In the Matter of the Fact-Finding between	)	
	)	
KENT STATE UNIVERSITY,	)	**SERB CASE NUMBER:**
	)	**2018-MED-04-0418**
and	)	
	)	
THE AMERICAN ASSOCIATION OF	)	
UNIVERSITY PROFESSORS, KENT	)	**FACT-FINDER'S REPORT**
STATE CHAPTER (AAUP-KSU),	)	
TENURED AND TENURE-TRACK	)	
FACULTY UNIT.	)	

BARGAINING UNIT

This fact-finding report concerns the collective bargaining relationship between Kent State University and the American Association of University Professors, Kent State Chapter ("AAUP-KSU"), Tenured and Tenure-Track Faculty Unit. The tenured and tenure-track unit of AAUP-KSU represents over 760 tenured and tenure-track faculty members (hereafter "Faculty") of Kent State University.

FACT FINDING HEARING(S): **April 22, 2019**
April 23, 2019

MEDIATION SESSION(S): **April 22, 2019**
April 23, 2019

FACT FINDER: **Barton A. Bixenstine**

APPEARANCES

For Kent State University:

David L. Ochmann, General Counsel
Stephanie N. Jones, Special Assistant, Office of General Counsel
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Amanda Smith, Special Counsel
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For the American Association Of University Professors, Kent State Chapter (AAUP-KSU), Tenured And Tenure-Track Faculty Unit:

Melissa Zullo, AAUP-KSU Chapter President

Coleen Taylor, AAUP-KSU Chapter Director
Deborah Smith, AAUP-KSU Chapter Vice President and Chief Negotiator
Anthony M. DioGuardi ll, Special Counsel

STATUTORY CRITERIA

The recommendations I have set forth in this Report are made in accordance with the mutually agreed upon and exclusive procedure and provisions with respect to negotiations for a new or amended agreement, as agreed-upon by the parties and set forth in Article XXIV of the parties collective bargaining agreement effective August 19, 2015 (the "2015 Agreement"). As set forth in Section B of Article XXIV:

> The purpose of the fact-finding process is to facilitate the negotiation process with the goal of reaching final agreement on unresolved non-governance issues. … The fact-finder will be responsible for evaluating all relevant, probative information submitted by the parties on issues subject to fact-finding and issuing a written report which finds on the facts and assists the parties in resolving such issues.

Consistent with the mandate of Section B, I have looked to the statutory guidelines set forth in Ohio Revised Code 4117.14 (C) (4), which sets forth the following criteria to be considered in the statutory Fact-Finding process:

1. Past collectively bargained agreements, if any, between the Parties;

2. Comparison of unresolved issues relative to the employees in the Bargaining Unit with those issues related to other public and private employees doing comparable work, giving consideration to factors peculiar to the area and classification involved;

3. The interests and welfare of the public and the ability of the Public Employer to finance and administer the issues proposed and the effect of the adjustment on a normal standard of public service;

4. The lawful authority of the Public Employer;

5. Any stipulations of the Parties; and,

6. Such other factors not confined in those listed above, which are normally or traditionally taken into consideration in the determination of issues submitted to mutually agreed upon dispute settlement procedures in the public service or in

private employment.

STATUS OF COLLECTIVE BARGAINING AS OF THE COMMENCEMENT OF THE FACT-FINDING PROCESS

The parties have agreed to retain the existing language of sixteen of the twenty four articles in the 2015 Collective Bargaining Agreement. Of the remaining eight articles, the parties have reached tentative agreement on five articles as well.

AAUP-KSU has represented that tentative agreement on Article XIV (Other Benefits) could be reached outside of fact-finding. Article XIV concerns Life Insurance Benefits (Section 1), Utilization of Wellness and Recreation Center (Section 2), the University's Section 125 Plan (Section 3), Non-Academic Leaves (Section 4), Vacation for 12-month Faculty (Section 5), Reimbursement for Instructional Travel Mileage, Parking & Tolls (Section 6), Rates for Kent Campus Faculty Parking Permits (Section 7)[1], Early Retirement (Section 8), the University's Alternative Retirement Plan (Section 9), Fee Remission (Section 10), and Paid Parental Leave (Section 11).

The areas of disagreement between the parties to be addressed in fact finding, as of the onset of the fact-finding process, concern Article XII (Salary), and Article XIII (Medical Benefits). The parties have agreed on language for Article XII, Sections 1, 2, and 3, and on housekeeping changes throughout the Article. According to the pre-hearing statement submitted by AAUP-KSU (but taking into account the position of the Administration announced at the beginning of the fact-finding hearing) the main unresolved salary issues as of the onset of the fact-finding process are:

- The specific percentages Faculty will receive as standard increment raises in each year of the contract (Section 5.A.1, B.1, and C.1);
- Whether Merit Awards and/or President's Faculty Excellence Awards will be provided, and if so, in what amounts (Section 5);
- Whether to increase the amount paid to an Associate Professor upon promotion to that rank (Section 6);
- Salary Minima (floors) for each rank (Section 7).

As to Article XIII (Medical Benefits), the parties have agreed on language for Sections 2, 4, 5, 6, and 7 of this Article. The parties have also agreed on language for sub-sections A and C of Section 1. The main unresolved issues concern:

- Whether the options available to the Faculty will continue to include (i) the 90/70 PPO comprehensive medical insurance plan with significant plan features as set forth in Attachment A to the 2015 Agreement, and (ii) the 80/60 PPO comprehensive medical insurance plan with significant plan features also set forth in Attachment A to the 2015 Agreement, or whether those two options will be replaced by a single option of the 85/60

[1] The Administration included in its materials a proposal for parking rates to be frozen at the 2017-2018 academic year rates for the life of the contract.

PPO comprehensive medical insurance plan currently offered to all University employees. (Section 1.B.1-4 and Attachment A);

- The amount that Faculty will pay for enrollment in the PPO plan or plans available to them, measured as a percentage of the imputed premium set by the plan carrier as the COBRA cost for coverage (Section 1.B.5 and Schedule A);
- The model for Faculty contributions toward the imputed premium for the plan(s) offered (Section 1.B.5-6 and Schedule A), including the number of salary tiers established for setting contribution amounts;
- The maximum contribution limits for the PPO plan(s);
- The maximum co-insurance for individual prescriptions and specific language governing prescription coverage (Section 1.D).

MEDIATION RESULTS

Each side made it clear during mediation sessions that it had some room for additional compromise, and each side eventually communicated, confidentially, terms as to salary and benefits that it would accept if the other side would also accept those terms (i.e., "terms conditional on acceptance"). At the completion of the second day of mediation, there remained a gap between the terms conditional on acceptance that each side presented to me on a confidential basis. In a pure mediation process, I would have attempted to bridge the gap by submitted to the parties in mediation my recommendation for the terms of a mediated settlement. Because of the fact-finding context within which the mediation took place, I concluded that the best approach to achieving a settlement was to issue my fact-finding determination, after thoroughly evaluating the parties' presentations and their positions, and also obtaining clarifications in critical areas. [2]

POSITIONS OF THE PARTIES

Positions Of The Parties On Article XII (Salary):

Opening Position of AAUP-KSU:

AAUP-KSU came into the fact-finding proceeding proposing that all Faculty members receive the following percentage increases:

	AY 18/19	AY 19/20	AY 20/21
AAUP-KSU Proposal	3.5%	3%	3.5%

AAUP-KSU also proposed (i) a 2% pool to fund Merit Awards in Academic Year 19/20 while eliminating the President's Faculty Excellence Awards, (ii) an increase in the promotion increase

[2] It must be noted that the parties each adopted different negotiation strategies. The Administration waited until it made its fact-finding presentation to offer terms more favorable to the Faculty than the Administration's previously announced proposals. AAUP-KSU waited until mediation sessions after the initial fact-finding session to make it clear that it was prepared to accept terms more favorable to the Administration than its position at the onset of the fact-finding process. Each side was critical of the other's negotiating approach, but I found each side to have conducted itself in complete good faith during the course of the fact-finding process and associated mediation sessions.

amount by $1000 as to both promotions from Assistant Professor to Associate Professor, and promotions from Associate Professor to Professor, and (iii) an increase in the salary minima for each rank of 5%.

AAUP-KSU's Offered Rationale for its Opening Positions as to Salary:

(i) "Fair Marketplace":

According to AAUP-KSU, the Administration represented during 2015 negotiations that, historically, it offered yearly salary increments influenced by the "fair marketplace" for continuing faculty salaries contained in AAUP's Annual Report on the Economic Status of the Profession. According the AAUP-KSU, the "fair marketplace" concept involved yearly salary increments in the amount of inflation plus a certain amount per year, so as to ensure that faculty salaries keep up with inflation.

The AAUP-KSU asserts that if the "fair marketplace" theory represented by the Administration in 2015 negotiations were applied now, the result would be a standard increment raise of over 3% for all Faculty in each year of the contract.

(ii) Availability of Funds to Pay for Increased Faculty Compensation:

AAUP-KSU cites to the Administration's Proposed Unrestricted Original Budget for FY 2019, as evidence that the University has budgeted enough for Faculty salaries to cover the salaries of the 26 faculty newly hired in the fall of 2018 and to give the continuing faculty a 3% increase in the annual increment for AY 18/19. AAUP-KSU also asserts that the University has a history of underspending what it has budgeted on faculty salaries as further support for setting annual increments for the period of the new collective bargaining agreement at a level exceeding 3%.

