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The Academic Plan: Budgetary Puzzles

Over the past weeks, I have worked my way through the new Academic Plan, the budgetary memos issued by Dean Gertler in the last two years, and the growing cluster of websites, blogs, Facebook groups, and traditional newspaper articles that have appeared since the publication of the Plan in mid July. My initial reaction was that the intellectual and pedagogical reasons given for the most drastic measures the Plan proposes – those concerning the School of Languages and Literatures and the Centre for Ethics in particular – lacked any sound basis, and in some instances shockingly misrepresented the state of the fields they intervened in. Most astonishing, to my mind, were the Dean's pronouncements concerning Comparative Literature.

To cite just one example, the Torontoist blog reported that Dean Gertler remarked in an interview that

the critical study of literature was present in programs across the faculty. "In that regard, the Centre for Comparative Literature succeeded beyond its wildest dreams to generate serious scholarly interest in the work that they have championed."

It's a success he believes signals the centre's obsolescence: "The conditions that were necessary for the centre's formation are now changed. At the time, it was not possible to do literary criticism of a particular kind any place but in the centre. Now, it is widespread across the humanities units. The closure of the centre represents a significant moment in the evolution of the Faculty of Arts and Social Science."¹

I very much suspect that the Dean could not define what he means by "literary criticism of a particular kind," nor does it seem likely to me that he knows precisely what kinds of "literary" "criticism" are practiced by scholars in Comp Lit or other literature departments. Some of the other arguments, especially those concerning smaller departments that require disproportionate overheads, seemed more to the point, but they failed to account for the inclusion of the Department of East Asian Studies in the new School. While my overall impression was one of intellectual and pedagogical incoherence, though, I took the point about departmental overheads as indicative of the

¹ http://torontoist.com/2010/07/university_of_toronto_languages_and_literatures.php

actual motivation behind the Plan's proposals: this was not about thought, or research, or even teaching – this was about money.

But as I dug my way through what data are publicly available – largely the annual University budgets, the Dean's memos, and Public Sector Salary Disclosure figures – I found myself more and more baffled by the sheer vagueness of the Plan in *budgetary* terms. What looked, at first glance, like efforts at saving significant amounts of money in order to respond to a desperate financial crisis increasingly appeared almost incomprehensible, inchoate, and difficult to justify. In what follows, I will address a series of budgetary issues the Plan raises and will discuss the various ways in which they seem to have been mischaracterized or distorted.

CAVEAT:

I offer these arguments with one major qualification. Since the faculty's budget itself is not accessible to the public, and since detailed actual figures for past years' expenses are also not publically available, I had to draw on a range of alternative, less specific sources. Some of my points may prove to be entirely false. What look like internal contradictions and logical leaps in the Plan may in fact appear in a completely different light if the A&S budget and budget projections were to be published. That said, a document that cannot present a convincing case in its own right is a flawed effort in any case and surely deserves being dissected as such. I should also stress that I write not as a representative of the English Department but on my own behalf, as a faculty member deeply concerned about the future of Arts and Science at U of T.

A. What is driving the radical structural changes the Academic Plan proposes?

Dean Gertler has routinely suggested – by implication and quite explicitly – that the plan's proposals are motivated by the faculty's severe financial problems. Take, for instance, this passage concerning the Centre for Ethics:

[O]ur financial circumstances have worsened dramatically, to the point where our annual expenditures exceed our annual revenues by \$22M, and our accumulated debt exceeds \$55M. Given this, the SPC made a tough decision to propose the closure of the Centre.²

The Centre's annual budget of \$360,000, Dean Gertler appears to say, is too much for the faculty to sustain *given* the seemingly current structural deficit of \$22M. The closure of the Centre will allegedly contribute to A&S's return to fiscal health.

In a similar vein, the *Globe and Mail* reported in mid July that

² Letter to Mary Liston, Faculty of Law, UBC, July 2010;
<http://leiterreports.typepad.com/blog/2010/07/u-of-toronto-will-close-its-centre-for-ethics.html>.
The SPC is the Strategic Planning Committee that produced the Academic Plan.

Prof. Gertler said the faculty must eliminate the shortfall between its revenue and its expenses, which reached \$22-million in the most recent academic year. In addition to savings and revenue expected from the new plan, he estimates more than half of that amount will come from increased revenue from a flat fee structure approved last year and increasing the number of foreign undergraduate students and cutting domestic students.³

Two months earlier, however, the Dean had informed the faculty in a memo that

The latest forecast shows the Faculty's annual structural deficit shrinking from \$22M to \$14M by the end of 2010-11, and declining further to \$11M by 2011-12. By the end of 2012-13, we are forecasting an annual net operating surplus of \$2.5M.⁴

In other words, the shocking figure of \$22M in fact refers to *last year's* shortfall. The faculty's annual expenditures do not "exceed" its annual revenues by \$22M, they *exceeded* them by that amount in 2009-10. In actuality, according to the Dean's own memos and statements, the deficit is already shrinking, will continue to shrink, and will have evaporated by the summer of 2013 – without any of the proposed changes being implemented. In this context, it is necessary to emphasize again that this forecast preceded the conclusion of the academic planning process by almost two months, and is reiterated, almost verbatim, on page 32 of the Academic Plan as published on 14 July 2010.

While the proposals may still be driven by budgetary considerations, then, they are evidently not designed to eliminate or shrink the current structural deficit: that deficit is already in the process of being eliminated as a consequence of the series of base-budget and one-time-only cuts of the last three years, and owing to increasing levels of tuition revenues. This is the only possible conclusion to draw from the sequence of budgetary statements issued by the Dean over the past months.

