

Report of Financial Affairs Committee to TFSC

11/21/2019

The TFSC Financial Affairs Committee met on October 25, 2019. We discussed issues to bring up in the upcoming SFAC meeting.

The SFAC met on October 30, 2019. We expressed our frustration to the committee that, despite earlier assurances by administration representatives at SFAC that an outside vendor would be given the task of examining compensation inversion of long-serving faculty, the task will instead be done by the administration. Since we have raised this issue for the past two academic years and were assured that the work would be contracted out, we asked why it was now being done internally. We were informed that the contracted vendor (Charles River Associates) did not have expertise in examining long-serving faculty compensation and was hired because of its qualifications in diversity aspects of compensation, the topic that the administration decided to examine. We also received no explanation on why there was such a long delay in dealing with this issue.

During further questioning at the SFAC meeting, it emerged that there was no competitive tender process for any of this work, and there was no information provided on how procurement was conducted. It seems that the administration wanted a particular vendor to work on the diversity issue regardless of its inability or unwillingness to undertake the long-serving faculty compensation inversion issue. It seems the administration preferred that the long-serving faculty compensation inversion issue be dealt with internally, which essentially leaves us at the same position as two years ago. We communicated our reservations about the absence of comparative benchmarking with regard to the issue of salary inversion that would normally be provided in a study undertaken by external consultants. We will continue to press our concerns about these vitally important concerns. Additionally, we will continue to seek clarification in future discussions, but we may be hindered by a confidentiality agreement that NYU signed with the vendor. Finally, we were told that there was no timeline for any of this work.

The Administration presented the operating and capital budget of NYU. We asked for a more detailed and less aggregated budget. For example, there is no breakdown between totals for tenured and tenure-track faculty and separately for contract faculty, and separately for adjuncts. We explained that the reported numbers of “average salary” for full professor, associate professor, and assistant professor across all disciplines are meaningless since there are significant differences in salaries across disciplines and an increase in the number of faculty in one discipline vs another could alter the average salary. Additionally, comparing these averages across universities is meaningless since different universities may have a different mix of numbers and levels of faculty across disciplines.

In terms of the capital budget, NYU (Washington Square plus Dental School) plans to spend \$2 billion in fixed investments in the next 7 years, mostly in buildings (new and renovations). Approximately \$2 billion will be new borrowing (issuing of a mix of tax free and taxable bonds) from financial markets at about 4.5% or higher. We underlined that this level of investment and borrowing are high since NYU has “profit” (margin) of only about \$120 million per year and

only a \$3.5 billion operating budget. Currently all “profits” for the next 10 years have been earmarked to be spent on fixed investment, which will constrain academic programs. Additionally, NYU will be constrained to a level of tuition increase of about 3% for five years or longer while for over a decade it enjoyed a 5% or higher tuition increases. We underlined once again that, in this tighter fiscal environment, it is crucial to prioritize spending in research and teaching and reduce spending on other functions. Although representatives of the administration affirm their understanding of this necessity, we are concerned that the level of cost cutting in its current plans is small.