AAUP-KSU acknowledges that the majority of the University's revenue comes from enrollment tuition and fees, and calculates that enrollment has dropped by roughly 2,500 students since AY 16/17 (FY 17). It contends that the University has been successful in maintaining its financial health despite the enrollment declines, as evidenced by the State Financial Ratio Analysis of Ohio public universities. According to AAUP-KSU, both the State Financial Ratio Analysis for FY17[3] and Kent State University's audited Financial Statements for FY17[4] and FY18[5] evidence that the University is in strong financial shape.

AAUP-KSU also points to the Fall 2018 (AY 18/19; FY19) Freshman enrollment, which increased to a new record, suggesting that the period of declining enrollments may be ending.

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[3] https://www.ohiohighered.org/sites/ohiohighered.org/files/uploads/financial/campus-accountability/FY2017_Excluding-Associated-Impacts-of-GASB68.pdf (This data is not yet available for FY 2018.)

[4] https://www.kent.edu/sites/default/files/file/70804%20Kent%20State%20University%20GPFS%200617%20Final.pdf

[5] https://www.kent.edu/sites/default/files/file/70804%20Kent%20State%20-%200618%20FS%20and%20SA%20-%20Final.pdf

AAUP-KSU also points to the "Presidential Position Profile" document released on January 24, 2019, which explicitly acknowledges (p. 11) that Kent State University has a "Sound Financial Position" with a balanced operating budget of $645 million and an endowment of $138 million. It points to a portion of the Profile which states:

> Through strong executive leadership, strategic investments in marketing and student recruitment, and the use of a decentralized budgeting methodology, university enrollments have set records while expenses have been controlled.[6]

AAUP-KSU also contends that the restated Educational & General (E&G) budgets for FY16 and FY18 reflect that the gap between revenues and expenditures has not significantly worsened between FY16 and FY18 -- revenue was down by just 0.08% in FY18 relative to FY16, while expenditures were up just 1.2% in FY18 relative to FY16. It also asserts that a comparison of the original E&G budget for FY16 and FY19 E&G budgets reflect that revenue is predicted to be down by only 0.74% in FY19 relative to FY16, while expenditures are also predicted to be down by 0.23% in FY19 relative to FY16.

Perhaps most significantly, from the perspective of AAUP-KSU, it points to the restated budget for FY18, which shows that Total E&G Revenues exceeded Total E&G Expenditures by over $55 million in the restated FY18 budget, and by over $58.5 million in the proposed budget for FY19. AAUP-KSU asserts that roughly $10 million of this surplus is transferred into the Kent and Regional Campuses Auxiliaries budgets, and that the remainder is transferred out of the University's operating budget altogether.

(iii) Comparison of Faculty Salaries at Kent State to those of Comparable Institutions:

The AAUP-KSU asserts that the relevant comparison group for Kent State Faculty is the East North Central Region that contains Ohio for Category I (Doctoral) institutions, and that within that cohort, KSU faculty salaries lag behind the median salaries by rank, citing to table 4 of the AAUP's 2017-2018 Annual Report on the Economic Status of the Profession.[7]

(iv) Merit Increases versus President's Faculty Excellence Awards:

AAUP-KSU asserts that Merit Awards are a superior vehicle for rewarding faculty excellence, as compared to President's Faculty Excellence Awards, because (i) the process for Merit Awards is more transparent, (ii) the process provides for more Faculty input in shaping criteria for the assessment of meritorious performance, and (iii) Merit Awards are awarded to a substantially larger number of faculty (approximately 70% of all faculty, most recently), compared to a total of 7 recipients of President's Faculty Excellence Awards in each academic year.

(v) Promotional Increases:

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[6] https://www.kent.edu/sites/default/files/file/18-SVP-00457-042%20presidential%20position%20profile%20D10.pdf

[7] https://www.aaup.org/sites/default/files/ARES_2017-18.pdf. Although AAUP-KSU intended to compare median salaries, it actually compared regional AVERAGE salaries to KSU's median salaries.

According to AAUP-KSU, Kent State is one of six public universities in Ohio ranked in the top 200 of National Universities by US News & World Report and yet Kent State's promotion increments for promotion to Associate Professor lag behind the University of Akron and University of Toledo, neither of which is ranked as a top National University by US New & World Report. Kent's superior ranking, combined with the asserted gap between Kent State Faculty median salaries and the average salaries within the East North Central Region peers at all levels, supports an increase in the promotional increase at both levels by $1,000.

(vi) Salary minima:

AAUP-KSU points to the higher salary minima at Wright State University for Professor ($90,033) and Associate Professor ($73,605), and to the higher salary minima for Assistant Professors at Cleveland State University ($55,000), University of Toledo ($54,000), and Youngstown State University.

Opening Position of the Administration On Salary:

The Administration came into the fact-finding proceeding proposing a contract covering this and the next three Academic Years. As to salary, it proposed that all Faculty members receive the following percentage increases:

	AY 18/19	AY 19/20	AY 20/21	AY 21/22
Administration salary proposal	**2.0%**	**2.0%**	**2.0%**	**2.0%**

The Administration also proposed (i) to retain the President's Faculty Excellence Awards, with a smaller $210,000 pool (compared to the $400,000 pool in the 2015 Agreement) to be spread across the final three years of the contract, but eliminate the Merit Awards program, (ii) no increase in the promotion increase amounts for either promotions from Assistant Professor to Associate Professor, or promotions from Associate Professor to Professor, and (iii) no increase in the salary minima.

The Administration's Offered Rationale for its Opening Positions as to Salary:

(i) The University's two major revenue drivers -- tuition/fees and state appropriations -- are expected to decline:

The Administration estimates that its two major revenue drivers -- tuition/fees and state appropriations -- are expect to decline over the near future:

- Funds from student enrollment: Due to the elimination of the Perkins loan program, declines in foreign student enrollment, declines in the number of graduating Ohio high school seniors, and the continuing state-imposed cap on tuition levels, income from student enrollment is expected to decline.
- Funds from the State of Ohio: The Administration expects state funding to decline by $1.45 million in FY19.

(ii) Health care costs are expected to increase at rates substantially exceeding the rate of inflation:

The Administration cites the PWC Medical Cost Trend Report. That Report, according to the Administration, states that, in general, healthcare costs are expected to rise 6-7% over the next few years. Citing to its new 85/60 PPO plan (that will, effective January 1, 2020, become the only PPO option throughout the University workforce other than, perhaps, for the Faculty), the introduction of a high deductible health plan option and its wellness program, the Administration anticipates a 4.6% increase in healthcare costs in the 2019 calendar year.

(iii) The Administration's salary offer is competitive with results of bargaining at comparable Ohio state universities:

The administration points to the most recent results of collective bargaining for tenured faculty at Bowling Green State University, Central State University, Cleveland State University, University of Akron, University of Cincinnati, University of Toledo and Wright State University. The Administration views its salary increments offer as competitive with the results of bargaining at these institutions.

Bowling Green State University	2019-2022	3%, 3%, 2.5%[8]
Central State University	2017-2020	1.5%, 2%, 2%
Cleveland State University	2017-2020	1%, 2%, 1.5%
University of Akron	2015-2019	2016-17: 3% merit; 2017-18: 2% merit; 2018-19: 1% merit, 1.25% set aside for merit evaluation, .75% set-aside for compression; 2019-20: 1.5% merit; 2.25% set-aside for compression
University of Cincinnati	2016-2019	2%, 2%, 2% Compression:.25% annually
University of Toledo	2018-2022	2018-19 < $75,000 = 3% $75,000 - $100,000 = 1.5% > $100,000 = 1% 2019-20 < $75,000 = 2% $75,000 - $100,000 = 1.5% > $100,000 = 1.5% 2020-21 $75,000 = 2% $75,000 - $100,000 = 2% > $100,000 = 2% 2021-22

[8] I have updated the Administration's chart to set forth the most recent contract agreement at Bowling Green. https://bgindependentmedia.org/bgsu-faculty-association-reach-agreement-on-3-year-contract/

		< $75,000 = 2% $75,000 - $100,000 = 2% > $100,000 = 2%
Wright State University	2019 - 2023	0% each year
Youngstown State	2017-2020	2%, 2.5%, 2.5%

Positions Of The Parties On Article XIII (Medical Benefits):

Opening Position of AAUP-KSU:

Plan options: AAUP-KSU proposes that the University retain the 90/70 and 80/60 PPO plans currently in place, and that faculty continued to be entitled to select one of those two plans, or the High Deductible Health Plan.

Plan coverage costs: AAUP-KSU proposes that the median salaried Faculty member continue to pay 19.5% of the imputed cost of coverage reflected in the COBRA cost (the University is largely self-insured) under the 80/60 PPO plan, 21.5% of the imputed coverage cost for the 90/70 PPO plan, and 17.5% of the imputed coverage cost for the HDHP plan.

It objects to the Administration's proposed 85/60 plan as imposing (i) unreasonably high faculty contributions to the overall cost of coverage, and (ii) an unreasonably high increase in the annual out of pocket maximum from $750/$1,500 (in network) to $1,200/$2,400 (in network) for single/family coverage.

Contribution Model: AAUP-KSU proposes a new contribution model to replace the model currently reflected in Schedule A of the 2015 Agreement, to provide for an odd number of salary tiers defined by what they characterize as a "normal curve" of Faculty salaries, with the current median Faculty salary in the middle tier. The AAUP-KSU states that its proposal would preserve that contribution rate for the median salaried Faculty member and is designed to be otherwise revenue neutral for the University with respect to contributions from Faculty.

