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June 4, 2020

Dear Members of the Board of Trustees Executive Committee and Finance Committee, and President LeBlanc,

This letter is prompted by the current and expanding financial difficulties faced by the university and the letter from Board Chair Speights to the George Washington University on May 18, 2020.

In her letter, Chair Speights called for "transformational thinking and best practices" in order to "safeguard the future and continue to promote the excellence of the George Washington University for generations to come." To that end, Chair Speights asked for a framework that includes changes to operations as well as "permanent measures that have a lasting impact and sustain our course to preeminence in full recognition that the future will look very different from the past." In looking at permanent measures, Chair Speights asked that they include "materially improving the operations and financial efficiency beyond minor changes that would normally be implemented in a less severe financial downturn."

Recognizing that to date there have been no substantive proposals for structural changes communicated from the administration to us, the Faculty Senate Executive Committee has developed a range of possible short- and long-term changes, which are contained in the two attached documents.

We want to emphasize that ordinarily, before sending the Board such proposals, we would have engaged in a robust substantive discussion with members of the Senate, committee chairs, and other interested faculty. However, because of the gravity of the situation and the urgent need to begin taking steps to maintain GW's financial health, we decided to convey the attached proposals based solely upon the consent of the members of the Faculty Senate Executive Committee.

We share these with the hope that the items listed can be on the table for discussion as the Board considers the FY21 budget it will adopt for GW in the coming days and weeks.

The enumeration below arises from three principles:

1. The university should protect its core missions of world class research and education. GW's central mission is promoting the expansion and transmission of knowledge. As framed by Chair Speights in her email of May 18, 2020, GW's mission is to "educate and increase knowledge through research and scholarship." Therefore, cuts in the current situation should begin in areas outside of the core mission. Structural changes should occur first to non-core areas and to areas that are not revenue-generating.

2. It is important to distinguish between what may be a short-term adverse financial situation and longer-term changes in revenue and expenditures.
3. Budget revisions that require structural changes in the university's research and educational activities should not be made on a hasty basis and should not be done without the joint consultations of the trustees, administration, and faculty. Therefore, plans—budgetary or otherwise—for reacting to COVID-19 should be circulated and discussed by trustees, faculty, and administration for at least two weeks prior to finalization.

To this end, we would like to offer to the Board of Trustees and the administration some suggestions for a range of operational improvements, cost savings, and even methods of new revenue generation. Collectively, these changes can secure GW's long-term health and position as a globally recognized center of research and education.

In their letter of March 4, 2020, Grace Speights and Thomas LeBlanc committed to "meaningful communication and consultation with the faculty before making important academic decisions of shared governance." It is in that spirit of consultation that the following are offered. Members of the faculty would be pleased and prepared to discuss these directly with Board at any time.

Below, please find two documents:

Attachment I – A list of possible savings of $21.5M in one-time savings, and an additional $33.2M in structural, yearly savings.

Attachment II – New possible sources of revenue of $94M per year.

Sincerely,

Faculty Senate Executive Committee

Attachment I. Savings

1. Direct and deferred compensation.

1.a. Eliminate all university bonuses for both FY20 and FY21.

Rationale: The announced cuts to administrative compensation have a duration only from July 1 2020 to the end of 2020. Announced cuts do not include any cuts to bonuses, deferred, and non-salary compensation in FY 2020 or FY21.
Estimated savings (one time): $1.5M.

1.b. Permanently end university contribution to 457(f) plans. For executives, key, and highest compensated employees, also terminate all university payments for benefits not regularly available to faculty and staff, including but not limited to retention bonuses, severance packages, supplemental annuities, supplemental differed compensation, gross up payments, additional insurance, tax and legal services, tickets to athletic and cultural events, membership fees, first class air fare, travel expenses for family members, car allowance, and any post-employment benefits or payments not generally available to GWU employees.

Rationale: Equity and Efficiency. Core programs should be protected above maintaining special compensation for the most highly paid. The 2017 Tax Cut and Jobs Act assesses a 21 percent excise tax on the compensation of nonprofit executives in excess of $1 million.
Estimated structural savings: $700K/year

1.c. Reset downward, on a permanent basis, executive and administrative compensation within central administration and colleges. Establish cuts to headcount, to salary base, to deferred compensation, and to bonuses. Ensure that GWU pays zero in excise tax for compensation.

Rationale:

- If there is fat to be cut in compensation, it is not in faculty salaries or staffing levels. Indeed, while GW is almost the most efficient of its peers in this regard,[1] administration has grown in both headcount and per-person compensation.[2]
- At many higher education institutions, the ratio of the President's salary to Full Professor salaries is approximately 5:1. Is it higher or lower at GW and, if higher, what savings would be achieved by setting the GW President's compensation to 5x the national average Full Professor salary?
- What effects would cutting the President's compensation have on the compensation of other administrators at GW, and what collective long-term savings would be achieved?
- There has been some inflation of central administration in both headcount and salaries, whereas it is unclear that recent hiring was done on a competitive basis, given that a number of executives were previously connected with President LeBlanc. Indeed, the university hired an associate provost even after the COVID-19 imposed hiring freeze. Using 2015 as baseline, in real dollars, how are our expenditures now vs then? How much would be saved

[1] https://provost.gwu.edu/sites/g/files/zaxdzs626/f/Core%20indicators_2019.pdf, p.17-18.
[2] According to the 990 forms, in FY2015 the GWU Provost had compensation of $1,050,411 plus $159,732 in deferred compensation. In the same fiscal year, the Harvard Provost had total compensation of $867,080.

if the university started by reducing executive and central payroll, but by using the 2015 costs as a baseline?