That said, both the memos and the Academic Plan itself address the issue of paying off the accumulated deficit of c. \$60M once the structural shortfall has been remedied. The Dean estimates that this might cost as much as \$4M a year (assuming an amortization period of 15 years):

Our forecasts indicate that the accumulated deficit will continue to grow (though more slowly) to an estimated \$60M by the end of 2011-12. The Faculty's long-

³ Elizabeth Church, "No 'sacred cows' as U of T slashes arts budget," *Globe and Mail* online edition, 14 July 2010; <http://www.theglobeandmail.com/news/national/no-sacred-cows-as-u-of-t-slashes-arts-budget/article1640541/>. The same link between the \$22M and the Plan appears in virtually every article published on the subject, including the recent piece in the *U of T Magazine* ("Dean Meric Gertler says the measures will help the division eliminate its \$22-million annual deficit;" <http://www.magazine.utoronto.ca/life-on-campus/u-of-t-arts-and-science-budget-deficit-school-of-languages-and-literature/>)

⁴ CPAD # 65-2009-10, 31 May 2010, p. 3.

term budget strategy will need to acknowledge this deficit and develop a plan for retiring it over time.⁵

Our forecasts indicate that the accumulated deficit will continue to grow (though more slowly) to an estimated \$60M by the end of 2010-11. The Faculty's long-term budget strategy will need to acknowledge this deficit and develop a plan for retiring it over time. To put this challenge into perspective, if we were to retire this debt over a 15-year period, and assuming that no interest was levied against it, this would translate into \$4M in annual repayments – roughly 2 percent of our annual operating budget.⁶

These figures are not quite as consistent as one might wish. Elsewhere in the Academic Plan, we find the statement that “our total accumulated deficit as of 30 April 2010 was just shy of \$56M” (p. 30). Given that the projected structural deficit for 2010-11 is \$14M, one might expect a projected accumulated deficit of \$70M, but for whatever reasons, the SPC seems to disagree. Similarly, since the Dean forecasts a structural deficit of \$11M for 2011-12, that amount should presumably be factored into the accumulated deficit, leaving the faculty with \$71M (or \$81M in my alternative scenario) to pay off after 2012 (resulting in annual repayments of between \$4.75M and \$5.4M over 15 years).⁷ One could argue that the dissolution of various Centres and the radical reorganization of select departments would contribute to financing those repayments – but neither Dean Gertler nor the Academic Plan make that argument, explicitly or implicitly.

Why might that be? For one thing, it seems to me a question of rhetoric: playing up last year's structural deficit paints a considerably more frightening picture. The continual references to “uncertain times,” which imply that other times have been more certain and devoid of risk, and that the years ahead are less predictable than the future was in the past, clearly serve a similar purpose.⁸ The announcement that Centres will have to be closed and departments will have to lose their status as departments to allow the faculty to repay a finite and quite manageable amount of debt would sound rather less

⁵ CPAD # 65-2009-10, 31 May 2010, p. 3.

⁶ Academic Plan 2010-15, 14 July 2010, p. 32.

⁷ In the second “town hall” meeting on Monday, 27 September 2010, Dean Gertler asserted that A&S would be repaying “three different debts:” its own accumulated deficit, its share of the repayment of the University's accumulated debt, and the \$3.5M the faculty borrowed last year to make up for the shortfall in expected endowment income. The University's total accumulated deficit is currently projected to decrease to \$35.7M by the end of 2010-11. It will be repaid by 2012-13, and since those repayments, divided across the divisions, are part of an ongoing five-year plan, one must assume that they were already factored into the projections Dean Gertler published in May 2010. One would expect the same of the \$3.5M the faculty borrowed last year, but even if that isn't the case, the University is currently asking for those funds to be repaid over five years, or, in the case of A&S, at a rate of \$700,000 a year. In other words, the overwhelming share of divisional deficit repayments will remain concentrated on the accumulated deficit; the Dean's reference to three lots of debt has to be regarded as yet another rhetorical move designed to make the faculty's financial woes appear in the worst possible light.

⁸ I owe this point to Kenneth MacDonald's unpublished “Notes on the Observation of the ‘Town Hall’ on the Arts & Science Academic Plan.”

reasonable.

There is also the question of the “annual net operating surplus of \$2.5M” forecast for 2012-13, a prediction softened to “a small annual net operating surplus” in the Academic Plan (p. 32). These projected surpluses would seem to make repaying the debt amassed in previous years easier, and would make the proposals of the Plan appear even less acceptable on a budgetary basis – which may well be why they are downplayed to the point of invisibility in the document.

It seems clear to me that despite the Plan’s determination to foreground structural and accumulated deficits, and despite the Dean’s public pronouncements, what in fact drives the proposals is a desire to “innovate within our current means.” It’s not too difficult to sympathize with the committee’s aspirations to “create the financial room to meet our most pressing needs, and to support new initiatives to enrich teaching, research and the student experience,” nor is it hard to fathom that such efforts might require “some difficult choices with respect to existing activities” (Academic Plan, p. 33). But such a project would call for an entirely different approach than one driven by an immediate crisis. The scenario in which a devastating fiscal situation forced the administration to act immediately could justify drastic and radical measures, conceived and implemented with the greatest possible expediency and a minimum of consultation and broad-based deliberation. The proposal to rethink how the faculty uses its resources, on the other hand, does not justify any of those things. On the contrary, such a reformist project would seem to demand a lengthy, collaborative, deeply researched and thoroughly theorized process resulting in well thought-through, detailed proposals. If there is no intense budgetary pressure, neither is there any need for dramatic decisions and rapid changes of course.

