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UT's Byzantine Budget: On \$5 million coaches and laid-off lecturers

Tom Palaima | January 07, 2010 | Commentary

The University of Texas football team played in the Rose Bowl Thursday night. Coach Mack Brown had high hopes of clinching the national championship, something that would have been a huge feather in the cap for any university. But the Longhorns came up short. Nevertheless, the university will still pay Mack Brown \$5.1 million a year, making him the highest-paid college football coach in America. To some, this is an appropriate reward for running such a successful football organization, to others it is an immoral waste of a non-profit institution's limited funds.

But if truth be told, very few people understand where UT gets its money, or how it spends it. What are the funding sources? Who is responsible for managing it? How is it divvied up? How much is allocated to specific purposes before it ever lands in university coffers?

Even in prosperous years, there are worries about legislative appropriations, the rate of tuition increases and the management of the Permanent University Fund or PUF (UT's endowment investments) which generates yearly proceeds called the Available University Fund or AUF. Other causes of concern are the capital fund campaign, the top-ten-percent rule, UT's national ranking as an academic institution, and program issues like whether to build a medical school in Austin. Over the past two years the tensions have been heightened by the severe economic downturn.

And that's before you get to the major sports teams, which are governed by a totally separate budget and never reviewed, in my experience, by the faculty budget advisory committee. This budget came under passing scrutiny thanks to an [article](#) by John Maher in the *Austin American-Statesman* (12/09/09).

In the first issue of The Texas Observer, on December 13, 1954, Roy Bedichek wrote about our lives being "largely a series of choices," requiring thoughtful weighing of evidence and "balancing opposing considerations" within our minds. Bedichek wisely thought that social institutions, like UT Austin, should operate in the same way. He shared with Ronnie Dugger and others who helped found The Texas Observer two commitments: to truth as "the indispensable requirement for an effective democracy" and to Paul Holcomb's rule of life that "you can't always be right, but you can always be honest."

In my experience, even high-ranking administrators do not know the budget completely or understand the full consequences of decisions being made by the board of regents, the state legislature, the central administration or in individual colleges, departments, programs, or, in the case of athletics, self-supporting auxiliary enterprises within the University. It is a symptom of the scale and complexity of the University as one of the largest institutions of higher education in our country.

UT has over 70,000 students, staff, faculty and administrators and many truly world-class programs, research units, libraries and cultural institutions. In 2009-2010, the Operating Budget totals \$2.14 billion. Funding streams are many and fluctuating, so the University is at the mercy of Texas legislators, the board of regents, the governor, private donors, and the citizens of Texas, all of whom have their own political opinions about what constitutes adequate support. The [Constitution of 1876](#) only specifies that the state of Texas should have a "university of the first class" for the promotion of the study of literature and the arts and sciences. UT is also at the mercy of Wall Street, federal research programs, and private grant foundations.

I know what I know about where the money comes from, where it goes and, most importantly, who on the Forty Acres knows the most about revenues and expenditures, as the unexpected outcome of my years of university service. I have been concerned with budgetary matters since I arrived at UT in 1986 and set up a specialized graduate research program in the department of Classics. My baptism of fire into the larger budgetary picture came in 1994-98 when I served as chair of the Classics department. For ten of the last twelve years, I have served on the Faculty Council and several times on its executive committee and its budget advisory committee. I have also examined University budgetary issues during eleven years writing public commentary and in work with the Texas Association of College Teachers, which led to direct contacts with legislators.

A conspiracy theorist could propose that our Reaganomically-minded governors and legislators have consistently under-funded the university in order to put it in a position where it had to think about selling off prize assets, such as the Brackenridge Tract in Austin, which house critical research facilities. Financial need gave the UT Board of Regents two years ago motive to begin investigating the commercial development of this land, which has the potential to raise considerable revenues for UT Austin and to make businesses and investors involved wealthy or wealthier.

The eventual defense of the Brackenridge Tract's Biological Field Laboratory by a special faculty subcommittee and by UT-Austin President Bill Powers and Provost Steve Leslie, coupled with lots of questionable publicity for the plans for developing it, led ultimately to the regents reconsidering the proposal. For now the field lab is saved. But \$5.1 million was wasted on the now-rejected plans to commercially develop the land.

I am in my second year as UT's representative on the Coalition on Intercollegiate Athletics, a national organization concerned with the relationship between NCAA athletics programs and institutions of higher education. UT's chief financial officer Kevin Hegarty, provostal budgetary specialist Steve Monti, athletics director DeLoss Dodds and athletics financial officer Ed Goble have guided me through the complicated athletics budget.

I am familiar with many aspects of UT's NCAA programs, including their budgets, because of writing regular commentaries for the Austin American-Statesman since 1999. My first [column](#) responded to UT chancellor Bill Cunningham's own piece (01/24/99) that that gave his vision of the University of Texas at Austin in the new millennium. Cunningham outlined a corporate model of higher education, which in many ways has largely come to pass. Cunningham thought

UT should serve almost exclusively as a "magnet for business" that would spur the development of new industries.

