

# Are They Broke or Are They Rolling in Money? Financial Analysis of the University of Chicago

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# Roadmap

**Overall financial condition of the university: Ratios, Reserves, and Investment Analysis**

**Who Works at the University of Chicago?**

**Where is the money coming from?  
Revenue Analysis**

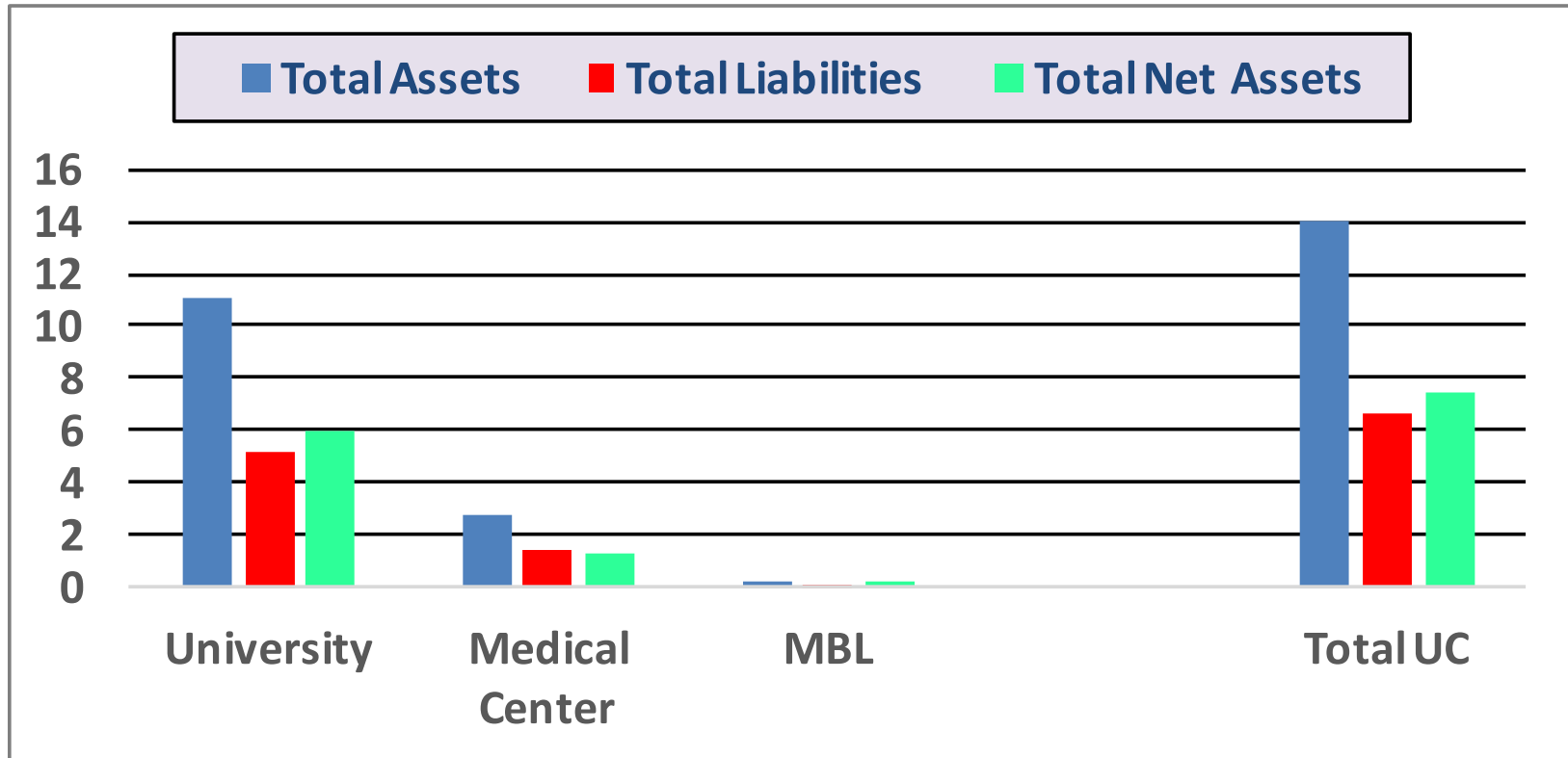
**The environment for academic labor in the Trump administration**

**Where is the money going?  
Expense and priority analysis**

**Overall financial condition  
of the university:  
Ratios, Reserves, and  
Investment Analysis**

# University of Chicago 2016 Balance Sheet

Source: Audited Financial Statements (MBL = Marine Biological Laboratory)



In Billions of Dollars	University	Medical Center	MBL	Total UC
Total Assets	11.12	2.70	0.21	14.03
Total Liabilities	5.16	1.39	0.04	6.59
Total Net Assets	5.96	1.32	0.17	7.44