B. Further budgetary questions

The only apparent nexus between the proposed changes and the faculty’s deficit is merely the most obvious budgetary puzzle associated with the Academic Plan. But there are others:

- the supposed University Fund allocation of \$4.25M
- the size of the faculty’s net operating budget, historically, at present, and in the future
- the nature of the faculty’s budget projections and the assumptions underlying them

1) The University Fund

According to the Academic Plan, which simply repeats an identical statement from a decanal memo of 26 Feb 2010,

the Provost has announced that the Faculty’s University Fund allocation for 2010-11 will be \$4.25M, which represents a significant increase in our base budget

funding from the University. This decision was made both to recognize the significant progress that the Faculty has already achieved through its own initiative to improve its financial picture, and to ensure that the University's largest division – and one of its finest – will continue to thrive. (p. 31)⁹

In fact, the faculty's UF allocation for 2010-11 is \$31,409,521, not \$4.25M. What Dean Gertler might mean is that this year's share is \$4.25M *higher* than last year's, but that's also not exactly correct. In 2009-10, the A&S portion of the Fund was \$26,229,427, or \$5,180,094 less than this year. It thus would appear that both memo and Plan underestimate the actual increase in allocated funds. In fact, however, they overstate it. The true increase in the faculty's share was significantly *less* than \$4.25M, since higher revenues meant that A&S also paid more into the Fund than last year (\$40,626,692 compared to \$37,291,126 in 2009-10). The net increase in allocated funds therefore was neither \$5.18M nor \$4.25M, but \$1,844,528.¹⁰

This is obviously not a negligible amount, but rather more difficult to sell as “a significant increase,” let alone as the kind of sum that would allow the “division ... to thrive.” What is more, the year-to-year increase it represents starts to look even less impressive when compared to previous years. In 2009-10, the faculty's allocation increased (net) by \$1,209,928, or just over \$600,000 less than this year. From this perspective, the current year's raise looks more like an ongoing adjustment to the distribution of the University Fund and less like a special reward for the division's demonstrated discipline and fiscal rigour.

In any case, the statement is phrased in a way that makes the faculty sound like a net receiver, whereas in fact it has been a net contributor since the inception of the University Fund. While A&S may be receiving almost \$2M more this year than in 2009-10, the division is still paying \$9,217,171 more *into* the fund than it gets out of it.¹¹ I will return to this later.

2) What is the faculty's net operating budget, and what will happen to it?

The Plan – like various decanal budget memos – has a habit of switching between absolute and relative terms in expressing figures. Thus we may be told the size of the structural deficit in dollar amounts, but with no clear indication of how these relate to the division's expense budget; or we may be informed that a \$4M debt repayment constitutes “roughly 2 percent of our annual operating budget” (p. 32). Adding to the confusion, when the plan does mention an overall figure – “a net operating budget of \$222M” in 2009-10 (p. 30) – that sum does not correspond to the A&S Expense

⁹ For the near-identical previous announcement, see CPAD #48-2009-10 (Memorandum from Dean Gertler), 26 Feb 2010, p. 1.

¹⁰ See “University of Toronto Budget Report 2010-11 and Long Range Budget Guidelines 2010-11 to 2014-15,” 3 March 2010, p. 28 and “University of Toronto Long Range Budget Guidelines 2009-10 to 2013-14,” 17 February 2009, p. 31.

¹¹ See also the recent UTFA report on the problematic nature of the University Fund, available at <http://www.utfa.org/images/file/Inf%20Rep-11-final.pdf>.

Budget as listed in the University's budget.

In 2009-10, the faculty was allocated an expense budget of \$212,506,810 (adjusted net revenue of \$186,277,383 plus the UF allocation). That is the figure repeated in the 2010-11 table of long-range projections (Appendix A, Schedule 6). The Divisional Budget Schedule for A&S in the 2009-10 budget (Appendix F) includes unspecified transfer payments, which increase the divisional expense budget to \$214,889,317; it also lists several kinds of divisional incomes amounting to \$65,600,254, the bulk of which is made up of external and internal recoveries (which do not form part of the net operating budget). In the absence of an endowment payout, the faculty had to make do without a projected \$2,450,000 in endowment income, but the remaining sum of \$9.6M in "external income," when added to the original \$212.5M expense budget yields the looked-for \$222M – though not without a good deal of massaging of the figures (and only if we ignore the transfer payment of \$2M).

Why should any of this matter? For one thing, it makes a difference in assessing the relative importance of salaries and benefits. The Plan repeatedly states that those constitute 82% of the overall budget – but what does that mean in real terms? 82% of what?¹² And how can such a relative figure ever be more than a snapshot? Since the expense budget ordinarily grows from year to year, are we to assume that the cost of wages and benefits grows at the exact same annual rate? The University's 2010-11 budget projects revenues to "increase by \$125M in 2010-11 and by \$380M over the planning period, — an average of 5.5% per year" (p. 10). More specifically, for A&S, the long-range projections (Appendix A, Schedule 6) predict an average increase of around 7% per year for the planning period, from 2009-10's \$212.5M expense budget to \$297M by 2014-15 (an average annual increase of \$16.9M). However, those projections assume that the faculty's payout from the University Fund will not exceed 2010-11 levels even as they include Fund contributions rising in line with attributed revenue, so the projected expense budgets are likely on the low side; since the Fund will grow in real terms year after year, the faculty's allocation, even if kept at the current low level of 25.4% of the total, will likewise grow significantly (by more than \$6M by 2014-15).

