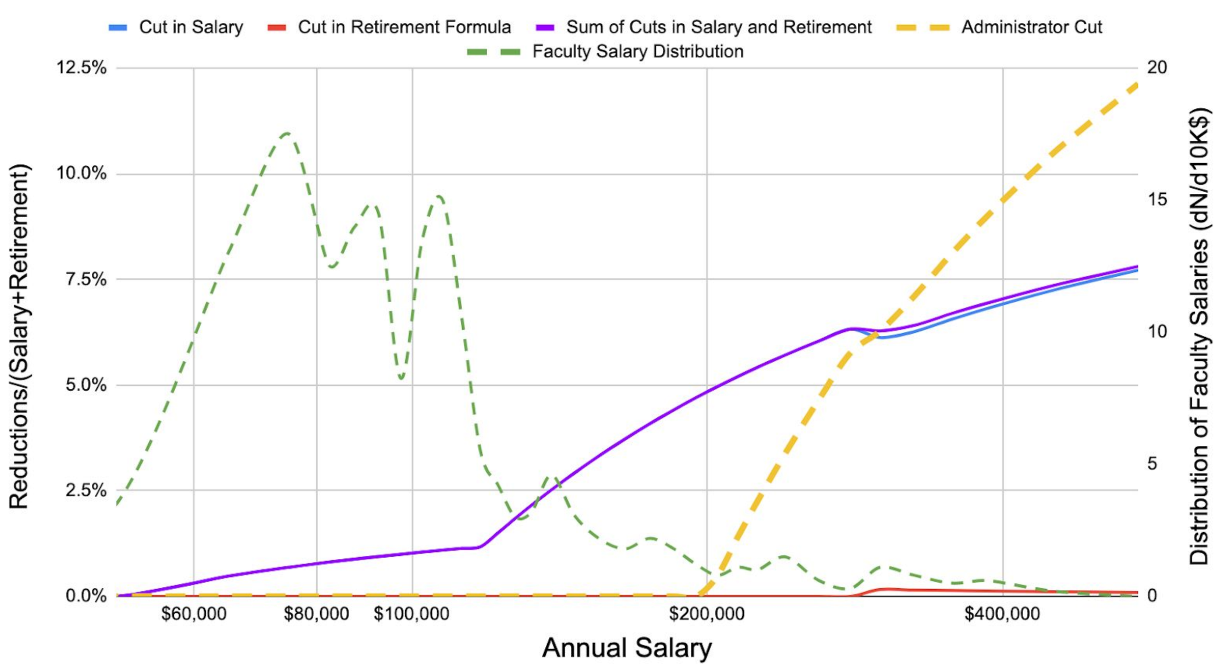
Scenario A: Implement a faculty salary reduction of 10% on the portion of base salary over $100,000, to generate savings of approximately $2.6 million (on an annualized basis). This cut results in no pay reduction from faculty earning below $100,000 (32% of the faculty). It results in an average reduction to salary plus University paid retirement of 2.5% for those earning between $100,000 and $200,000, and an average reduction of 6.2% for those earning above $200,000. This is the exact formula used for the reduction taken by faculty at the Medical Center.