# **The University and the Med Center are One**

Source: Audited Financial Statements

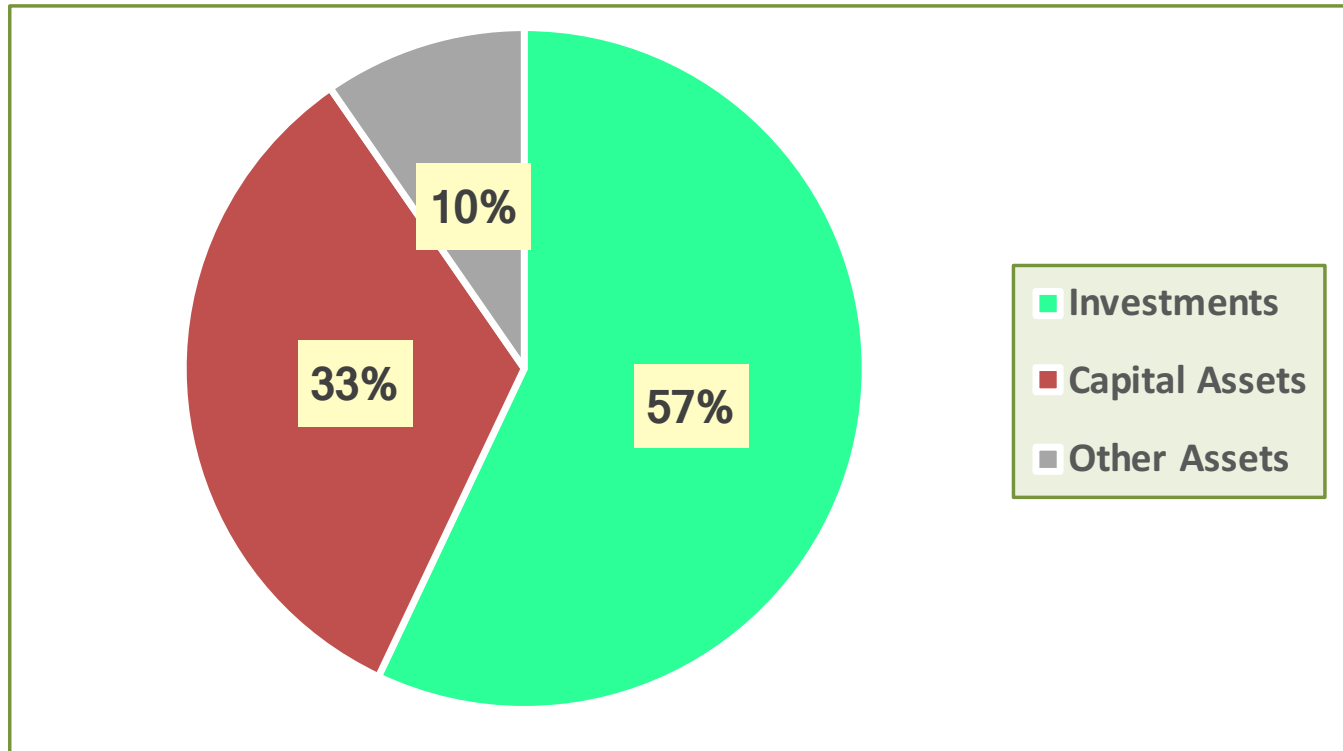
- **The University appoints the Medical Center's Board of Trustees, designates the Chairman of its Board of Trustees, and approves its President**
- **The President of the Medical Center serves as its senior executive officer, reporting to the Dean of the University's Biological Sciences Division and Executive Vice President for Medical Affairs, and to the Medical Center Board of Trustees.**
- **The Medical Center requires approval of the University for certain actions, including incurring additional long-term debt.**
- **The University gives the Medical Center the right to use and operate certain facilities**
- **Agreement runs through 2026 with automatic 10-year renewal**

# The University Has Control Over Other Entities

- **National Opinion Research Center (NORC)**
  - Majority of the NORC board are faculty members or officers of the University, but separate accounting because UC does not have both control and an economic interest
  - This separate non-profit had calendar 2015 revenue of \$179 million
- **Arrangements with the US Dept of Energy (DOE):**
  - UChicago Argonne operates **Argonne National Laboratory (ANL)** under a contract with DOE. UC gets fees to manage
  - The University operates **Fermi Research Alliance (FRA)** lab on behalf of the Dept. of Energy. UC gets fees
  - Total dollars flowing are about **\$1.2 billion for ANL and FRA.** These dollars are NOT Included in the UC audited financial statements