Maximum Coinsurance For Individual Prescriptions: AAUP-KSU also proposes an inflationary increase of just over 4% (from $60 to $62.50) in the maximum coinsurance for individual prescriptions and proposes keeping this language in Article XII, Section 1.D.2.b, rather than placing it in fine print in to Attachments A and B, as the Administration proposes. AAUP-KSU has also proposed removing the restriction on contraception coverage to only oral contraceptives.

AAUP-KSU's Offered Rationale for its Opening Positions as to Heath Care Benefits:

(i) The Administration 85/60 Proposal places an unreasonably high burden on Faculty of addressing the continuing increases in the cost of health insurance, which are not growing as fast as the Administration represents:

AAUP-KSU understands that healthcare costs go up over time and that there is sometimes a need for the employee contributions to the cost of healthcare benefits to be increased. It also acknowledges that the recent steps taken by the University to reduce healthcare costs (institution of a wellness program and moving to a single medical insurance vendor) have been successful.

The success of the University's recent steps, in the view of AAUP-KSU, removes any basis in health costs to make the change proposed by the Administration. According the AAUP-KSU, (i) the imputed premiums for the PPO plans offered by Medical Mutual of Ohio in 2019 only increased 0.65% over the imputed premiums for the same plans in 2018, (ii) premiums for the PPO prescription plan are 3% lower in 2019 than in 2018 and (iii) premiums for vision coverage in 2019 are identical to those in 2018. AAUP-KSU calculates that, as a result, the total premium (combined medical, prescription, and vision coverage) for the PPO plans offered by Medical Mutual of Ohio slightly decreased (0.2%) in 2019 relative to 2018.

AAUP-KSU also contends that the Administration consistently overestimates the extent of the University's health insurance cost increases. AAUP-KSU calculates that the compound annual growth rate (CAGR) between 2012 and 2018 in total healthcare costs was 8.74%, but that the CAGR in per-enrollee costs during the same time period was only 6.21%. AAUP-KSU also calculates that between FY10 and FY18, the compound annual growth rate on Educational and General (E&G) expenditures for benefits (4.30% CAGR) has not substantially exceeded the growth rate in overall E&G expenditures (4.22% CAGR), and that the percentage of overall E&G expenditures dedicated to benefits has remained flat between FY10 (20.05%) and FY18 (20.16%). It also points to the Group Insurance Account Activity Report, which it sees as evidence that, between FY12 and FY18, transfers into the account (especially from employee payroll deductions) are growing at a faster compound annual growth rate than expenditures out of the account, an indication that the Administration consistently overestimates the pace of increase of health care costs. AAUP-KSU calculates that the carry-over fund balance of the Group Insurance Account is increasing by an average of $788,553 per year.

Given these circumstances, according to AAUP-KSU, the Administration's proposal is unnecessary. It is also is unreasonably burdensome to the Faculty, because it would result in 80%+ of Faculty (those who currently elect the 90/70 PPO plan) not only paying more for coverage, but getting less coverage for the increased amount they would be required to pay. AAUP-KSU calculates that the increase in the cost to Faculty of coverage under the Administration's proposed 85/60 PPO plan is the equivalent of between 0.64%-0.66% of the median Faculty salary for single coverage (depending upon whether the Faculty member is currently enrolled in the 90/70 or 80/60 PPO plan) and between 1.37%-1.50% of the median Faculty salary for family coverage, not taking into account the additional costs that Faculty currently on the 90/70 PPO plan would face given the shift to only 85% in network coverage and 60% for out of network coverage.

(ii) Comparison to other Ohio Universities:

According to AAUP-KSU, other public institutions in Ohio whose faculty are unionized have 90/70 PPO plans -- University of Toledo, Cuyahoga Community College, and Youngstown State -- and University of Cincinnati offers faculty a 100% PPO plan.

AAUP-KSU also asserts while some public post-secondary institutions in Ohio have adopted an 85/60 PPO plan, the KSU 85/60 plan has the highest annual out of pocket maximum for medical coverage. It asserts that (i) Bowling Green State University's annual out of pocket maximum is $800 for single coverage, $1,600 for employee plus one dependent coverage, and $2,400 for family coverage, (ii) the University of Akron's Collective Bargaining Agreement, which does not list a medical only out of pocket maximum, has a combined medical/prescription annual out of pocket maximum of $2,500 for single coverage and $5,000 for family coverage, while the combined medical/prescription annual out of pocket maximum on the University's proposed 85/60 PPO plan is $7,350 for single coverage and $14,700 for family coverage, and is subject to change annually.

(iii) Unreasonably high contributions to the cost of coverage:

According the AAUP-KSU, the median salaried Faculty member currently pays 19.15% of the premium for the 80/60 PPO plan and 21.16% of the premium for the 90/70 PPO plan. Based on the percentage of premiums paid by unrepresented employees for coverage under the 85/60 plan in 2019, AAUP-KSU calculates that the Administration's proposal would require the median salaried Faculty member to pay 22.66% of the premium.

AAUP-KSU also contends that the contribution level set by the Administration proposal exceeds levels for health care coverage at comparable Ohio universities with collective bargaining. (See AAUP-KSU exhibit 35.) According to AAUP-KSU, at most comparable Ohio universities with collective bargaining, faculty having salaries comparable to the median Faculty salary pay 20% of premiums or less for their richest plan, and faculty at the University of Akron and Toledo University pay 21%.

(iv) The University has unjustifiably broken with past practice in how changes are made to health care coverage of University employees:

According to AAUP-KSU, prior to 2018 the University extended the medical benefits negotiated by the tenured and tenure-track unit of AAUP-KSU to all unrepresented employees. (Additionally, the full-time non-tenure track unit of AAUP-KSU has "me too" language that references the tenured and tenure-track unit Collective Bargaining Agreement.) However, during open enrollment for 2018, the University deviated from this decades-old practice and eliminated the 90/70 and 80/60 PPO plans for unrepresented employees and instead offered the 85/60 PPO plan with a high annual out of pocket maximum and with a median employee contribution rate of 18.5% of the premium as the sole PPO plan. AAUP-KSU is concerned by what it perceives to be a threat to its collective bargaining rights.

(v) It would be in the parties' mutual best interests to adopt a new model based on AAUP-KSU's proposed "normal curve" approach:

AAUP-KSU believes that it would be in the best interest of both parties to adopt a contribution model with an odd number of tiers defined by a normal curve of salaries with the median salary in the middle. AAUP-KSU also believes that it is important that the percentage of the imputed premium to be paid by Faculty in all salary tiers is explicitly specified and fixed for the life of the Agreement.

(vi) There is no reason for the level of increase in prescription drug rates that the Administration proposes:

According to AAUP-KSU, prescription premiums grew at a compound annual growth rate (CAGR) of 6.65% between 2012 and 2019, but that growth rate has slowed to 5.97% between 2016 and 2019, and has declined in 2019 relative to 2018 by 3%.

The language concerning prescription premiums should remain in the body of the collective bargaining agreement because it concerns an economically significant aspect of Faculty medical benefits.

Opening Position of the Administration:

The Administration proposes the elimination of the 90/70 and 80/60 PPO options, to be replaced by the 85/60 PPO options that the University offers to all of its other employees, with the adjustment that Faculty shall benefit from out-of-pocket expense maximums of $1200 for single coverage and $2400 for family coverage, compared to the $1500/$3000 maximums applied to all other University employees. The annual health care contributions of the Faculty will derive from the 12-tier system already in place for the 85/60 PPO plan.

The Administration's Rationale for its positions on Health Care:

(i) Health care costs are rising at rates that substantially exceed the rate of inflation:

The Administration cites to the PWC Medical Cost Trend Report, which it represents to state that, in general, healthcare costs were expected to rise 6.0% in calendar year 2018 and to continue to rise 6-7% over the next few years. According to the Administration, its plan management, including its introduction of the 85/60 PPO plan to go along with a high deductible health plan option, and its wellness program, lead it to expect a more moderate 4.6% increase in healthcare cost in the 2019 calendar year.

(ii) The change from the 90/70 PPO plan and 80/60 PPO plan to a 85/60 Plan will save the University more money than the resulting increase in health care expense to the faculty, and contribute to reducing the rate of increase in health care costs:

The Administration estimates the yearly savings to the University from adopting its proposals regarding health care to be about $363,000 per year. The increase in tenured faculty contributions to premium would be about $165,000 per year assuming adoption of annual out-of-pocket maximum payments of $1200 for single coverage and $2400 for family coverage.

ANALYSIS

Kent State is comprised of eight separate campuses. Each campus has a different mix of student populations and needs, and each campus works to uniquely serve its population under the common vision and mission of the University, by providing learning opportunities suited to their students' academic and career interests. The specialized and unique programs include the music technology program at the Stark Campus, the computer design, animation, and game design program at the Tuscarawas Campus, and health programs at the Salem, East Liverpool, and Trumbull campuses.

The majority of students at Kent State are located at the Kent Campus in Portage County (63% of students in 2016). The second-largest campus by enrollment is the Stark Campus, comprising 10% of students in 2016. Students are fairly evenly distributed across the other campuses, accounting for approximately 27% of students in 2016.

University Revenues:

Kent State's revenues comes from tuition and fees, government appropriations, and other sources that include investment income, grants and amounts distributed by the Kent State University Foundation and characterized in financial statements as "gifts." Tuition and fees are the largest source of revenue, representing 49% of FY16 revenue. For FY16, state appropriations contributed 21% of revenue while operating grants, which includes federal grants, provided 5% of revenue.