On the other hand, the last estimate for how much annual compensation increases cost the division assumed a sum of "roughly \$9M a year,"¹³ at that point the equivalent of roughly 4.4% of the net expense budget of \$204M (see the 2007-8 University Budget,

¹² At the second "town hall" discussion on 27 September 2010, the Dean further complicated this issue by referring to the "83-84 percent" or "84 percent" share of the operating budget taken up by salaries and benefits. This cannot be an update to the projected figures for 2010-11, since the faculty's budget grew by well over 10 percent this year, whereas no salary increases have been agreed to. Should the ongoing negotiations result in a raise, this would very likely not exceed 2007's settlement of 3% across-the-board increases. But even if the division had to pay two years' worth of such an increase, the total would still not be enough to exceed the overall growth of revenue, and thus could not further enlarge the relative share of the budget taken up by salaries and benefits.

¹³ CPAD # 77-2007-08 (Memorandum from Dean Gertler), 29 April 2008, p. 4.

Appendix F, p. 60). On the basis of those figures, it seems at least somewhat improbable that salaries and benefits will keep pace with the growth of the faculty's revenues, making it more likely that the 82% share will shrink over time – unless many more faculty lines are created or salaries increase at a much more rapid rate than in previous years, both of which seem unlikely assumptions.

Similarly, the significant-sounding figure of debt repayments of “roughly 2 percent” is rather less specific than one might wish. As the expense budget grows annually, the relative weight of those debt payments will diminish, since they're obviously not subject to inflationary adjustments. On the whole, I find it hard to dismiss the sense that the language of the memos and the Plan is designed to paint the worst possible picture, and that relative or absolute figures were chosen accordingly.

3) The faculty's budget projections

As I argued above, the projections the Dean has referred to in his memos and intermittently in the Plan appear to precede the end of the planning process, and should thus be treated independently of the potential savings that process may have identified. It is thus all the more frustrating that these figures have also not been made available in any detail, and that the assumptions that guided them are somewhat unclear. Presumably they share the University's projections' general tendency of assuming a steady increase in revenues, largely through tuition increases and the new program fee model. They must surely include the division's ongoing debt repayment obligations, although they do not yet seem to take into account the repayment of its accumulated deficit. As we shall see, they also appear to contain assumptions about retirement levels and replacement hires. And one would certainly expect them to factor in near-inevitable salary increases.

Both Prof. Gertler and the Plan do indeed refer to “modest assumptions” about raises in this context – but what does “modest” mean? The way the Dean has used the figure of \$9M suggests that it is not representative of such modesty. At the September 27 “town hall,” for instance, he referred to this sum as a “a lot of money that we have to generate just to stand still. ... So that is certainly a huge pill to swallow each year.”¹⁴ Without a doubt \$9M is a significant amount. But the Dean's statements create the impression that the division is facing extraordinary if not unprecedented future expenses, when in fact such salary increases are commonplace and have almost certainly been accounted for in the faculty's projections. Far from being an immoderately “huge pill,” the \$9M figure reflects the last salary agreement of September 2007, which called for a 3% across-the-board increase and a lump-sum payment of c. \$600 for a period during which the consumer price index in Ontario rose by 1.8 (in 2007) and 2.3 (in 2008) percent.¹⁵ This does not seem like an immodest settlement, but merely constitutes a small increase above inflation –

¹⁴ See the video recording of the meeting, available at <http://mediacast.ic.utoronto.ca/20100927-ARTSCI/index.htm>, around 1:29:40.

¹⁵ See <http://www.provost.utoronto.ca/public/pdadc/0708/8.htm>;
<http://www40.statcan.ca/l01/cst01/econ09g-eng.htm>.

precisely the kind of modest increase the projections supposedly posit. If that is the case, however, the spectre of egregiously high salary raises loses a lot of its menace: if the modest increase agreed upon in the last settlement is the sort of increase already anticipated in the projections, then mentioning the previous sum of \$9M should not darken the division's financial picture at all beyond how it appears in those projections. Which is to say, anything other than a highly unlikely extraordinary salary increase should not contribute to worsening the faculty's deficit, since the forecast that predicted a surplus by the end of 2012-13 already must have factored in the kind of compensation cost growth that can be reasonably expected. And if that is true, the frequent use of the \$9M figure as a threatening prospect that might undo the planning process has to be seen as another rhetorical strategy designed to make the future appear more uncertain than the projections themselves would seem to suggest it is.

C. What will the plan do for the complement?

The Plan's section on complement planning further adds to the confusion I've been trying to illustrate (and have doubtless failed to dispel) above. It offers a number of assumptions about retiring faculty members and replacement hires:

Looking forward, the Strategic Planning Committee concluded that it is prudent to assume the rate of faculty retirement will remain at the very low level seen in recent years (25 percent of eligible post-NRD faculty members). Moreover, the budget plan presented in a preceding section of this report has assumed that the number of annual replacements of retiring faculty will remain in single digits through to the end of the current planning period. (p. 36)

It is unclear whether these two seemingly unconnected statements imply a gradual erosion of staffing levels (i.e., 25% of retirement-eligible faculty members > 10 p.a.), or a mere maintenance of current levels (i.e., 25% of retirement-eligible faculty members = a single-digit number), or a somewhat unpredictable situation where levels fluctuate, going up in years where very few professors retire, going down in years where the number of retirees exceeds single digits.¹⁶

One might legitimately ask if any of those situations is necessarily undesirable. As the Plan notes, "the Faculty complement as a whole ended the last planning period some 32 FTEs above its anticipated level" (p. 36). Leaving aside the question of whether an older faculty is a good or a bad thing, and ignoring the obvious fiscal implications of more professors earning much more than their potential replacements, objectively the division

¹⁶ The picture is further complicated by the figure of "2-3 appointments a year" cited by the Dean during his introductory presentation at both September "town halls." If the current, pre-Plan projections "only" allow for 2-3 appointments a year, does that mean they anticipate a steady *erosion* of staffing levels (since 25% of retirement-eligible faculty members certainly is a larger number than 3)? Or does the Dean's new figure imply that staffing levels will be *increased* by a "mere" 2-3 new hires every year, while retiring faculty members are also being replaced? In either case, how can these claims be reconciled with the statements in the Plan?

is now employing 32 more teachers and researchers than planned. So even if current levels were merely being maintained through replacement hires, this would result in 32 lines above Stepping Up levels.