# Breakdown of 2016 Assets

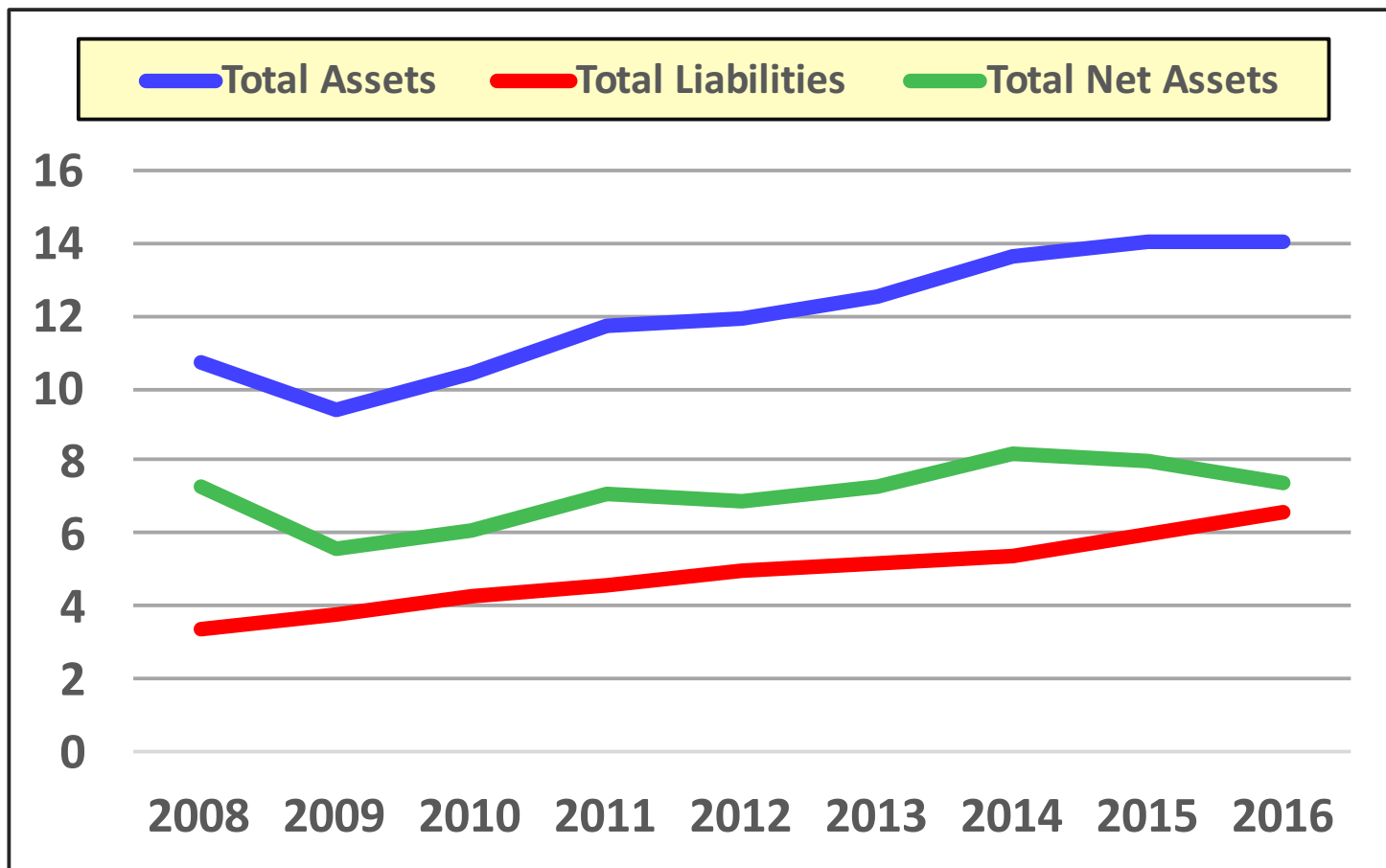
Source: Audited Financial Statements



In Billions	2016
Investments	8.0
Capital Assets	4.7
Other Assets	1.4
Total Assets	14.0