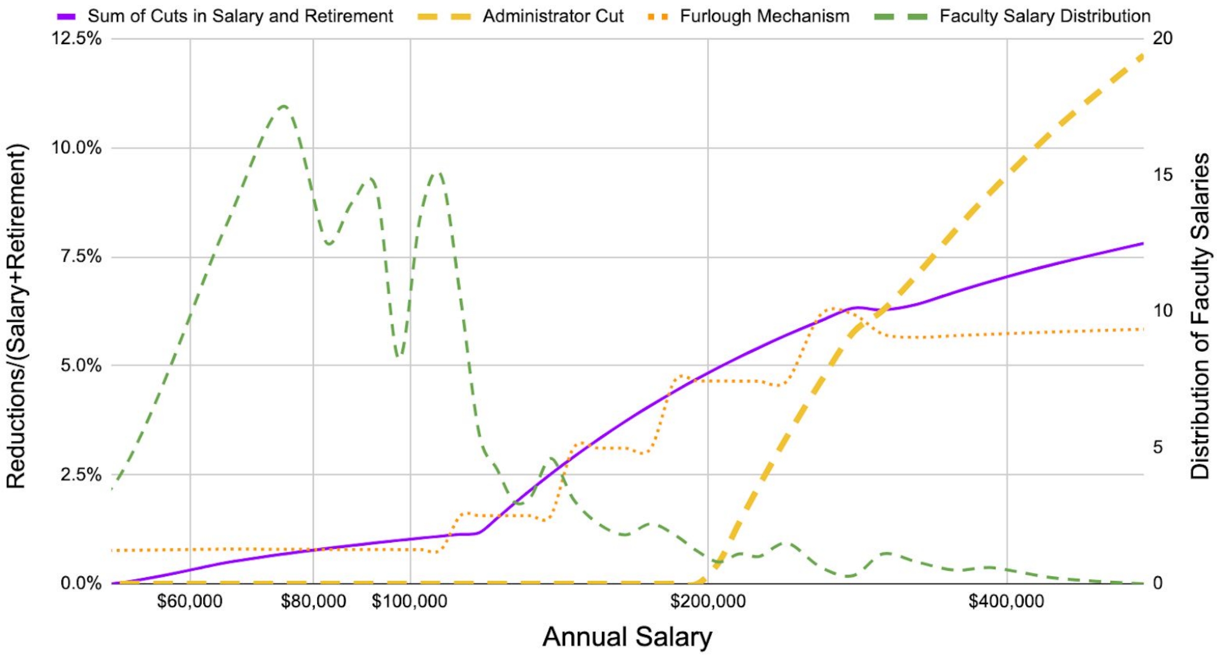


Scenario B: Implement a faculty salary reduction of 2% on the portion of base salary above $50,000, and an additional 8% on the portion of base salary over $118,000. This cut results in an average reduction of 0.8% for those earning below $100,000, 2.4% for those earning between $100,000 and $200,000, and 5.7% for those earning above $200,000. This scenario generates the same total savings as Scenario A, $2.6 million.