Still, the Plan sees a need (and it is hard not to agree with this) for more positions – and presumably for greater flexibility in how they will be assigned to units across the division:

Hence, in order to create more room to accommodate new appointments, the Committee concluded that some reallocation of resources would be necessary – one of the motivations underlying the organizational changes described earlier, which will reduce our commitment of resources to overhead costs associated with the administration of individual units and free up more funds to be reinvested in the classroom and other support structures for students. (p. 36)

Given that neither the Plan nor Dean Gertler in his remarks at the town hall meeting on September 23 anticipated stripping current departments or centres of their degree programs (with the notable exception of Comparative Literature), the reduction in “overhead costs” must refer to the elimination of five chair positions, two directorships, and presumably the elimination of a number of staff positions (business officers in particular). That said, it is hard to imagine how the envisaged School of Languages and Literatures (or any similar conglomerate) could work without program coordinators representing and overseeing the operations of the individual language units, and since both undergraduate and graduate programs are to remain intact, directors will need to remain in place for those, limiting the potential for overhead reduction quite significantly.

All the same, “as a result of these proposals, the Strategic Planning Committee is able to recommend 48 *high-priority* and 13 *second-priority appointments* to help units meet their pressing teaching needs” (p. 36). At first glance this may look like a promise of 61 new lines, and this is certainly how the recommendation has been presented publically. But what does it actually mean? Does the Plan intend to grow the complement by 93 lines above Stepping Up levels (the 61 new positions plus the 32 FTEs currently in excess of anticipated levels)? A telling, if characteristically submerged, qualification suggests something else: “In some cases, for reasons made clear in other sections of this document, these appointments will be approved contingent on one or more faculty members retiring” (p.22 fn17). This hints that the “new” lines may not all be *in excess* of the “annual replacements of retiring faculty.” Again, the exact implications are obscure, and range from an actual increase over current levels of 29 lines to anywhere between that and 61 new appointments. I do assume, of course, that the 61 new positions are actually intended to grow the complement beyond the status quo, and do not simply refer to 61 hires, whether as replacements or otherwise. But the language of the Plan is strikingly ambiguous when compared to earlier documents. Dean Gertler’s predecessor, for instance, wrote of the c. \$165,000 of the base budget that every retirement “release[d],”¹⁷ depicted retirements without replacement as an important source of

¹⁷ CPAD #54-2007-08 (Memorandum from Dean Sinervo), 15 February 2008, p. 3.

savings, and specified that the goal of the previous plan had been to “maintain constant Faculty complement over the Stepping UP planning period. Due to the delays in retirement, our complement has in fact been edging upward.”¹⁸ By contrast, the new Plan sounds as if the complement is in fact *supposed to grow* significantly, though that may not actually be its intention at all.

In any case, what might these proposals mean in budgetary terms? It is impossible to begin addressing that issue without a vague idea of how much a new appointment costs. Dean Gertler has given two rather different answers to that question.

A) From a letter sent to Mary Liston, Faculty of Law, UBC, in July 2010:

“The full costs associated with the Centre actually exceed \$360K, the approximate equivalent of three entry-level academic positions.”¹⁹

Thus 1 line = \$120,000

B) From the “town hall” meeting on Thursday, Sept 23:

“Just a chair’s appointment alone – we’re talking about the stipend, we’re talking about teaching release, we’re talking about research funds, we’re talking about administrative leave – just that alone is the equivalent of about an entry-level salary for a faculty member.”²⁰

Annual cost of a chair’s appointment = \$120,000?

Both accounts are a little hard to swallow, though Point A seems at least feasible (it’s clearly far in excess of what newly hired junior faculty members in the humanities are paid, but I don’t know what kinds of labour costs the University is responsible for on top of salary and taxable benefits). Point B seems implausible as long as we assume that the Dean is consistent and has the \$120,000 figure in mind; the argument also unhelpfully mixes one-time only costs, such as administrative leave, with ongoing expenses, such as teaching release and the chair’s stipend. As far as I have been able to determine, the usual compensation for a chair is around \$15,000 a year; the annual teaching release may amount to another \$15,000-\$22,500 in replacement costs; if we add generous research funds of \$15,000 and one year’s leave after five years of service (which presumably would cost the department the equivalent of two full courses, or \$30,000, spread out over five years), the total still doesn’t exceed \$60,000.

For the sake of the argument, however, I will take for granted that A and B are compatible with each other: i.e., a line costs around \$120,000 and a chair’s appointment is worth a line. That would mean that the dissolution of the five departments and their

¹⁸ CPAD # 59-2007-08 (Memorandum from Dean Sinervo), 28 February 2008, p.1.

¹⁹ <http://leiterreports.typepad.com/blog/2010/07/u-of-toronto-will-close-its-centre-for-ethics.html>

²⁰ Personal transcript of sound recording, available on request.

reformation as a School could yield at most a grand total of four new faculty positions. Add in the two directors (Comp Lit and Diaspora Studies) and a handful of staff, and another three or four FTEs might be possible. Shutting down the Centre for Ethics is apparently worth an additional three lines. Thus the entire restructuring exercise would produce a total of no more than 11 new appointments – 18 short of the apparent minimum envisaged under the Plan, 50 short of the publicly advertised number. (Though adding the “2-3” appointments a year that seem currently possible without implementing the proposals, for a total of 15 over five years, almost reaches the 29-line minimum [26 hires].)