Estimated structural savings: $1.5M/year

1.d. Pause merit increases for one year

Rationale: already announced.

Estimated savings (one time): $20M

2. Elimination of Costs outside of Core Mission

2.a. Eliminate competitive athletics

Rationale:

- Some schools like Notre Dame and University of Miami draw students because of their athletics program. GWU is not like those schools. GWU is like schools such as NYU where the competitive advantage in drawing students is its location, not its athletics. Students who care much about competitive athletics will seek to attend schools in the conferences like Big 10, SEC, or ACC, but not GWU. Additionally, competitive athletics is a money loser, even from the perspective of donations. Further, elimination of competitive athletics would also eliminate the need for the new aquatics and athletics facility proposed in the new campus master plan.
- The effective cost per student of competitive athletics of more than $1,500/year serves a small portion of the student body and would be better spent on core educational and research mission that address a larger group of the undergraduates.

Estimated structural savings: $20M/year

2.b. End expenditures for events outside of GW space

Rationale: Off-campus space rental (including departmental retreats) and on-campus tents for special events lead to under-utilization of GW facilities. Currently, costs are out of control because of the inefficient structure of GW budget practices. GW units are charged to use GW spaces, effectively encouraging them to seek outside rentals and therefore transfer funds outside the university.

Estimated structural savings: $1M/year

2.c. Scale back expenditures on consulting activities

Rationale: GW purchased services are currently around $180M/year. According to the Educational Advisory Board (EAB), high-end consultancy engagements have small impact and unclear ROI. The problem of wasted consultancy fees seems to apply especially for general consulting firms (e.g., Disney) which do not have a deep and longer-term knowledge of the higher education sector and therefore seem to provide generic advice.[3] President LeBlanc already informed the Faculty Senate that the Disney Institute contract had reached its conclusion this spring.

Estimated structural savings: $9M year.

[3] EAB "Efficiency and Effectiveness Initiatives: What Business Leaders Should Know About Higher Education's Million-Dollar Consulting Engagements", 2019.

2.d. Scale back expenditures on campus beautification

Rationale: Beautification is not necessary for maintenance and should be scaled back or eliminated before any to cuts to core activities are considered.

Estimated structural savings: $1M/year

Sum of potential structural savings: $33.2M/year

Sum of one-time savings (freeze in merit increases for faculty and staff and elimination of executive bonuses in both FY20 and FY21) = $20M+$1.5M =**$21.5M**

One-year savings (structural savings from first year = $33.2M + one-time savings) = $**54.7M**

Attachment II. New Structural Revenues

1. Tuition Income

1.a. Increase summer tuition revenue for grad and undergrad, consider requiring undergraduates to spend a summer in DC.

Rationale: The single most important distinguishing factor of a GW education is its DC location. There could be a strategic educational value in having a summer program. Increased emphasis on a summer in-residence program would offer many good curricular and co-curricular opportunities not normally available during term time, especially if undergraduates are taking only one class at a time. One of the lessons from COVID-19 is that there is great demand for summer enrollment. So too might summer enrollments for grad students be increased.

Expected new yearly revenue: $10M/year

1.b. Permanently abandon the plan to cut enrollment.

Rationale: President LeBlanc wisely recognized the emergency posed by COVID-19. Therefore, he announced to faculty in early April 2020 that all efforts to reduce undergraduate enrollment would be on hold and would not be considered again until the university had the chance to relaunch the strategic planning process. Given that Chair Speights now calls for structural changes, one such change would be to permanently abandon the enrollment reduction efforts. According to President LeBlanc, the cut to enrollment will cost about $64M over 4 years. Taking the reduced revenue as a baseline implies that abandoning the 20% enrollment cut is new revenue.

Expected new revenue: $64M/year

2. Efficiency

2.a. Make Development Office and its activities more efficient.

Rationale: President LeBlanc has announced that development activities should be justified based on their ROI. Faculty support this reorientation. However, GWU fundraising is falling behind its peers. According to its 2017 Form 990, GWU spent $22.6 M and brought in $68M. This a 30% expense ratio. The national standard is closer to 15%. The university might increase the ROI and effectiveness of the development office and thereby decrease its expense ratio from 30% to 25%.

Estimated New revenue: $20M year

Sum of new structural revenues: $94M / year

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Approved by the Faculty Senate Executive Committee.
June 4, 2020