# Balance Sheet Over Time, in Billions

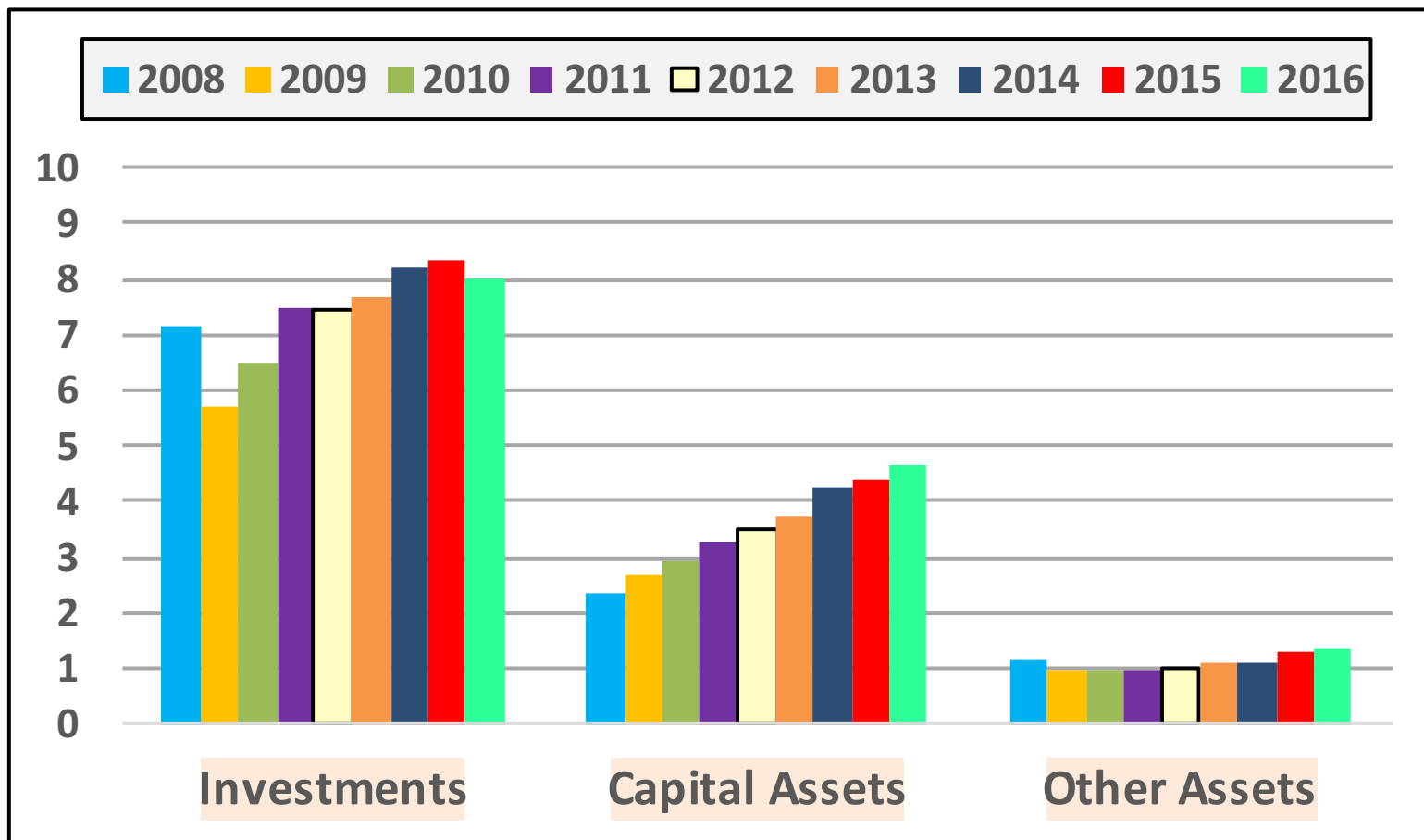
Source: Audited Financial Statements





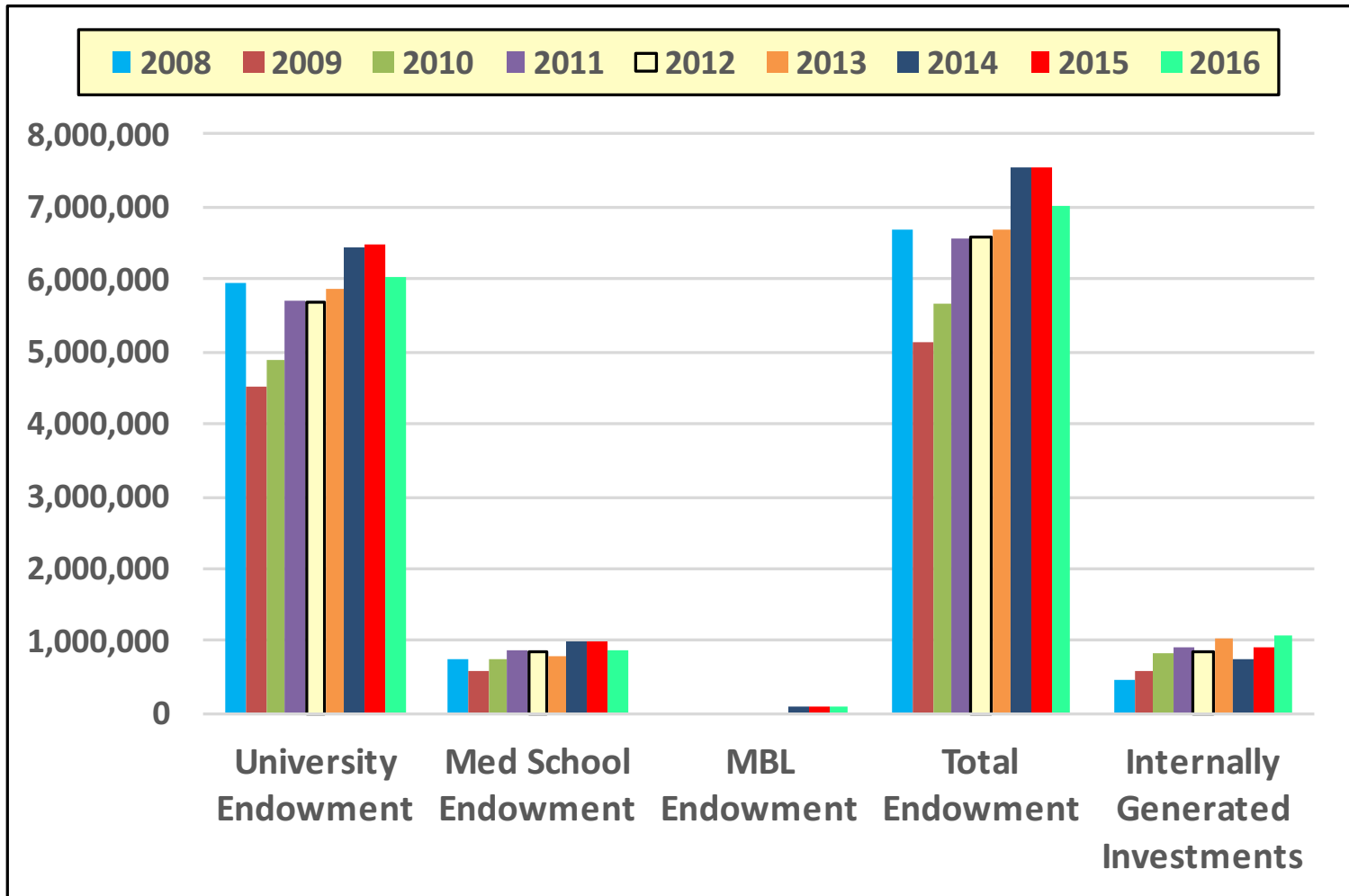
# Assets Over Time – A Building Spree

Source: Audited Financial Statements



# Investments Over Time

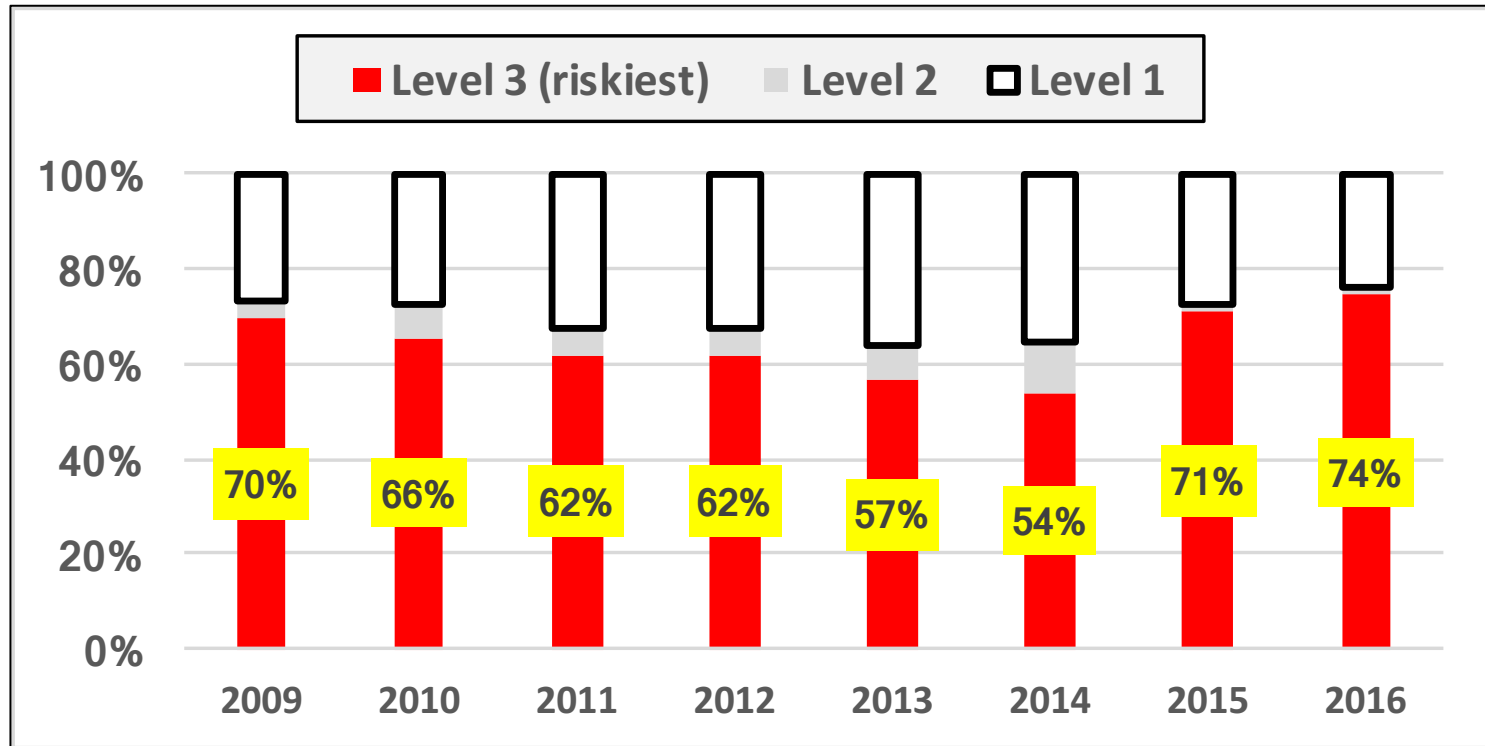
Source: Audited Financial Statements



# Where is the Money Invested?

## Mostly the Riskiest Securities

Source: Audited Financial Statements



In Thousands	2009	2010	2011	2012	2013	2014	2015	2016
Level 1	1,522,146	1,790,992	2,429,735	2,429,743	2,755,480	2,901,238	2,302,775	1,927,566
Level 2	223,764	441,823	421,947	421,947	567,314	884,158	134,893	120,813
Level 3 (riskiest)	3,981,948	4,249,944	4,629,044	4,629,024	4,364,090	4,446,654	5,927,417	5,951,144
Total Investments	5,727,858	6,482,759	7,480,726	7,480,714	7,686,884	8,232,050	8,365,085	7,999,523