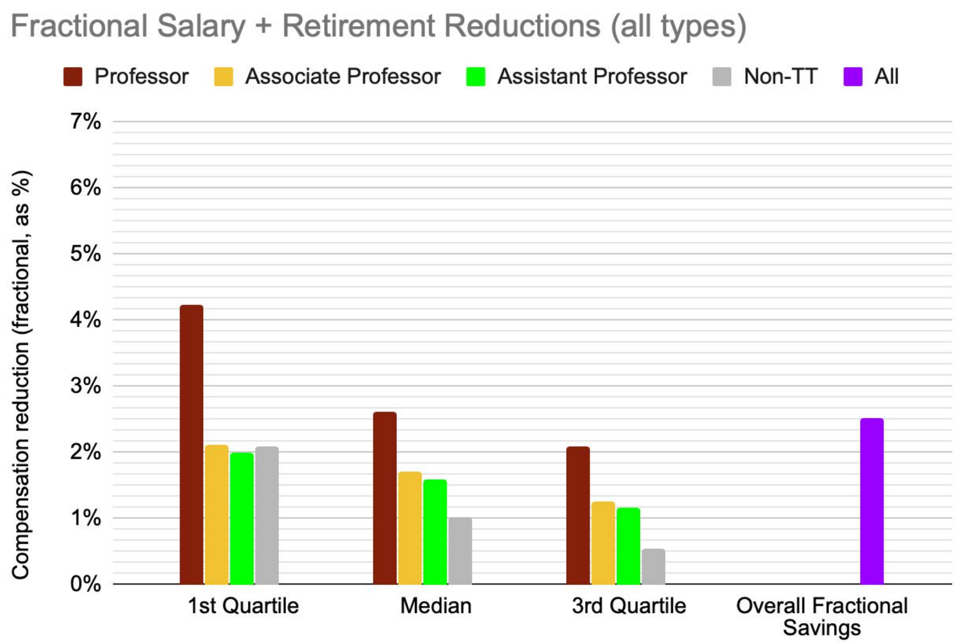


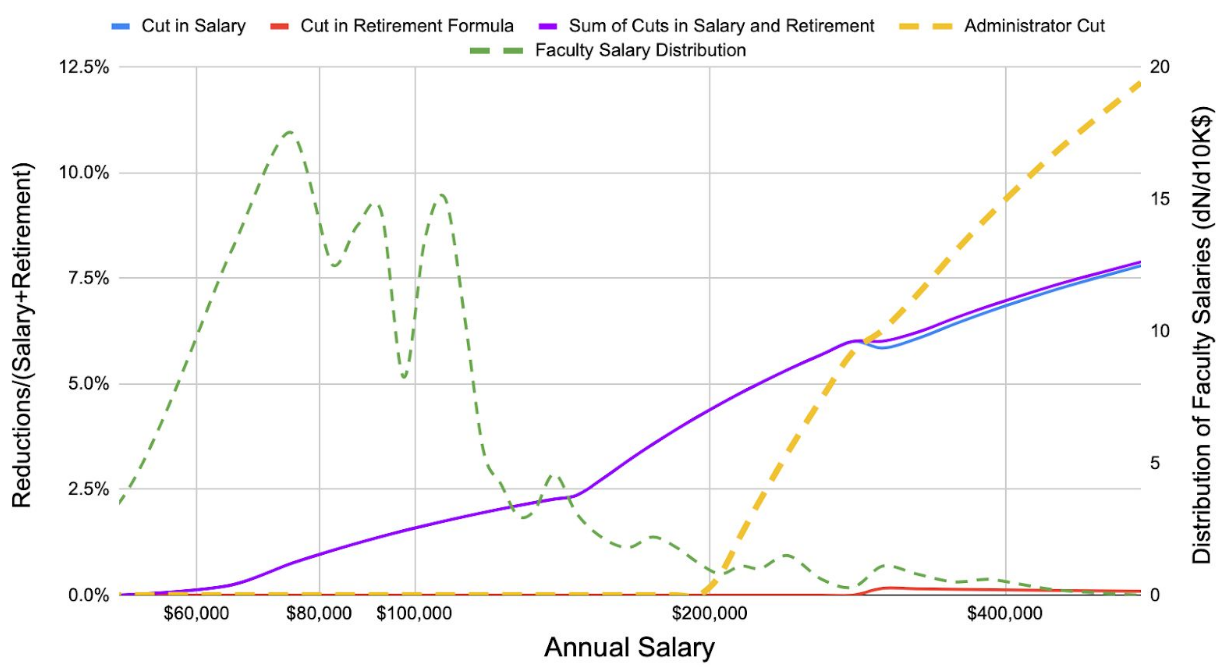


The furlough implementation of Scenario B would be result in 0.5 days per quarter for faculty whose base salary is below $110,000; 1 day per quarter up to $140,000; 2 days per quarter up to $180,000; 3 days per quarter up to $245,000; and 4 days per quarter above. This roughly approximates the effect of Scenario B as implemented with salary cuts, as shown below.