Kent State's revenue has fluctuated from year to year. Total Operating and Non-Operating Revenue was 738,523 in FY14, 700,287 in FY15, 692,809 in FY16, 768,141 in FY 17 and 690,368 in FY18. [9] The dominant contribution to Operating Revenue is Tuition and Fees, and the dominant contribution to Non-operating Revenue is State Appropriations. Tuition and Fees revenue increased from 405,871 in FY14 to 420,718 in FY16, and then declined to 409,802 in FY18, as preponderant enrollment declined from 38,965 in FY16 to 36,509 in FY 2018. State Appropriations have consistently increased from 136,774 in FY14 to 156,299 in FY18. The up and down fluctuation in revenue has been largely the result of fluctuations in investment income, capital appropriations and auxiliary income. If those three somewhat volatile components are removed, the remaining Revenue showed an increase of $4.082 million from FY14 to FY16, and a decrease of $16.047 million from FY16 to FY18.

In summary terms, the following is the revenue data for fiscal years 2014 through 2018 (in thousands of dollars):[10]

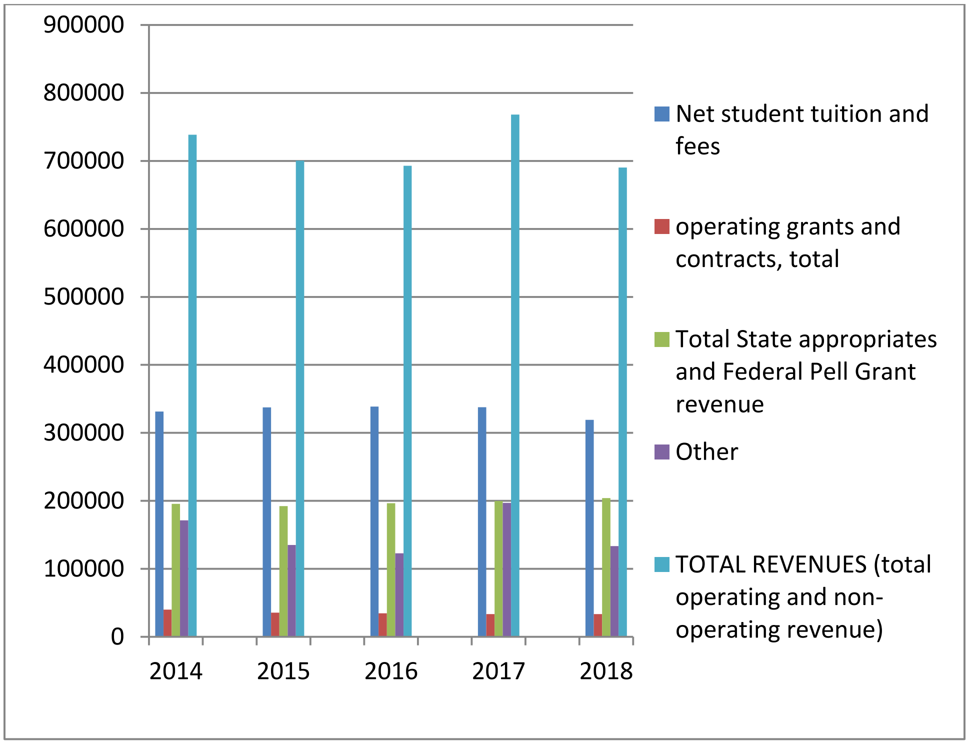
	2014	**2015**	**2016**	**2017**	**2018**
Net student tuition and fees	331380	337424	338653	337750	319261
operating grants and contracts, total	40015	35529	34642	33493	33478

[9] These numbers are drawn from the STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION for the applicable Fiscal Year, taking the Total Operating Revenue plus the Total Operating Revenue (Net Operating Revenue plus paid Interest on capital asset-related debt plus Capital appropriation).

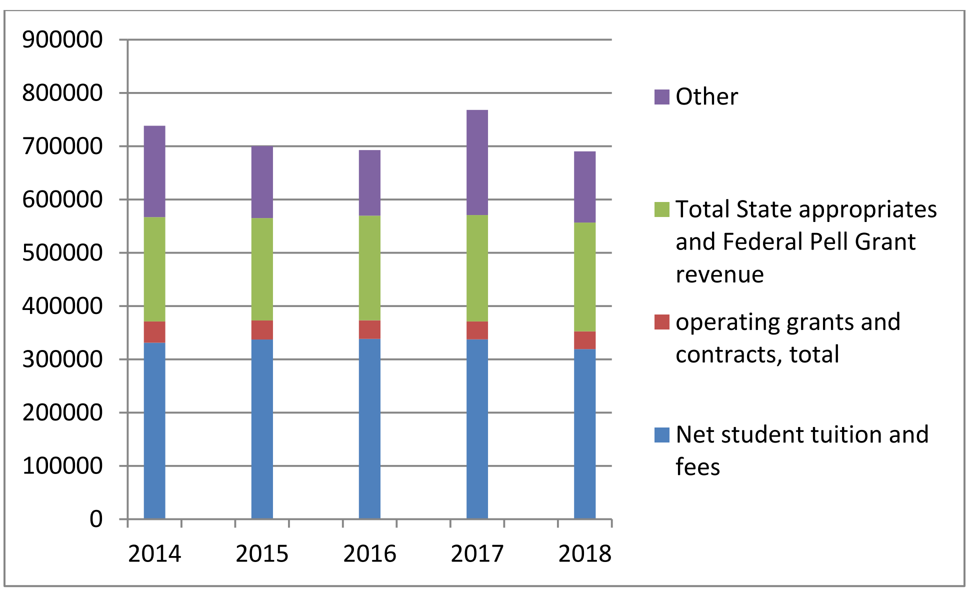
[10] Source: STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, Fiscal Years 2014 through 2018.

Total St. approp's and Fed. Pell Grant revenue	195734	192304	196549	199752	204148
Other	171394	135030	122965	197146	133481
TOTAL REVENUES (total operating and non-operating revenue)	738523	700287	692809	768141	690368

The following shows the trend in these revenue streams and in total revenues:

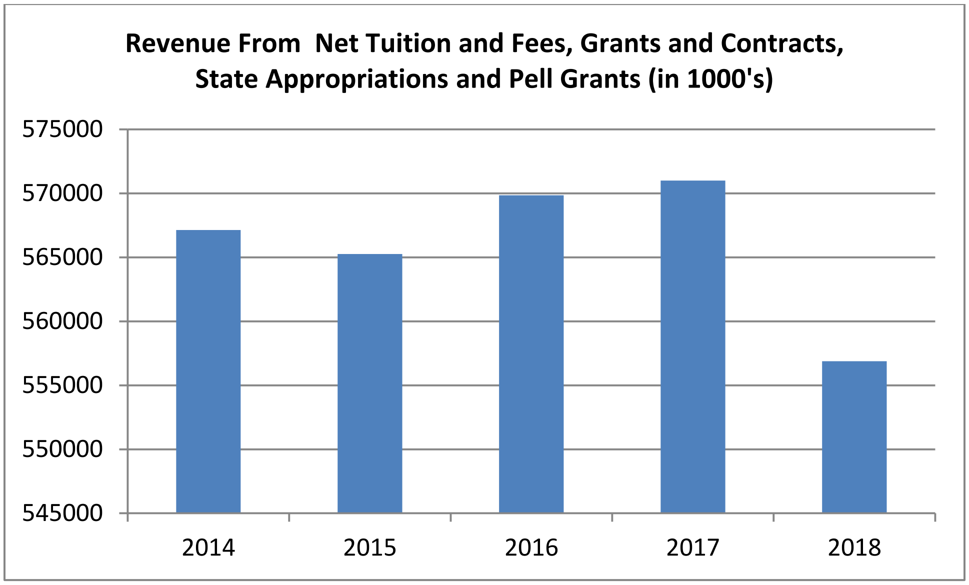


The following shows the relative contribution of the various sources:



Revenue in 2018 fell in significant part due to factors that played no role in prior years: (i) the new Aramark contract for dining services, which provided a new model where the sales revenue from dining service operations is recognized by Aramark and returned to the University through a guaranteed payment and share in excess over guaranteed returns, and (ii) the recognition of $7.9 million in expenses related to the faculty separation plan implemented in fiscal year 2018.

While overall revenue has varied in a range of about $80 million over the period from FY14 through FY18, with a drop of nearly $50 million from FY14 to FY18, the three key components of revenue – State appropriations/Federal grants, operating grants and contracts, and net tuition and fees -- have varied in a smaller range of about $15 million, with a drop of about $10 million from FY14 to FY18:



It should be noted, however, that net tuition and fees revenue fell by $17.5 million, or 5.5%, from FY17 to FY18, although more than half of that drop is due to an increase in scholarship allowances by more than 10%.