# Specifics on 2016 Portfolio

Source: Audited Financial Statements

In Thousands	2016
Cash equivalents	233,304
Equities (mostly International)	1,774,567
Private debt	358,522
Private equity:	
U.S. Venture Capital	375,962
U.S. Corporate Finance	311,726
International	401,184
Real estate	485,153
Natural resources	459,791
Absolute return:	
Equity-Oriented	768,992
Global Macro	511,965
Multi-Strategy	580,936
Credit-Oriented	365,223
Protection-oriented	140,332
Fixed income:	
U.S. Treasuries	309,290
Other	665,928
Funds in Trust	256,648
Total	7,999,523

- The items highlighted in yellow are either completely level 3 or mostly level 3 investments
- The administration feels good about itself with so much invested in the riskiest class of securities
- In addition, the university is involved in other ventures: “The University has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lock-ups, and gates.”

# Total Endowments:

**\$7 Billion in Endowments and \$8 Billion in Total Investments**

Source: Audited Financial Statements

In Thousands	University Endowment	Med School Endowment	MBL Endowment	Total Endowment	Internally Generated Investments	Total Investments
2008	5,933,761	763,872	0	6,697,633	478,814	7,176,447
2009	4,535,634	586,219	0	5,121,853	606,005	5,727,858
2010	4,904,717	760,971	0	5,665,688	817,071	6,482,759
2011	5,691,013	884,113	0	6,575,126	905,588	7,480,714
2012	5,701,419	869,456	0	6,570,875	870,009	7,440,884
2013	5,886,968	782,006	0	6,668,974	1,017,910	7,686,884
2014	6,460,254	1,004,246	79,035	7,543,535	767,550	8,232,050
2015	6,461,809	996,139	82,012	7,539,960	907,137	8,365,085
2016	6,045,003	879,940	76,263	7,001,206	1,074,580	7,999,523