Worse, from a budgetary perspective, even if the new School’s structure created no new administrative costs of its own whatsoever, the total savings would amount to no more than \$1.3M – funds freed up by stripping five well-established and internationally renowned departments of their status, shutting down two Centres with stellar world-wide reputations, and disassembling another Centre that represents an emergent stronghold in a major academic field of growth. This opportunity cost is the reality behind the anodyne phrase “some reallocation of resources.” What is perhaps most striking is how accurate the phrase is in fiscal terms: in a budget of \$245M, shifting around \$1.3M is nothing more than a minor reallocation. In real terms, however, that minor shift requires a radical change – a change that is guaranteed to cost the University far more in cultural and intellectual capital than it will yield in cash.

D. Budgetary issues and the School of Languages and Literatures

One might ask why the specific departments targeted in the Plan were identified as especially suited for a cost-cutting exercise. It is true, of course, that some of them are small. Slavic Languages and Literatures in particular has a long history of attracting fewer students relative to the size of its faculty than almost any other department in A&S. German likewise has always been one of the smaller units in the division. But for that very reason, the degree to which these departments can cut back costs is severely limited. Nor does it seem to be the case that all other departments are clearly more cost-efficient.

To develop a rough sense of the relative cost-efficiency of different departments, the following (very unsophisticated) metric might be of use.²¹ If we assume that every department’s base budget is wholly invested in the teaching of undergraduates, how much does one FCE cost in the various A&S units? The following table lists these costs for all the major departments in the division (figures are from 2009-10):²²

²¹ The figures ignore graduate teaching and factor the cost of administration and staffing fully into the cost of undergraduate instruction; they also necessarily ignore OTO revenues, since that information is not contained in the available budget documents. While they thus do not give a wholly accurate picture of the actual cost of 1 FCE, their limitations apply equally to all the departments listed, though differences in the level of graduate enrolments will skew some of them more than others. On the whole, however, they are in line with the old index of instructional activity, the Dobell numbers, which the Registrar compiled from 1970-2006.

²² For budget figures, see the University of Toronto “Blue Book” for 2009-10; for enrolment figures, see the Registrar’s Office’s website. FCE = full-course equivalent; FTE = full-time

#	Department	FCEs	\$/FCE
1	Sociology	5550.0	\$908
2	Psychology	4890.0	\$1,003
3	Philosophy	3763.0	\$1,172
4	Div. of Environment	1110.0	\$1,208
5	Political Science	5743.5	\$1,260
6	Religion	1717.5	\$1,266
7	Astronomy	1547.5	\$1,309
8	Ecology & Evol. Biology	4485.5	\$1,355
9	History	5120.0	\$1,383
10	Linguistics	1047.5	\$1,445
11	Mathematics	5713.5	\$1,470
12	Economics	6661.5	\$1,475
13	English	6347.5	\$1,477
14	Anthropology	2727.5	\$1,527
15	Classics	1434.5	\$1,542
16	East Asian Studies	1423.0	\$1,689
17	Geography	2564.5	\$1,727
18	Statistics	1635.5	\$1,823
19	French	1925.0	\$1,898
20	Spanish & Portuguese	1107.0	\$1,913
21	Women's & Gender Studies	656.0	\$2,099
22	Aboriginal Studies	270.5	\$2,102
23	Art	1516.5	\$2,305
24	Italian	786.5	\$2,485
25	Near & Middle Eastern Civ	1089.0	\$2,530
26	German	452.0	\$2,647
27	Hist & Phil of Science	551.0	\$3,189
28	Chemistry	2664.5	\$3,499
29	Geology	812.5	\$3,873
30	Slavic Studies	435.5	\$4,130
31	Cell & Systems Biology	1714.5	\$4,268
32	Physics	1835.5	\$5,382
33	Computer Science	2129.0	\$5,899
	Averages	2462.2	\$1,828

It is evident that, generally speaking, small departments have higher per-FCE costs – though it is also necessary to note that language instruction requires smaller class sizes than are possible in some of the social or natural sciences, so that the figures are inevitably skewed to the languages’ disadvantage. And of course it is also the case that

equivalent. In essence, 1 FCE = 1 student in a year-long course. The list excludes collaborative programs, college programs, first year seminars, programs with fewer than 150 FCEs, and courses taught in the Faculty of Medicine and in other divisions.

the high cost of an FCE in Slavic does not result in a correspondingly high total cost (since the department's base budget is among the smallest in the division – though it is significantly bigger than the German department's, despite the latter's higher enrolment levels).

The most striking aspect of the figures, to my mind, is not how expensive it is to teach a full-course equivalent in the smaller language and literature departments, but what they reveal about the cost of instruction in some of the sciences – especially since in those cases, these costs do add up to a very significant total. No department in A&S has a larger base budget than Computer Science, and Physics doesn't come far behind in second place; yet neither department is anywhere near the top of the list of FCE totals – eight units teach at least twice, if not three times, as many FCEs, mostly with significantly fewer FTEs. In some cases, notably English and Philosophy (and likely Religion as well), their apparent efficiency comes at the cost of large classes that make it difficult to pursue the traditional – and highly valued – pedagogical goals of those disciplines, which usually rely on close professor-student interaction and detailed, in-depth discussions. As many of us know, it is difficult, if not impossible to teach critical thinking and textual analysis in classes whose size leaves few alternatives to ex-cathedra lecturing. In these cases, the cost-efficiency a department achieves does not necessarily translate into maximum pedagogical effectiveness, much less an enhanced undergraduate student experience. By the same token, while the smaller class sizes in some of the threatened departments lead to higher per-student costs, they also undoubtedly make for a more involved and more intense undergraduate education, the sort of experience we might wish we could offer our students across the faculty.