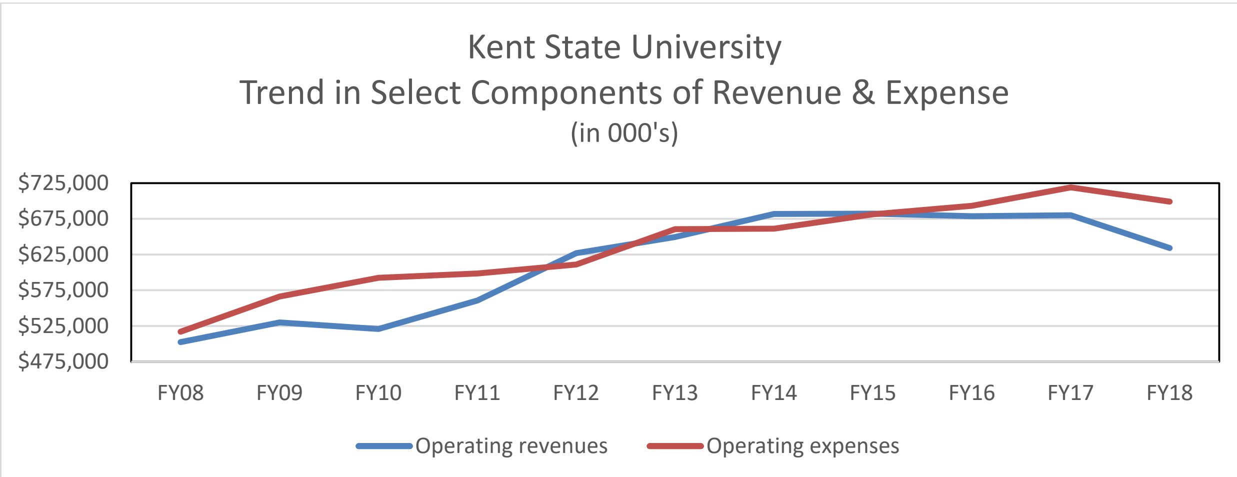
Overall University Economic Health and Outlook -- Comparison and revenues and expenses:

There is no simple measure of the overall economic health of the University and its economic outlook.

The Administration offered data showing the trend over recent years in what it labeled “adjusted operating income” and “adjusted operating expenses,” which can be explained as follows:

- “Adjusted operating income” is derived from entries in the “Statement Of Revenues, Expenses And Changes In Net Position” in the University’s yearly Financial Reports, as the sum of “operating revenue,” “State appropriations,” and “Pell grant revenue.” It excludes the following 4 non-operating revenues: “gifts,” “investment income(loss),” and “other nonoperating revenue/expense”. It also excludes the capital appropriation.

- “Adjusted operating expense” is derived from all the elements in the “operating expense” category in the “Statement Of Revenues, Expenses And Changes In Net Position” in the University’s yearly Financial Reports, plus the nonoperating expense “Interest on capital asset-related debt”.
- All expense entries exclude GASB adjustments (which do not impact any revenue entries). The GASB adjustment to Net Assets in FY15 is related to the recording of the University’s share of the Pension liability and the adjustment in FY18 relates to the recording of the liability for other postemployment benefits.



The underlying data is as follows:

	FY08	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Operating revenue	346,765	358,766	383,258	420,317	433,740	460,087	486,202	490,008	482,238	480,393	430,363
State appropriations	128,504	138,552	118,275	120,067	124,108	127,275	136,774	136,310	145,595	152,230	156,299
Pell grant revenue	27,254	32,675	19,371	20,187	69,062	62,270	58,960	55,994	50,954	47,522	47,849
Adjusted operating revenue	502,523	529,993	520,904	560,571	626,910	649,632	681,936	682,312	678,787	680,145	634,511
Operating expense	501552	545516	556618	588088	599896	642184	644062	664383	679,025	701,274	682,421
Interest on debt	15447	20738	35814	10433	11154	18410	17184	16908	14,168	17,652	16,561
Adjusted operating expense	516,999	566,254	592,432	598,521	611,050	660,594	661,246	681,291	693,193	718,926	698,982
DIFFERENCE	(14,476)	(36,261)	(71,528)	(37,950)	15,860	(10,962)	20,690	1,021	(14,406)	(38,781)	(64,471)

Assessing this data is complicated by several factors, including:

- Revenues do not include funds “gifted” by the KSU Foundation[11], or income on investments[12] held by KSU.

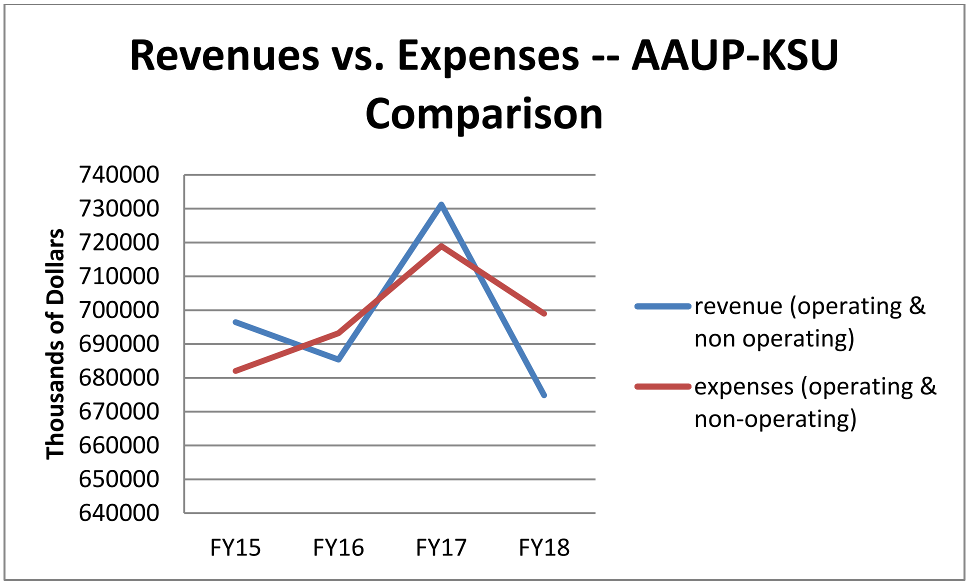
- The decline in revenues compared to expenses in 2018 is due, in part, to the recognition of $7.9 million in expenses related to the faculty separation plan implemented in fiscal year 2018, and to an increase of over $8 million in scholarship allowances even as tuition and fees revenue declined by $10 million. Similarly, in FY17, according to the FY18 Financial Report, an increase in instruction expense and institutional support of $14.9 million “can be attributed to increases in headcount, wage increases and overall increases to health insurance cost, as well as the recognition of $7.2 million in expenses related to an employee separation plan for staff personnel.”

While the trend in the difference between “adjusted operating revenues” and “adjusted operating expense” over time may be instructive, it is not clear how this difference relates to the overall health of the University. As set forth by the Administration, the cumulative difference between the “adjusted operating revenues” and “adjusted operating expense” for FY08 through FY15 (the time period prior to that covered by the most recent collective bargaining agreement) is $-133.306 million, so that if this difference is a valid measure of the economic health of the university, its health has been in general decline for the last decade.

AAUP-KSU suggests a somewhat different comparison, using a “revenue” figure that is enhanced, relative to the Administration’s “adjusted operating revenue,” by including the nonoperating income categories of “gifts,” “investment income(loss)” and the “other nonoperating revenues/expense,” along with “Capital appropriation.” The resulting comparison is:

[11] The Administration explains that the University does not consider gifts when budgeting as most gifts are restricted and are generally not available to cover operating costs. It asserts that gifts are requested from the Foundation when expenses occur that meet the restriction. It offers, as an example, funds given to cover a new piece of equipment in a lab or funding available to provide a study abroad experience for a student.

[12] According to the Administration, accounting regulations require the University to record investment income for the change in the fair value of the investments at the end of the fiscal year. This value is not real dollars received by the University until it sells the investments and, due to the volatility in the market, may not actually be realized.



These figures show a net change of $-5.224 million from FY15 through FY18.

The University's most recent Financial Statement (for FY18), and the recent assessments by Moody's Investor Service and Standard & Poor's, do not show a institution in decline. The FY18 Financial Report described the "overall financial position" of the University by reference to the University's "net position," stating at p. 6:

> Excluding the impacts of both GASB 68 and GASB 75, the overall financial position of the University has slightly declined when comparing fiscal year 2018 to fiscal year 2017. The University's total assets and deferred outflows of resources declined $52.8 million however total liabilities and deferred inflows of resources decreased by $44.2 million. Overall net position decreased by $8.6 million.[13]

According to the FY18 Report, at p. 9, "The $8.6 million decrease in net position is primarily due to decreases in tuition revenue and state capital appropriations in excess of decreases in overall operating expenses." The FY18 Report, at p. 5, also stated that the net position had increased by over $49 million in FY17, after remaining essentially flat in FY16 when compared to FY15.[14] As AAUP-KSU points out, the change in net position from FY15 through F18 is $58.465 million, because the net change in the gap between revenues and expenses (as the AAUP-KSU defines them) is offset by a total influx of $63.689 in what the financial statements refer to as "capital contributions."

[13] The Financial Statement explains at p. 7 that Net Position "includes all assets and deferred outflows of resources and all liabilities and deferred inflows of resources. Over time, increases or decreases in net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) are one indicator of the improvement or erosion of the University's financial health when considered with nonfinancial facts such as enrollment levels and the condition of facilities."

[14] All of these changes were listed as "prior to GASB 68/75 adjustment." The changes in net position for FY15 through FY17 $18,248.00, $(384.00), and $49,215.00.

The Administration presented a report from Moody's Investor Service, dated March 22, 2019, which states at p. 1:

> Enrollment and student revenue declines have yielded thinner operating performance. Debt service coverage has thinned markedly over the past few years, down to 1.1x in fiscal 2018, as calculated by Moody's on a net basis. The rating incorporates expectations of improved fiscal 2019 and future operating performance driven by expense adjustments, including a voluntary employee separation program.
>
> Kent also faces a large amount of other debt like obligations, mainly pension related, compared to peers, with a three-year average adjusted net pension liability of $1 .4 billion in fiscal 2018, as calculated by Moody's. Other factors incorporated include relatively flat state operating support, and diverse sources of capital funding.