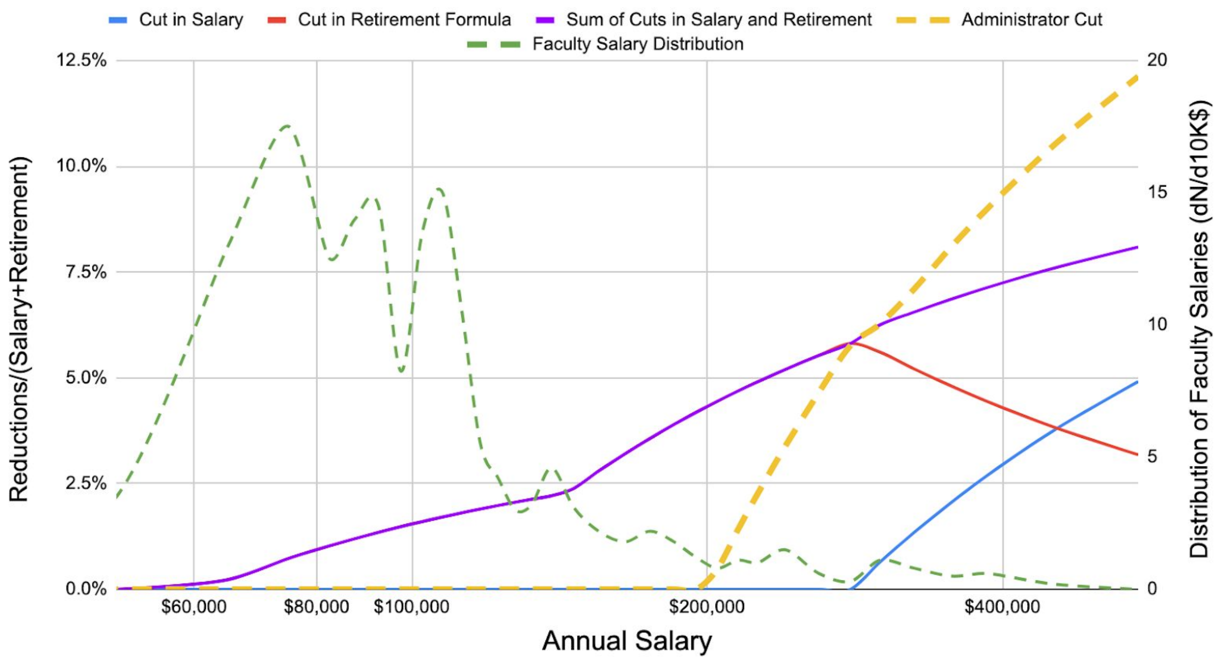


Scenario C: Implement a faculty salary reduction of 4% on the portion of base salary above $61,300, and an additional 6% reduction on the portion of base salary over $148K. (This cut results in an average reduction of 1.2% for those earning below $100,000, 2.6% for those earning between $100,000 and $200,000, and 5.7% for those earning above $200,000. This also generates the same total savings as Scenario A.





As an example of how an equivalent compensation reduction can be implemented as a reduction to retirement contributions, the reduction in Scenario 3 is almost precisely equivalently progresive, by construction, replacement of the current University retirement contributions with a 6.2% contribution up to $148K, and reduce salaries by 10.5% of the portion of base salary over $280,000.)



Appendix 3: Analysis of tuition shortfall in the College of Arts, Sciences and Engineering

The following table details our analysis of tuition data for 2019-20 from the College of Arts, Sciences, and Engineering. The committee was given data on the number of students and net tuition paid by country of origin. This analysis does not include losses from room and board. The optimistic, pessimistic, and more pessimistic scenarios were chosen by the committee. We have not received any guidance on what scenarios the College views as likely.

The last column of the table illustrates the scope of multi-year increase in net revenue from tuition which could recoup losses in tuition sustained during the 2020-21 academic year.

Projection	**Description**	**Tuition revenue shortfall***	**Recoup losses by 2026****
Optimistic	Mix of online/in-person in fall, in person in spring -- 80% of international freshmen begin in spring -- full online participation in fall from upperclassmen and domestic freshmen	5% $7.6M	Increase revenue from tuition by 8.5% for 2 entering classes
Pessimistic	Online all year -- No international freshmen -- 75% participation from domestic freshmen -- Full take-up from upperclassmen	12% $18M	Increase revenue from tuition by 8.5% for 3 entering classes
More pessimistic	Online all year -- No international freshmen -- 75% participation from domestic freshmen -- 75% take-up from sophomores and juniors -- full take-up from seniors	24% $36.5M	Increase revenue from tuition by 10% for 4 entering classes
*These are **overestimates** of tuition losses since they do not take into account that low take-up will likely come from those contributing less tuition. However, numbers do not reflect losses in room & board. **Assumes from the originally admitted class of 2024: 90% of domestic and 75% of international admits attend as sophomores			