Cunningham also unabashedly promoted the initial \$100 million expansion of Royal-Memorial stadium in 1998, which morphed into an almost \$300 million expansion with more still on the way. These epic sums were spent converting the old 77,000-seat multi-purpose stadium into the current 100,119-seat football-only coliseum, complete with 110 luxury skyboxes, 2,000-plus exclusive club seats and an \$8,000,000 gigantic electronic scoreboard called the [Godzillatron](#). These projects also used up political capital in the legislature and diverted campus energy away from other priorities. In writing about the stadium projects, I heard from one scientist who was hired at the time with the guarantee of a dedicated laboratory. The stadium was upgraded, but the laboratory still wasn't built. After issuing a personal ultimatum, he was told by university officials that architects and planners had been too busy with the stadium.

The executive committee of UT's Faculty Council meets regularly with the president and provost and other key administrators. During the last year, our work has naturally involved discussing budgetary decisions that have included cuts in staff positions; the down-scaling of foreign-language teaching and layoffs of lecturers, teaching assistants and assistant instructors; cutting positions in info-tech services and in student advising; and cutting into lean budgets in areas like speech communication that do tremendous public service. Further cuts will be needed to fund future hiring of faculty to replace retirees, to address, if possible, faculty and staff cost-of-living increases, and to pay for new building projects, most controversially in Liberal Arts. One bright spot has been the allocation of funds to redress gender equity salary issues. Otherwise, most faculty salaries and all staff salaries have been frozen, faculty hiring has virtually stopped, and staff and lecturers have been laid off.

Despite all of these problems, there is a false impression that the University is wealthy and even profligate. Texans tell tales of the University's oil endowment. They can see lavish sports facilities, stylish buildings like the McCombs Business School and its pharaonic AT&T; Executive Education and Conference Center, the Bass Concert Hall and the Blanton Museum. They read statistics about average faculty salaries that are distorted by the high salaries paid to professors in a few disciplines, especially in the schools of Business, Law and Engineering. This impression really is false.

For years, the University has struggled to make ends meet because of diminishing state appropriations and the politically-motivated control of tuition increases by the state legislature—tuition was only deregulated in 2003. The University is so big that its national rankings are hurt by high student-to-faculty ratios and by the small amount of resources expended per student. In his State of the University address in September, Powers stressed that state appropriations, which now make up less than 16% of the University's operating budget, increased at an annual rate of less than 2% over the last twenty years.

What does this mean? Imagine a state appropriation of \$1,000 increased at a full 2% from 1987 to 2007. By 2007, it reaches \$1,485.95. But average national inflation alone makes things that cost \$1,000 in 1987 cost \$1,802 in 2007. Current state revenues within the UT operating budget are \$346 million. If these appropriations had merely kept pace with inflation, they would be

about \$420 million; and the University would be able to maintain its level of operation before the economic downturn.

Because of this under-funding, the university has steadily drifted downwards in national academic rankings. In 1988, UT was ranked 23rd in the standard U.S. News and World Report survey; in 1999 44th. In his 2007 inaugural State of the University address, Powers lauded the fact that UT ranked 22nd in academic quality among 262 institutions. But its overall rank remained 44th and it was 15th among public universities. This year UT has slipped to 47th and is now tied for 15th among public institutions.

As Provost Steve Leslie has remarked, we are not cutting fat from our budget, we are cutting into our muscle tissue as a center of learning, research and culture. The main culprit is the steep decline in investments in the PUF. AUF usable proceeds are calculated on a three-year average. So the overall negative effect resembles an engorged animal moving slowly through a python. The shortfalls will be felt over three years, even if the national economy stabilizes or recovers.

We are actually lucky that the AUF does not play a larger role in supporting the University's operation. It might surprise people to learn that the University's supposedly colossal endowment generated only \$161 million, or 8 percent, of its operating budget this year.

Tuition increases were expected to be 4.95 percent, and to rise to 6.5 percent. They have been capped by the regents at 3.95 percent. This year tuition amounted to \$515 million or 24 percent of the operating budget. This is a sensible and sensitive policy as it affects those Texas families and students who are truly in need, but it is the second major shortfall. A third major source of revenues, one that is never taken into account by critics of university professors for being on the 'public dole,' is research contracts and grants. In 2009-10, contracts and grants brought in \$406 million, \$60 million more than state appropriations and three times the total athletics revenues. When added to gifts and various fees and charges for library and educational services, the academic enhancements total \$645 million. This far exceeds the \$507 million that comes from state appropriations and the AUF. Nevertheless, the overall central budget shortfall in recurring budget needs in 2009-10 was \$11.6 million. This was covered by one-time funds. But the \$11.6 million has to be addressed in the next budget by cuts or additional funds.

Several other grim realities loom. The legislature inserted into its contribution for the 2009-2011 budget approximately \$21 million in federal stimulus money to cover recurring costs. This money will disappear in the next biennium. It is unknown where the legislature will find funds in the revenue-strapped state budget to cover this \$21 million.