Moody's assessed the University, overall, as having a "stable outlook," which reflects "expected improved operating performance in fiscal 2019 and fiscal 2020, driven by expense adjustments in response to operating revenue declines. The stable outlook also reflects expectations of no additional debt issuance."

The Administration also submitted a March 21, 2019 report of Standard & Poor's Global Ratings, which stated at p. 2:

> We believe university's enterprise profile is very strong, characterized by solid retention and selectivity and a large total full-time-equivalent (FTE) enrollment, offset by declines in total FTE enrollment over the past two years. We assess the University's profile as very strong, characterized by robust available resources and health financial policies, offset by modest declines in operating performance when excluding GASB 75 adjustment. Combined, we believe these credit factors lead to an indicative stand-alone credit profile of 'aa-'. However, a declining, enrollment trend and pressured net tuition revenue led us to issue a final indicative stand-alone credit profile rating of 'a+' and a final bond issue rating of 'A+'.

Standard & Poor's described its outlook for the University as "stable." It viewed, as positive factors, the University's "[m]ore than adequate resources for the rating category," "solid governance" and a "stronger" management team, and "[o]ngoing support from the State of Ohio." It cited, as "offsetting factors," "unfavorable demographics" on graduating high school seniors and declining international enrollment leading to a FTE enrollment drop of almost 6% over a five-year period, "[p]ressured net tuition revenue" and an "[i]ncreased tuition discount rate."

The Administration, for very valid reasons, raised concerns about the factors that the Standard & Poor's Report describes as "offsetting factors," and they cannot be ignored or trivialized. The University's FY19 budget anticipates a decline in tuition and fees revenue of nearly $3.5 million, or 0.8%, and decline in state appropriations of nearly $2 million, or 1.2%. These are not trivial numbers, and a continuing trend of such declines over several years, without adjustments by the Administration to cut expenses or obtain revenue from other sources, cannot be sustained.[15]

Overall, the conclusion to be reached from the University's Financial Reports, and the reports from Moody's and Standard & Poor's, is that (i) the University's financial position is "stable", but has shown a "slight decline" from FY17 to FY18, and (ii) the University must in future years deal with headwinds arising from the "offsetting factors" described in the Standard & Poor's Report. While the enrollment increases in new Freshman is encouraging, it is impossible to predict how successful the University will be in bucking the headwinds of declining Ohio school graduation numbers, the loss of Pell grants, and the continuing obstacles to international enrollment.

However, overall enrollment levels would appear to have no necessary relation to faculty salary levels – certainly faculty at other Ohio public universities with lower levels of enrollment than KSU would not expect to be paid less simply because of the lower enrollment. And, it is difficult to conclude that the recent pattern at Kent State of enrollment declines and the current enrollment headwinds justifies a reduction in the level of increments to faculty salary. The challenge to the University is to match faculty employment levels to enrollment.

The parties' collective bargaining agreement does not constrain the Administration in deciding whether or not there is a need to hire new faculty members, and constrains the amount of the initial salary of a newly hired faculty member only in that it must equal or exceed the contractually-agreed minimum. In addition, the University put in place a faculty separation plan in FY18, and the parties have previously negotiated a faculty retrenchment program designed to address, among other things, "a general pattern of declining enrollment in the University or in a particular unit(s) or program(s) …"

Certainly, enrollment declines, in the absence of offsetting tuition increases or a change in the mix of students yielding higher tuition revenue, can be expected to have a relatively immediate negative financial impact. The challenge for the Administration appears to be that the methods available to the Administration to adjust faculty employment levels to enrollment declines may take several years to produce the necessary expense reduction impact. Even so, in light of the financial assessment by Moody's and Standard & Poor's, and that contained in the University's most recent financial statement, the Administration has demonstrated that it is up to the challenge.

Historic Trends in Faculty and Other Salaries

History of Compensation Increments of Kent State University Employees:

As shown below, over the past decade, base compensation increments at the University within the tenured faculty, AFSCME represented employees, and other classified and unclassified

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[15] I have reviewed the "transfers" categories within the Budget, which have raised a concern within AAUP-KSU because of their opaque nature. As reflected in attachment A, these transfers do not reflect funding source(s) for operations not accounted for in the categories of revenue sources set forth in the University's Financial Statements.

employees, have shown noteworthy consistency. The tenured faculty, however, have distinctively benefitted in varying degrees from the Merit Award program, which has provided additional compensation to most (but not all) tenured faculty, in varying amounts for each qualifying faculty member, in the Academic Years 10/11, 12/13-14/15, and 17/18. Faculty have also benefitted from the President's Faculty Excellence Awards, in the amount of $400,000 applied across FY15-FY17, although this award, as compared to Merit awards, impacts a substantially smaller segment of the faculty.

YEAR	MUP Tenure	MUP Non-Tenure	AFSCME	Classified	Unclassified	Notes
2009	3%	4%	3%	3%	3%	Unclassified received merit
2010	3% plus 1.5%	3%	3%	3%	3%	Tenure received 1.5% merit; Unclassified received merit
2011	2%	2%	2%	2%	2%	
2012	2% plus 1.4%	2.50%	2%	2%	2%	Tenure received 1.4% merit; Non-Tenure received Longevity Increase[16], Unclassified received merit
2013	2% plus 1.3%	2.25%	2%	2%	2%	Tenure received 1.3% merit;
2014	2% plus 1.3%	2%	2%	2%	2%	Tenure received 1.3% merit
2015	2%	2%	2%	2%	2%	Tenure received Compression Adjustment[17]
2016	2%	3%	2%	2%	2%	Non-Tenure received Longevity Increase[18] and Rank Adjustment[19]
2017	2% plus 2%	2%	2%	2%	2%	Tenure received 2% merit
2018	TBD	2%	2%	2%	2%	AFSCME received one time lump sum of $250
TOTALS	**27.5%**	**25%**	**22%**	**22%**	**22%**	

AAUP Data on Nationwide Faculty Salary Trends

As of the period of the negotiations on the 2015 Agreement, the AAUP described the overall trend in faculty compensation as follows:

> In the six years since the Great Recession, real year-over-year faculty salaries have declined 0.12 percent. Despite occurring in a period of relatively low inflation, the overall increase in average salary for continuing faculty exceeded the cost of living by 1.05 percent in the years since the Great Recession. The current year-over-year change in salary for all ranks is 1.4 percent, which marks

[16] Non-Tenure Longevity Increase -- $125/year of service with a max amount of $2,000 for 16 years; paid out over 4 academic years; not added to base.

[17] Tenure Compression Adjustment -- Rank of Professor or Assoc. Professor received $150 added to base for each full AV of service in the rank held at beginning of AY-2015-16 up to a max of $1,500; adjustment added after the ATB was applied.

[18] Non-Tenure Longevity Increase -- $100/year of service with max amount of $2,000 for 20 years; paid in beginning of AV; not added to base.

[19] Non-Tenure Rank Adjustment -- Rank of Senior Lecturer/Professor received one-time increment of $1,500 to base salary in addition to the ATS increase.

> the first single digit improvement since the recession began. It is hardly encouraging that faculty have not lost ground, since many have been working more hours than ever before. This trend represents a continuation of the long period of stagnation in average full-time faculty salaries.[20]

The data supplied in the same report paints a somewhat different picture:

2013–14 to 2014–15	Prof.	Assoc.	Asst.	Inst.	All Ranks
NOMINALTERMS	3.2	3.7	3.8	3.8	3.7
REALTERMS	2.4	2.9	3	3	2.9
Change in Consumer Price Index	0.8				

Moving to the period of the current negotiations, the most recently published AAUP Report, covering 2017–18, stated:

> In 2017–18, average salaries for full-time continuing faculty members increased by 3.0 percent over the previous academic year, or by 1.1 percent after adjusting for inflation.[21]
>
> Faculty Salaries Stay Flat
>
> AAUP study finds small gains in faculty salaries, offset by inflation, for the third year in a row. …
>
> Salaries for full-time faculty members are 2 percent higher this academic year than last, according to new data from the American Association of University Professors Faculty Compensation Survey.

The 2018-2019 AAUP Report has not yet been published, but the data has been released, and the Inside Higher Ed website reports:

> Adjusted for 1.9 percent inflation, however, faculty salaries "barely budged," AAUP says in a preliminary analysis of those data. That's been the case for the last three years.
>
> These findings are similar to those in a recent report from CUPA-HR saying that median faculty salaries rose about 1.7 percent this year over last, not adjusted for inflation.[22]

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[20] AAUP Report, "Busting the Myths, THE ANNUAL REPORT ON THE ECONOMIC STATUS OF THE PROFESSION, 2014–15," at 5, https://www.aaup.org/sites/default/files/files/2015salarysurvey/zreport.pdf.
[21] AAUP Report, "The Annual Report on the Economic Status of the Profession, 2017-18," at 4, https://www.aaup.org/sites/default/files/ARES_2017-18.pdf
[22] https://www.insidehighered.com/news/2019/04/10/aaup-study-finds-small-gains-faculty-salaries-offset-inflation.