Unquestionably, many of the differences in the figures above have to do with disciplinary distinctions and the need for higher staffing levels in the technical and scientific fields (though as I just suggested, a similar need in the larger humanities units has not been adequately addressed). But given that low enrolments and a perceived lack of cost-efficiency in undergraduate instruction have been key arguments against the continued existence of independent small language and literature departments, it seems to me only fair to point out that some other, far larger units are no more cost-efficient in their teaching, and have far bigger overhead costs that might be trimmed down somewhat without immediately jettisoning their departmental structures. The opportunity cost associated with such an approach, it seems to me, would likely be considerably lower than that of the proposals in the Academic Plan.

Putting this issue in historical perspective is also illuminating. The language of crisis implies that things have recently come to a head, but this is not in fact the case. The faculty has maintained departments like Slavic for decades, despite perennially very low scores on the “instructional activities” scale. Throughout the 1990s, for instance, Slavic contributed considerably less to the division's teaching load than now, and the French department was no more efficient than Slavic is at the moment; yet both units survived (while by other measures, such as research activity or reputation, they even flourished). Over time, departments' contributions fluctuate significantly, as FTEs shrink or grow, and as student numbers change. The German department, for example, improved

its performance steadily in the past decade, even as Computer Science saw a steady decline in its “instructional activities” index and Physics continued to hover around the same low level. Geology experienced a notable increase in FTEs without an associated effect on FCEs, but with a consequent rise in per-FCE costs (from roughly \$2,315 in 2004 to c. \$3,870 now). And so on.

The overall picture strongly suggests that questions of cost efficiency and instructional activity may not be negligible in the planning process, but they evidently take second place to larger strategic decisions about which of its research and teaching endeavours the faculty considers valuable in non-fiscal terms. The fact that a department as small as Slavic was sustained throughout the financially challenging 1990s was no more justifiable then from a strictly budgetary perspective than it is now. The obvious conclusion must be that what has changed is not the fiscal situation, but the perception that having these departments as stand-alone units has a benefit for the faculty and the University that cannot easily be expressed in numbers – whereas the similar inefficiencies or high per-FCE costs in other departments remain unchallenged not because they make sense financially, but because their perceived non-budgetary benefits continue to exceed their actual costs. In other words, the Plan implies that the opportunity cost of maintaining the departments that are to form the School of Languages and Literatures is no longer acceptable, whereas that associated with the current operations of departments like Computer Science remains bearable, even if it entails a radical restructuring of other parts of the division.

As a final remark, I would underscore what others have already argued: that East Asian Studies is fairly clearly the odd one out in this account. Not only is the department considerably bigger than any of the others considered for the School, it also offers teaching at a comparatively low cost (below average for A&S, and comparable to much larger units). The figures above at least do not seem to indicate any need for further streamlining or economizing in that department.

E. The University Fund and other inequities

In the preceding section, I took a look at the financial fairness of the proposals in the context of the internal fiscal balance in the Faculty of Arts and Science. While the Plan may be faulted for a degree of inequity in its treatment of different departments, however, this imbalance pales by comparison to the inequalities on the University level – inequalities that can be directly linked to the faculty’s fiscal troubles. A&S has been underfunded for years. Nonetheless, it has remained a net contributor to the University Fund: even now it is still paying over \$9M a year more into the fund than it receives back (though it is less severely taxed than either UTM or UTSC, and unlike the Faculty of Applied Science and Engineering, its net contributions have declined rather than increased over the past years). There is a perfectly sound rationale for this distribution of funds away from undergraduate-rich divisions to others who have less access to government and tuition income, and it is articulated eloquently by President Naylor in the “Towards 2030” Synthesis Report:

Through the decades the University has supported the aspirations of research-intensive divisions and invested strategically in a suite of highly regarded professional and graduate programs. Those investments have yielded the University's current worldwide reputation for academic excellence and a complement of outstanding scholars whose pedagogical contributions enrich graduate and undergraduate education alike. However, as is true in most public universities, these investments depend in part on net revenues derived from divisions with larger undergraduate enrolments or lower levels of research activity. (p. 14)

Thus faculties like Medicine, Forestry, or Music have always been net receivers, as have Dentistry, the Faculty of Information, and OISE. Nursing and Social Work are essentially self-sustaining, receiving only a tiny fraction of net University Fund payouts. Perhaps the most unexpected and least justifiable aspect of the Fund's distribution is the fact that all the major professional schools (with the exception of the Faculty of Pharmacy) are net receivers: the Law School depends on its allocation for almost a third of its expense budget, as does the Architecture faculty; Dentistry relies on the Fund for nearly half its annual revenues, and even Rotman received a net \$1.5M this year. In fact, then, funds are being redistributed, at least in part, not from divisions with "lower levels of research activity" to "research-intensive" faculties, but from one set of research-intensive units (A&S, Engineering, Pharmacy) to a set of schools renowned for their financial prowess, dedicated predominantly to educating future lawyers and entrepreneurs, and populated by professors with average annual salaries of over \$170,000 (in the Law School) and in excess of \$200,000 (in the School of Management).²³

