Is York Really Broke?

YUFA Bargaining Backgrounder #1
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Many of us have listened with alarm to apocalyptic reports about York's financial future. In recent years, budget reports at Faculty councils and Senate have been nothing short of scary. Given the urgent need to reverse the declining tenured faculty complement and reinvest in valuable programs, the idea that York is going broke is deeply demoralizing.

But how much of the prevailing financial gloom is really justified? After all, we are living in a time of government austerity and enrolment declines that administrators say we should be worried about. The truth is, for the past fifteen years, there have been **massive expansions in enrolments** and, as a result, many universities in Ontario and Canada have been running regular operating surpluses and building up their financial resources. York University is no different. Let's look at the numbers to put the 'financial crisis' claim into context.

Shifting Financial Narratives

After the global Financial Crisis of 2008, senior administrators asked York's unions to cooperate to relieve pressures on the university's operating budget caused by special payments to address deficits in the York Pension Plan. In 2013, **the unions agreed to increase employees' pension contribution rates,** phasing in the changes over two years. As a result, from March 2014 to March 2016, York employees who are members of the pension plan will see an additional 3% deducted from their take-home pay. At the same time, the university budget will be relieved of an annual burden of roughly $25 million, as a result of both increased pension contributions and improving financial markets.

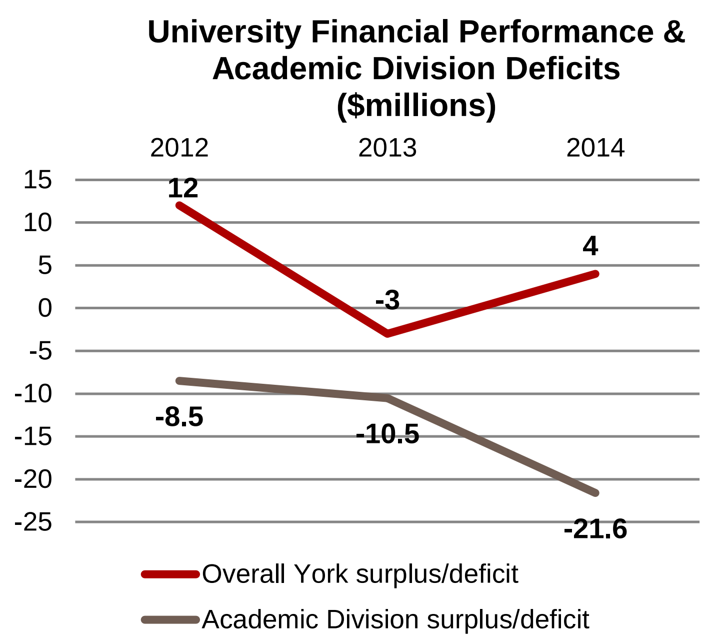
At times, the administration has acknowledged the importance of this financial relief and accordingly **forecast budget surpluses would start in 2015-16.** More often, however, the outlook has been cast in dire terms. With the onset of the Academic and Administrative Program Review (AAPR) process in late 2013, senior administrators began to emphasize pressing issues of financial sustainability that they claimed required decisive action. During their October 2014 interim budget update, the administration reported an "adjusted" cumulative deficit of $55 million. Most recently, the draft Institutional Integrated Resource Plan from June 2015 claims: "The simple fact is that York's costs exceed its revenues."

A More Reliable Lens: Analyzing York's Financial Statements

Faced with this shifting narrative, YUFA continued to meet with the employer through the joint Financial Information Subcommittee (FISC). This provided a context for YUFA members on the committee to analyze **York's actual audited financial statements from the last ten years.** YUFA's analysis revealed that the university has enjoyed fairly good financial health over this period. Why then do the alarmist budget statements differ so dramatically from the financial statements? To answer this question, we have to drill down into the details.

Why the Discrepancy? Squaring Faculty Deficits with York's Overall Financial Health

YUFA's representatives on FISC have examined administrative reports to Senate on the financial position of the "Academic Division", in other words the total combined budget of York's Faculties. Since 2012, the administration has pointed to an ever-worsening "cumulative deficit" for the Academic Division and many of its sub-units (especially Faculties like LA&PS, Schulich, and Lassonde). Despite these "deficits" on the academic side, the audited financial reports for this same three-year period show the university's general (overall) operating balance was quite healthy.



Sources: York University Financial Statements, 2004-2014; Senate Budget Updates, June 2012, May 2013, October 2014

These numbers tell us that York clearly *can* afford its current level of academic spending. In effect, Faculties have been running ever-growing annual deficits only because other areas of the university were in surplus. In fact, internal deficits (or surpluses) themselves have a "constructed" quality. It isn't that York is spending money that it doesn't have on academic activities; rather, unacknowledged choices are being made about how to attribute the university's revenues and expenses to different (academic *and* non-academic) activities within the institution.

Balanced Budgets

Looking over a longer period, York's statement of operations clearly shows a balanced budget and even modest surpluses over the last ten years.

	2004-2009	2009-2014
Avg. Operating Revenues	$783.2M	$954M
Avg. Operating Expenses	$756.8M	$953.2M
Avg. Annual Operating Surplus/Deficit	+$26.4M	+$0.8M

Sources: York University Financial Statements, 2004-2014

Increasing Revenues and Expenditures

In this same period, York has been able to consistently increase both its revenues and expenditures on a per student basis at a rate that exceeds inflation.

	2004-2014	2009-2014
Per Student Revenues (change)	+35.8%	+16.7%
Per Student Expenses (change)	+39.0%	+14.7%
Consumer Price Index	18.6%	8.8%

Sources: York University Financial Statements, 2004-2014

York's Growing Net Worth

As a result, York's net asset position, which includes its funds and reserves, is in a very healthy position and has grown significantly over the last decade. The growth in many of these funds—especially internally restricted funds—has often occurred as a result of transfers from the operating budget—in other words, transfers from the budgets that fund academic programs.

	2004	2014
Value of Net Assets and Funds (excludes appraised value of land)	$263M	$630M
Net Assets and Funds as % of Annual Operating Expenses	42.7%	62.2%

Sources: York University Financial Statements, 2004-2014

Budgets are about Choices and Priorities

These numbers provide a very different picture of York's financial prospects from that painted by the President, VPs, Deans and other senior administrators when they address collegial bodies and argue for austerity, performance audits and greater efficiency. The language of financial constraint obscures the fact that managers use such narratives to justify reallocating resources according to priorities that are increasingly not open to collegial input. This cascade of financial warnings also notably coincides with program prioritization exercises like the AAPR and the onset of collective bargaining, helping to lower our expectations. All of this highlights how woefully opaque York's budgeting process is and how little collegial control is exerted over financial decisions that have fundamental effects on the academic plans and priorities of the university.

The most important lesson we can draw from the important work done by YUFA's members of FISC is that choices about how to shape our academic and scholarly lives do exist. York *does* have the ability to invest more resources in important goals such as achieving competitive teaching loads, a larger tenured faculty complement and other items that can improve the experience of research, teaching and learning at York. The question is: what choices will York make?

Need more information about the 2015 Bargaining Round?
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