The same Inside Higher Ed article also notes the challenges of applying the AAUP gross data in any particular setting, noting the distinctions between private and public institutions, the variations relating to the teaching-research mix, and the complication of including non-tenure track and tenure-track faculty together:

> The yearly increase in overall average full-time salary was slightly higher at private colleges and universities (2.2 percent) than public institutions (1.8 percent), the AAUP also notes.
>
> Bradley said there are "great disparities" in funding and pay across institutional profiles, and that research work "tends to be better remunerated than teaching." She also noted that not all professors included in the full-time count are on the tenure track, so the comparison is not exact.[23]

Overall, the message from the AAUP reports on general levels of faculty compensation is that the overall trend has sometimes shown increments above 2%, and sometimes shown increments below 2%, but the most recent increments are just below 2%.

Negotiation Results at Comparable Ohio Public Universities:

The most recent contracts negotiated for tenured faculty at other Ohio public universities can be summarized as follows:

- Contracts with average annual aggregate increments of salary or merit exceeding 2%: Bowling Green, Akron, Youngstown State
- Contracts with average annual aggregate increments of salary or merit equal to 2%: University of Cincinnati
- Contracts with average annual aggregate increments of salary or merit less than 2%: Wright State University, Cleveland State University, Central State University

Wright State's results do not appear relevant to negotiations here, given the extraordinary financial crisis that Wright State is facing. Bowling Green's results may also not be relevant, given that faculty salary levels at Bowling Green are substantially lower than at Kent State at all three professor levels. The remaining results point in no particular direction, relative to a 2% reference point.

Salary Levels at Comparable Ohio Public Universities:

Faculty salary comparisons among Ohio's public universities must take into account the substantial salary differences between faculty at the main campus of a university and those

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[23] Id., citing to Gwendolyn Bradley, "Little Movement on Salaries and Gender Pay Disparity," April 10, 2019, https://academeblog.org/2019/04/10/little-movement-on-salaries-and-gender-pay-disparity/

employed at regional campuses. Kent State is distinctive among other Ohio public universities in having 7 regional campus (with Ohio State and Ohio University second with 5), which means that regional faculty play a distinctively important and valuable role at Kent State, even if their average salaries are significantly lower than those of their counterparts at the Kent campus.

With the exception, perhaps, of the issue of salary minimums, there has been no suggestion from either side that there are issues of distinctive concern to regional faculty only. Thus, for the purpose of comparative analysis, I will look to salary comparisons among Ohio state university faculty at main campus locations. The following sets forth data from the AAUP[24] on the average 2018-2019 salary of faculty on the main campuses of Ohio public universities, at the full professor, associate professor and assistant professor levels:

	FACULTY COMPENSATION 2018-2019			
Full Professors	Avg. Salary	Avg. Change	Count	Avg. Total Compensation
Ohio State University-Main Campus Doctoral OHIO	$152,200	3.40%	1015	$187,400
Miami University-Oxford Doctoral OHIO	$127,800	3.40%	233	$177,000
University Of Cincinnati-Main Campus Doctoral OHIO	$125,400	3.10%	396	$164,000
Kent State University At Kent Doctoral OHIO	**$120,100**	**2.20%**	**206**	**$154,200**
Wright State University-Main Campus Doctoral OHIO	$119,600	-0.60%	173	$151,500

[24] https://www.insidehighered.com/aaup-compensation-survey/2018-2019/state/ohio-1496. The compensation data above are collected annually by the American Association of University Professors. Participation in the AAUP survey is optional; over 950 institutions submitted data for the 2018-19 academic year. The salary and compensation data cover instructional and research staff members who work full time and whose primary role (more than 50 percent) is instruction, regardless of their official faculty status. The calculations exclude part-time faculty members, medical school faculty members, professors at military institutions who are compensated on a military pay scale, those with faculty status who are primarily administrative officers, and graduate teaching assistants. Some institutions include data for professional school faculty members. Salary figures exclude summer teaching, stipends and other non-contracted forms of remuneration. When instructors are compensated for 11 or 12 months' work, their salaries are adjusted to a nine-month academic-year basis. Salary figures are rounded to the nearest $100. The compensation figure for a faculty member includes an institution's contribution to benefits as well as salary; it does not include faculty contributions. The counted benefits include retirement contributions, medical insurance, disability income protection, tuition for faculty dependents, Social Security, unemployment insurance, group life insurance, workers' compensation insurance, and other benefits with cash value such as moving expenses and housing allowances.

University Of Akron Main Campus Doctoral OHIO	$118,300	3.60%	216	$150,800
Bowling Green State University-Main Campus Doctoral OHIO	$114,800	3.60%	175	$141,300
Ohio University-Main Campus Doctoral OHIO	$113,400	1.70%	237	$148,900
Cleveland State University Doctoral OHIO	$112,200	1.70%	132	$144,300
University Of Toledo Doctoral OHIO	$111,500	N/A	225	$156,700

Associate Professors	Avg. Salary	Avg. Change	Count	Avg. Total Compensation
Ohio State University-Main Campus Doctoral OHIO	$103,500	4.20%	715	$130,600
Miami University-Oxford Doctoral OHIO	$93,500	3.90%	204	$129,500
Wright State University-Main Campus Doctoral OHIO	$92,700	-0.10%	179	$121,200
University Of Toledo Doctoral OHIO	$92,700	N/A	187	$131,800
Kent State University At Kent Doctoral OHIO	**$91,800**	**3.00%**	**267**	**$121,900**
University Of Akron Main Campus Doctoral OHIO	$89,900	4.40%	179	$117,500
University Of Cincinnati-Main Campus Doctoral OHIO	$89,700	4.30%	433	$117,500
Bowling Green State University-Main Campus Doctoral OHIO	$88,200	4.10%	204	$111,100
Ohio University-Main Campus Doctoral OHIO	$87,600	2.30%	267	$119,400
Cleveland State University Doctoral OHIO	$84,200	2.50%	188	$106,200

Assistant Professors	Avg. Salary	Avg. Change	Count	Avg. Total Compensation
Ohio State University-Main Campus Doctoral OHIO	$92,300	4.20%	629	$117,600
Miami University-Oxford Doctoral OHIO	$91,600	4.00%	197	$126,900
Cleveland State University Doctoral OHIO	$80,300	2.00%	119	$99,100
University Of Toledo Doctoral OHIO	$79,900	N/A	129	$113,000
Ohio University-Main Campus Doctoral OHIO	$79,300	2.80%	170	$109,900
Wright State University-Main Campus Doctoral OHIO	$78,000	0.70%	102	$103,500
University Of Cincinnati-Main Campus Doctoral OHIO	$76,700	5.00%	417	$100,600
Kent State University At Kent Doctoral OHIO	**$76,600**	**2.80%**	**170**	**$104,100**
University Of Akron Main Campus Doctoral OHIO	$76,500	3.10%	85	$101,300
Bowling Green State University-Main Campus Doctoral OHIO	$75,600	4.50%	97	$96,200

Several factors make it difficult to compare aggregate salary levels of tenure-track faculty at Kent with the tenure-track faculty at other Ohio public universities. The comparably higher salaries paid to medical and law faculty, compared to salaries of faculty in other specialties, make it difficult to compare Kent State University tenure-track faculty salaries to those at Toledo (law and medicine), Wright State (medicine), Cincinnati (law and medicine), Cleveland State University (law) or Ohio State (law and medicine).

The above data show that for 2018-19, Kent State ranked 4th at the full professor level, 5th at the associate professor level, and 8th at the assistant professor level. If Toledo, Wright State , Cincinnati, Cleveland State and Ohio State are removed from the comparison set, Kent State ranks, among the 4 remaining schools, 1st at the full professor level, 1st at the associate professor level, and 2nd at the assistant professor level.

The conclusions to be reached from this data are that faculty compensation at Kent State is competitive with comparable Ohio state institutions of higher education, with the full professor and associate professor ranks being paid at comparatively higher levels than assistant professors.

Assessment of Budget Data

Budgets are planning documents that lay out proposals for spending and revenue estimates. Budgets are founded on assumptions – about enrollment, state funding, and investment returns, most obviously – that may be consistently conservative, and, in any event, budgets can only provide estimates of actual revenue and expenditure amounts.

The most important information derived from the Kent State budgets is the trends in budgeting for key items such as tuition and fees and state appropriations. Comparing the Proposed Budget for FY19 to the Restated Budget for FY18 and the Statement of Revenues, Expenses And Changes In Net Position for FY18, shows:

- The FY19 budgeted tuition and fees revenue reflects a reduction of 0.8% (from $404,417,602 to $401,082,952) in the budgeted amount. The FY18 budgeted tuition and fees amount underestimated the actual FY18 tuition and fees revenue by $5.4 million.

- The FY19 budgeted state appropriations revenue reflects a reduction of 1.2% (from $155,434,782 to $153,528,730) in the budgeted amount. The FY18 budgeted appropriations amount underestimated the actual appropriations revenue by $0.9 million.

The underestimation of FY18 tuition and fees and state appropriations revenue does not appear to be part of a pattern. The FY17 budgeted tuition and fees amount overestimated the actual FY17 tuition and fees revenue by $1.3 million, and the FY17 budgeted state appropriations amount overestimated the actual FY17 tuition and fees revenue by $0.4 million.

These variations not only demonstrate the challenges of budgeting, but also the limited value of budget numbers in making fact-finding determinations. The key takeaway from budget data is that the University anticipates modest decreases in tuition and fees revenue and state appropriations revenue for FY19.

The role of the "Fair Marketplace" concept:

An analysis of salary movement over time commonly looks at the real (i.e., inflation-adjusted) amount of a salary increase or decrease, and for good reason. Salary increases that do not exceed the inflation rate provide no real increase in income and, thus, no real improvement in compensation. It is understandable, then, that any salaried employee seeks yearly increments in salary that, at the least, match the rate of inflation.