It's one thing to argue that the University as a system relies on the ability to reallocate funds from those who can generate income to those who cannot, and whose research depends on such funding. That is the principle that has allowed small departments within A&S – precisely the kinds of department under threat in the Plan – to survive and to do their valuable and internationally recognized work. But it is quite another thing to demand that units that are already struggling to make ends meet contribute to the funding of financially non-viable divisions that as a consequence of this support can enjoy staffing levels, secretarial support, and salaries unheard of elsewhere in the University, and whose primary objective is the training of professionals in financially extremely lucrative fields. This is not to say that colleagues in Management and Law don't produce important and valuable research; but that is not the work that justifies their exorbitant salaries. Nor do I envy my colleagues in those divisions their incomes. But what seems to me both pernicious and intellectually as well as fiscally unsustainable is the fact that their high levels of income, support, and infrastructural excellence are maintained by draining resources from units, students, and colleagues who do not enjoy the same privileges. If

²³ Calculated based on the data available at <http://www.fin.gov.on.ca/en/publications/salarydisclosure/2010/>. The highest paid academic at U of T is not President Naylor, but John Hull of the School of Management (who earned \$414,000 in 2009). Of the ten highest-paid academic employees of the University (counting administrators but ignoring the president of the Asset Management Corporation), seven are colleagues of Professor Hull's, each one of them making well in excess of \$350,000 a year.

the professional schools want to spend big, it seems to me that they need to learn how to earn big first.

In the context of the University Fund, and given the degree to which it has bankrolled the professional schools' deficits every year since its inception, the proposals of the Academic Plan and the sums under discussion there appear positively trifling. I recognize that Dean Gertler has to play with what he has been given, but it seems unconscionable to me that the higher levels of the University's administration are willing to go so blatantly against the principles laid out by themselves in the "Towards 2030" report in maintaining the current fiscal imbalances.

Those imbalances, however, extend beyond the redistribution of revenues. It probably ought to be said that it is a little galling that after years of asking departments, units, and colleagues to make cuts and financial sacrifices, the notion of a voluntary pay cut or freeze seems not to have been seriously discussed among the leading administrators of this University, despite the gulf between the incomes of those administrators and those of their colleagues in the faculty of Arts and Science. But of course this kind of fiscal imbalance comes at a cost, too. For instance, if the President, the Provost, and Dean Gertler were willing to limit their annual compensation to a mere quarter of a million dollars each, they could raise the yearly budget of the Centre for Ethics between them – or cover the apparent cost of an entry-level line each.

F. What is value?

During the second "town hall" meeting, Dean Gertler began to articulate, in response to questions from the German Department, a concept of value. It would be intriguing to hear him elaborate this notion in greater detail. He seemed to suggest that the value of a department had to do with the number of students it could attract, and consequently with the amount of revenue it could generate. The more money a department makes, he seemed to suggest, the more administrators it could be granted; conversely, units that failed to generate the requisite funds were unworthy of more than minimal administrative overheads and needed to be partnered with others to minimize their cost beyond the salaries of professors.

Again, in the abstract, this may not sound like a radical suggestion. "Overhead" is, after all, a negative term, gesturing towards excessive and wasteful spending of resources that could be put to more productive use. But one might ask if such a definition of administration costs is fair or properly representative of what those expenses (and the structures they support) do. A chair is not simply a figure of excess: he or she bears the responsibility for allocating a department's resources in the way that most benefits the work of its members and students – work no-one knows as intimately as an immediate colleague and fellow specialist; he or she serves as an advocate for the unit to higher levels of the University's administration; he or she oversees the development of a department's teaching and research goals in a way that no central administrator or head of school could. A good chair adds a measurable value to the pedagogical and intellectual activities of any academic unit. Ultimately, successful, well-run departments with an

individual, clearly recognizable identity make it easier to attract leading scholars – the kinds of academics U of T should seek out – to the University.

While chairs and departmental structures thus represent a kind of waste in budgetary terms – costs beyond the core mission – they do in fact contribute to that mission; they could even be said to enable it. But exactly how egregious is this waste anyway? At most, it appears to amount to \$120,000 a year for the chair (though that figure defies belief) and perhaps another \$80,000 (to bring us to a round number) in other costs – support staff, office supplies, etc. Dean Gertler himself repeatedly used the figure of \$200,000 at the second “town hall” meeting.

That, then, is the concrete question under discussion: is it worth the expense of \$200,000 a year to allow the University of Toronto to continue to have a German Department – or a Department of Spanish and Portuguese, or of Italian, or of Slavic Languages and Literatures, or of East Asian Studies? One might well argue that this is money well spent; that maintaining highly respected, internationally renowned departments is a good in and of itself, even if some of them do not *currently* thrive in their efforts to attract very large numbers of undergraduates. That, after all, is precisely what President Naylor envisioned in the “Towards 2030” document: to quote the relevant passage again, such investments, in the past,

have yielded the University’s current worldwide reputation for academic excellence and a complement of outstanding scholars whose pedagogical contributions enrich graduate and undergraduate education alike. However, as is true in most public universities, these investments depend in part on net revenues derived from divisions with larger undergraduate enrolments or lower levels of research activity.

Put differently, and more starkly, if it is in the University’s interest to subsidize the Law School to the tune of \$5,000,000 a year, to cover the Faculty of Dentistry’s annual budget shortfall of over \$9,000,000, and to bolster the Rotman School of Management’s annual budget by \$1,500,000, how can it not also be in the University’s and the Faculty’s best interest to invest the comparatively minor sum of some \$1.3M that would allow it to maintain its current array of excellent – even outstanding – departments and Centres in the Humanities? Put even more starkly, which brings greater benefits to the University – which adds more *value* to its reputation, its research profile, its students’ education and experience: its three highest-paid employees (with their total \$1.2M income) or the continued existence of five departments and three Centres of international standing?