# University-Only Endowment Over Time

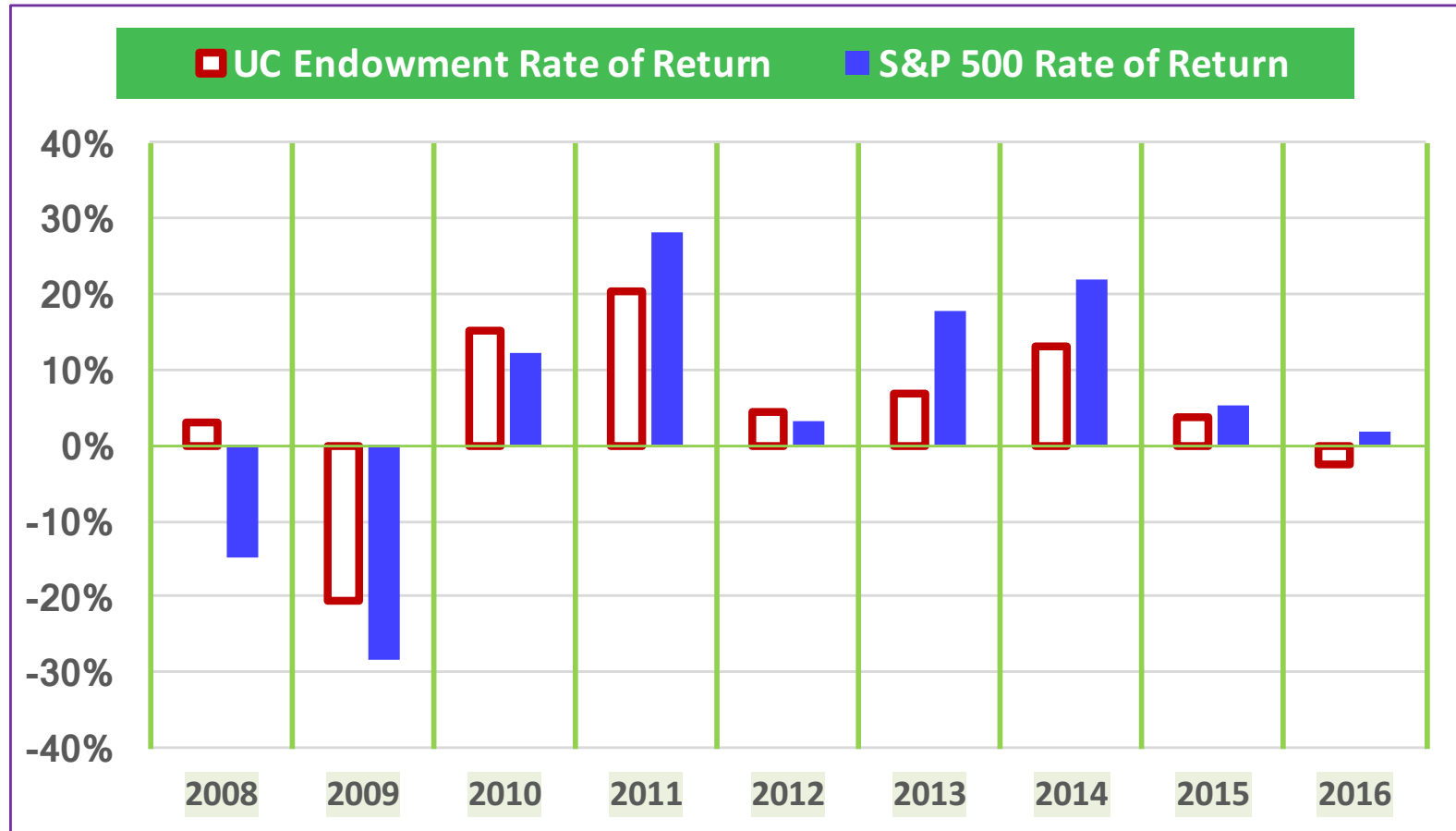
Source: Audited Financial Statements

	Endowment, Start	Dividend / Interest Income	Unrealized and realized gains (losses)	Payout	Gifts	Other Changes	Endowment, End
2008	5,832,226	82,843	101,551	(220,055)	86,317	50,879	5,933,761
2009	5,933,761	36,147	(1,252,410)	(292,079)	53,902	56,313	4,535,634
2010	4,535,634	52,034	632,480	(315,589)	81,722	(81,564)	4,904,717
2011	4,904,717	58,452	936,964	(341,860)	88,048	44,692	5,691,013
2012	5,691,013	78,330	170,574	(333,014)	59,076	35,440	5,701,419
2013	5,701,419	93,045	289,228	(328,734)	70,668	61,342	5,886,968
2014	5,886,968	100,809	666,055	(346,307)	99,128	53,601	6,460,254
2015	6,460,254	74,054	160,816	(391,435)	94,642	63,478	6,461,809
2016	6,461,809	61,538	(213,802)	(415,371)	114,495	36,334	6,045,003