Fringe benefits, financial aid and commitments for new facilities also increase at an alarming rate. It is unlikely that hard-working faculty researchers will be able to increase the funding they bring in. Federal agencies, private foundations and research-dependent businesses have all been affected by the economic downturn and have less money to give out as a result.

Before these deficits began piling up, the university had embarked on a wholesale revamping of undergraduate instruction known as Undergraduate Studies. Its administrative and other costs have never been publicly revealed, but they are not insignificant. The school has a dean, an

associate dean, three assistant deans and two coordinators, and an ambitious, and costly, teaching program.

The university, as you can see, was hit by a perfect storm of what seemed like reasonable and necessary increases in expenditures accompanied by sudden unexpected decreases in revenues.

Several misperceptions, however, need clearing up. Even though the president spoke of his resolve for UT to continue to pursue prominent faculty, the amount allocated to new faculty hires is \$800,000 for ten faculty, each at \$60,000 salary and \$20,000 infringes and benefit. These are entry-level positions, not star hires. Likewise, members of the executive committee made the case that many faculty would gladly forego any salary increases to save vital staff members. Most faculty salaries are now frozen and, as mentioned in the president's State of the University address, raises are going to only [30 percent of the faculty](#), mainly to address gender-equity.

This brings us to Mack Brown's salary increase, from \$3.1 million to \$5.1 million. The faculty council on Dec. 14 passed a [non-binding resolution](#) that this increase in the current budgetary crisis was "unseemly and inappropriate." This increase is now drawing [national](#) and even international attention.

A range of views on the Forty Acres can be found in an [AP story](#) from the Los Angeles Times before the BCS championship game.

At issue here is how athletics operates as an auxiliary enterprise, what amount of good it could be doing for the academic side if it didn't, to use Ed Goble's words, eat what it kills, and the harm it is wreaking nationally by driving other major competing institutions into debt.

According to 2006 NCAA statistics, out of 119 Division 1A schools, 103 programs were in the red, by an average of \$8.9 million. Sixteen were in the black, by an average of \$4.3 million. For 2007-08, 25 out of 119 programs were in the black, by a smaller average of \$3.9 million, while [94 were in the red](#), by a greater average of \$9.9 million.

UT's motto is "What starts here changes the world." Are we living up to that motto? President Powers declared on his new UT blog: "In an era of budget cuts in higher education across the country, I am one of very few presidents who does not also have to bail out athletics with subsidies and loans." Should a president make decisions based on what is easiest for him? What about the overall good of our institution, and our main purpose, to change our world for the better? Right now, as the Joneses of big-time college sports, we are causing a [national spending arms race](#) on such a scale that 85 percent of presidents at educational institutions with major football programs declare that compensation for football and basketball coaches is out of their control and the greatest impediment to the sustainability of NCAA athletics at their colleges and universities.

A prime argument in support of Brown's pay raise cited by Powers and Dodds is the upswing in football revenues from \$21.3 million in 1997 when Brown was hired to now \$87.5 million, a 410 percent increase. Let us grant that Brown, and not other factors like the \$300 million in stadium expansion, is responsible for this revenue increase and deserves to be rewarded commensurately.

A 410 percent increase in his 1997 salary would bring it to \$3,081,000, right where it was before December's \$2 million increase.

How out of line are the salaries that college presidents and boards of regents and trustees are giving college coaches? Consider this. In 2008, Wayne H. Pace, CFO of Time Warner, Inc., earned \$5 million. His company was ranked 49th in the Fortune 500. It had revenues of \$26.6 billion dollars and \$133.8 billion in assets. At the same salary, Mack Brown is the head football coach and public face of Longhorns Inc. In 2008, his company had \$138 million in total revenues.

Of that \$138 million, according to Kevin Hegarty, after \$15 million is paid for bond obligations connected with stadium building projects, UT athletics anticipates having \$4 million in profits. \$2 million of this will be returned to its roughly \$20 million reserve fund. It will pay \$1 million to academics through a recent arrangement whereby it controls copyright and trademark revenues and returns to the university proper either \$1 million or 10 percent. In 2008 these revenues were \$10.6 million. Why should Longhorns Inc keep 90% of these revenues?

If we based Brown's salary on Dodds' and Power's revenue-increase argument, \$2 million dollars would be available for the real University of Texas at Austin. If coaches' salaries were in-line with even the inflated salaries of American Fortune 500 business CEO's and CFO's based on their company revenues, Brown would make about \$400,000. This would free another \$2.7 million for the University. If Bill Powers and the UT regents reworked the trademark and royalties policy and brought other coaches' salaries into line, Longhorns Inc could be a serious contributor to making UT what the Constitution of 1876 mandated, a first-class center of learning and education.

If Roy Bedichek, Paul Holcomb and those who helped found The Texas Observer were here today, they would observe that UT Austin and its presidents and regents have made a series of choices. But they might well have their own opinions on whether these choices were right and honest.