In some employment settings, where the employer's revenue can be adjusted to keep up with inflation, the rate of inflation is a relevant consideration in determining what constitutes a "fair" salary increase. Unfortunately for the University and its workforce, the University's primary revenue source – tuition and fees – is not tied to the rate of inflation. Instead, tuition levels have been frozen, so that the real value to the University of its tuition revenue is declining each year.

Consequently, inflation rates, at least at the current modest levels, cannot be a factor in determining a fair rate of salary increments for the Faculty.

Healthcare Analysis:

If the healthcare arrangements provided in the 2015 Agreement are not changed, then as of January 1, 2020 the Faculty will be the only group among all University employees to have the option of the 90/70 PPO plan provided for in the 2015 Agreement. In its most recent collective bargaining agreement, reached in 2018, Kent State employees represented by AFSCME agreed to eliminate their 90/70 PPO and 80/60 PPO options in favor of an 85/60 option almost identical to that proposed by the Administration in this fact finding, with the 90/70 option to be eliminated effective January 1, 2020.

Healthcare costs are a thorn in the side of virtually every collective bargaining relationship, due to the ongoing national trend of substantial increases in the real value of health care costs. Kent State is anticipating a 4.6% increase in its healthcare cost in calendar year 2019, with higher increases, in the 6-7% range, anticipated in subsequent years. The Administration's proposal seeks to provide substantially comparable health care coverage to the Faculty, going forward, while shifting more of its costs to its faculty, consistent with the increased costs the University has shifted to its other employees.

It appears undisputed that the University would save around $363,000 yearly from implementing its proposal regarding faculty health care, and that the change will result in increased health care costs to faculty, in aggregate, that include, but are not limited to, an aggregate amount of about $165,000 in increased yearly health care contributions.

The parties dispute the extent to which the savings to the University, beyond the savings derived from the greater amounts paid by faculty in annual contributions, derive from additional payments by faculty in health care expense, as distinct from other factors such as administrative efficiency and utilization changes. Even so, there certainly would be other cost increases to the faculty, that vary from person to person, including:

- The annual deductible will increase by either $50 or $100, yielding an aggregate cost increase to Faculty of anywhere from about $38000 to about $76000.
- For faculty currently enrolled in the 90/70 PPO plan, the potential maximum yearly out-of-pocket expenditure will increase by either $450 (for single coverage) or $900 (for family coverage), and no data was presented as to the portion of the faculty whose maximum out of pocket expense would exceed the current maximums under the 90/70 PPO plan.

There appears to be no question but that the Faculty, under the healthcare terms of the 2015 Agreement, enjoyed special savings in healthcare costs as compared to other University employees. It is also beyond dispute that the Administration's healthcare proposal would reduce the compensation of faculty net of healthcare costs, because healthcare coverage would be more costly to the Faculty, in aggregate, than under the terms of the 2015 Agreement.

FACT FINDING DETERMINATION:

The data presented by the parties do not support either a significant increase or a significant decrease in the aggregate level of compensation increments in the parties' new contract, relative to those reflected in the 2015 Agreement. Though the University faces continuing headwinds in enrollment, tuition levels, and healthcare costs, it is financially healthy, and its overall financial health is stable. The compensation levels of the Faculty, compared to faculty at comparable Ohio public universities, does not indicate that faculty compensation at Kent State is out of step. Whether the University, in the short term, may have funds "available" to pay the Faculty at the level of yearly increments sought by AAUP-KSU is not a valid basis for setting the appropriate levels of increments. On the other hand, if the University faces an ongoing trend of non-precipitous decreases in enrollment, then it must be address the trend, as to its faculty, through methods that align faculty employment levels with enrollment, rather than by reductions in the yearly increments to faculty salary.

Healthcare costs present an ongoing challenge. The success of the University's recent steps to reign in healthcare cost notwithstanding, there is little doubt that, moving forward, healthcare costs will increase at rates substantially exceeding inflation rates, creating a continuing pressure to share the increased cost burden of health care between the University and its workforce , including its faculty. The Faculty healthcare changes proposed by the Administration would put the faculty in line with other University employees (with the modest but significant benefit to Faculty, relative to other University employees, of a lower yearly cost ceiling for the Faculty of $1200/$2400), and are a reasonable step for addressing the expected future increases in the cost to the University of providing healthcare coverage to its employees. Creating a distinct tier system for the Faculty for setting yearly healthcare contribution amounts is problematic, even if the tier system used by the University might well be improved upon, and may warrant addition discussions between the University and the Faculty toward some mutually beneficial changes that could be applied to all University employees. At the same time, it must be recognized that the 2015 Agreement provided the faculty with better healthcare alternatives that those that will be available to any other University employees effective January 1, 2020, so that in adopting the healthcare system proposed by the Administration, the Faculty are effectively giving back a healthcare benefit that was obviously a factor in assessing the value to the Faculty of the terms of the 2015 Agreement.

Looking to the 2015 Agreement as a baseline, the pattern of 2% salary increments provided by the 2015 Agreement, combining with the 2% Merit Pool in AY17/18, is equivalent in to 2.337% yearly increases in aggregate compensation over the three-year term of the 2015 Agreement.

Based on my assessment of the relevant facts and circumstances, described above, I reach the following fact-finding determinations as to the terms of a new collective bargaining agreement:

(i) The term of the new agreement should be 4 years, covering AY18/19 through AY21/22.

(ii) The new agreement should implement the Administration's health care proposal with a $1200/$2400 cap in the 85/60 PPO option, and with the 90/70 PPO option eliminated effective January 1, 2020.

(iii) Within the new agreement, the yearly salary increments and Merit Pool should be as follows:

	AY 18/19	AY 19/20	AY 20/21	AY 21/22
Salary increments	**2.0%**	**2.5%**	**2.0%**	**2.0%**
Merit Awards Pool				**2.0%**

An additional 0.5% is added to the increment for AY 19/20 as a one-time adjustment to offset a portion of the increased costs to Faculty from eliminating the 90/70 PPO option. Overall, combining salary increments with the Merit Pool contribution, the result is equivalent to yearly increases in aggregate compensation of 2.354% over the 4 years of the agreement.

(iv) There should be a $1000 increase in the increment to be awarded to faculty upon promotion from Assistant Professor to Associate professor.

(v) There should be no change in the minimum salary levels.

(vi) The University should maintain its President's Faculty Excellence Awards, with a pool of $210,000 to be applied in years 2-4 of the new agreement.

(vii) The language concerning prescription premiums should remain in the body of the collective bargaining agreement

SIGNED: ___/Barton A. Bixenstine/_____
Fact-Finder

DATED: May 10, 2019

Detail of University Transfers
Fiscal Year 2019

ATTACHMENT A

The following table includes a summary of various transfers to and from the E&G Operating Fund. As you will notice all transfers are internal to the university and therefore net to zero. Please note the the table below includes all funds not just the funds that are budgeted. The funds that are not budgeted are noted with "**". The "Total University Unrestricted Operating Budget" does not include the designated funds, the restricted funds, the loan funds, the plant funds or the allocated funds therefore any transfers to/from these funds are shown as a net transfer on the Total University Budget.

	Unrestricted											
	Kent E&G	Kent Auxiliaries	Regionals	CPM	Designated **	Allocated **	Restricted **	Loan Funds **	Endowment **	Plant Funds **	Total Transfer	
Regional support to Kent E&G	269,049		(269,049)								-	
CPM support to Kent E&G	900,000			(900,000)							-	
Auxiliary support to Kent E&G	877,254	(877,254)									-	
From KSC - Perm Budget Reduction	175,000					(175,000)					-	
From Restricted Funds	50,000						(50,000)				-	
Indirect Cost Recovery	(1,926,320)					1,926,320					-	<D>
Tuition Allocation	(38,673,660)	29,855,354			1,917,295	3,643,390				3,257,621	-	<B>
Administrative Support	(7,864,273)	4,672,146			492,907	221,250		158,156	40,000	2,279,814	-	<A>
Debt Service	(8,220,079)									8,220,079	-	<C>
Academic Affairs Support (Internationa	(1,891,928)				1,891,928						-	<E>
Auxiliary Debt Service		(19,866,919)								19,866,919	-	<C>
Auxiliary facilities improvement		(2,114,694)				2,114,694					-	<F>
Auxiliary Allocated		(3,560,309)				3,560,309						<F>
Regional Debt Service			(631,570)							631,570	-	<C>
Regional Facilities/Allocated			(212,461)			212,461					-	
Regional Auxiliaries			(9,113)			9,113					-	
CPM Year End Transfer				(211,401)		211,401					-	
Net Transfers In/(Out)	(56,304,957)	8,108,324	(1,122,193)	(1,111,401)	4,302,130	11,723,938	(50,000)	158,156	40,000	34,256,003	-	

<A> Transfer from Kent E&G mainly to support Athletics, WKSU, Graduate student travel
<B> Transfer to allocate the general fee paid by students to the designated areas such as the student rec center, athletics, flashcard operations, transportation services, the health center, student organizations, student media
<C> This is the debt service paid by the Kent E&G fund, the auxiliary operations and the regional campuses
<D> Transfer from the Kent E&G to colleges, departments and faculty related to the recovery of indirect costs on grant expenditures
<E> Transfer from the Kent E&G to fund international programs
<F> Transfer from auxiliary operations to fund facility renewal & replacement or operating reserves

Budget covers general operations columns, 1-4, these are funds coming in or going out to fund types that are not budgetted