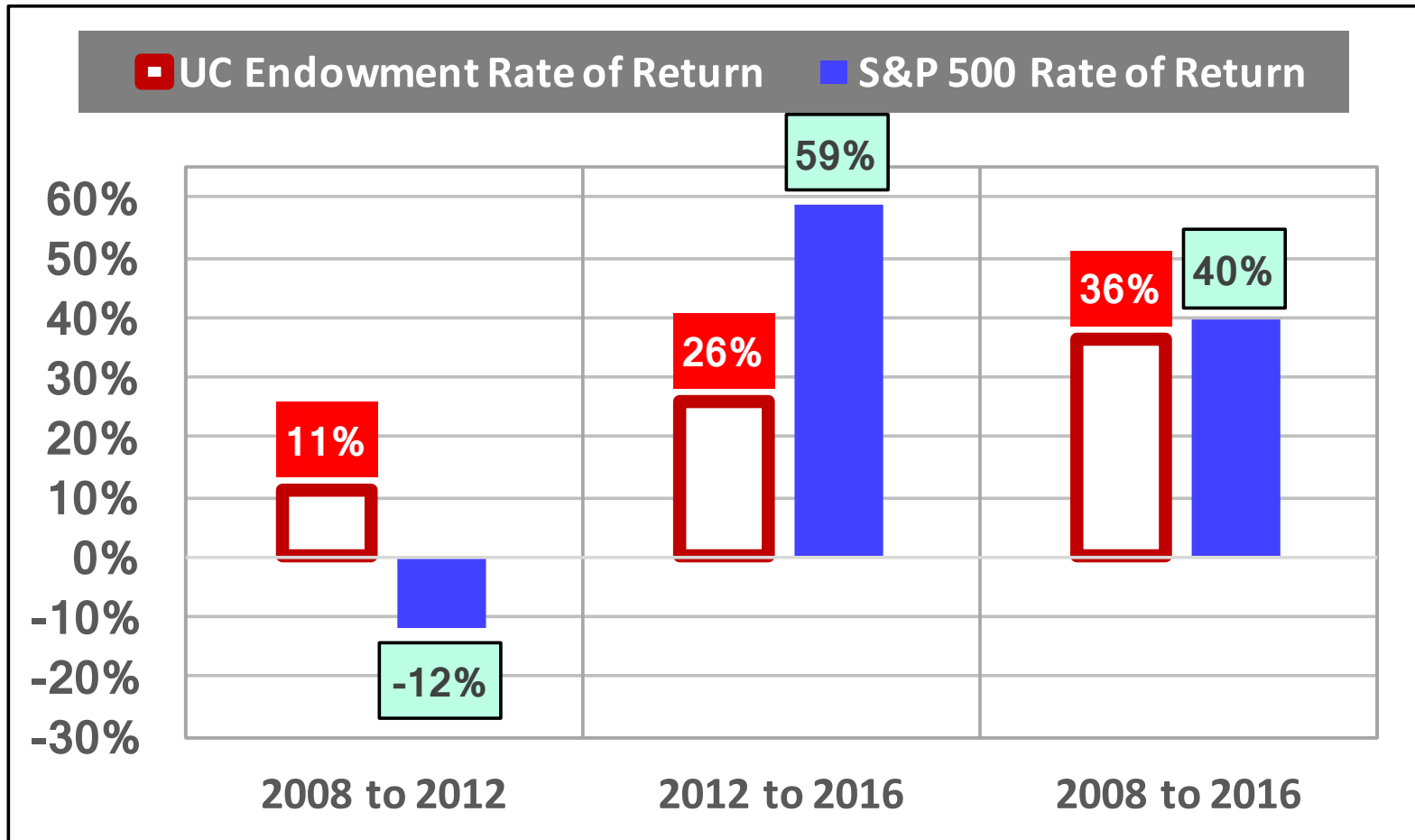
- The payout is between 4.5% and 5.5% of a 12-quarter moving average of the fair value of endowment investments lagged by one year
- The payout percentage was 5.5% for each of the last six years

# Annual Rate of Return for UC Endowment vs. the Annual Return of the S&P 500

**UC wins in 2008 to 2010; S&P wins from 2011 to 2016**



# Long Term Rates of Return: UC Endowment vs. the S&P 500





# Largest 20 University Endowments, 2016

## UC Was Last in the Change from 2015 to 2016

Source: Chronicle of Higher Education

INSTITUTION	ENDOWMENT	% Change 2015 to 2016
Harvard University	\$34,541,893,000	-5.20%
Yale University	\$25,408,600,000	-0.60%
University of Texas system	\$24,203,213,000	0.50%
Stanford University	\$22,398,130,000	0.80%
Princeton University	\$22,152,580,000	-2.50%
Massachusetts Institute of Technology	\$13,181,515,000	-2.20%
University of Pennsylvania	\$10,715,364,000	5.70%
Texas A&M University system office	\$10,539,526,000	0.60%
University of Michigan at Ann Arbor	\$9,743,461,000	-2.10%
Northwestern University	\$9,648,497,000	-5.30%
Columbia University	\$9,041,027,000	-6.20%
University of Notre Dame	\$8,374,083,000	-2.30%
University of California system office	\$8,341,073,000	4.30%
University of Chicago	\$7,001,204,000	-7.30%
Duke University	\$6,839,780,000	-6.30%
Washington University in St. Louis	\$6,461,717,000	-5.20%
Emory University	\$6,401,650,000	-4.20%
University of Virginia	\$5,852,309,000	-5.30%
Cornell University	\$5,757,722,000	-4.60%
Rice University	\$5,324,289,000	-4.20%
UC Rank (of 20)	14	20
Average	\$12,890,864,684	-2.33%

# Conclusions from Endowment Data

- Very risky portfolio
- Solid fund raising
- In 2016, the endowments spun off \$466 million per year to help cover almost \$4 billion in expenses
- The returns have below the S&P 500 for the last several years – **Is all this high finance (risky portfolio) really worth it?**
- There is over \$1 billion of investments not related to the endowment
- One can ask: Why is there \$7 billion in an endowments?
  - Is it for a rainy day?
  - Should it cover more the expenses?
  - Should more go to employee compensation, especially those who are lower paid?
  - Should tuition be lower?

# What About Property Owned by UC?

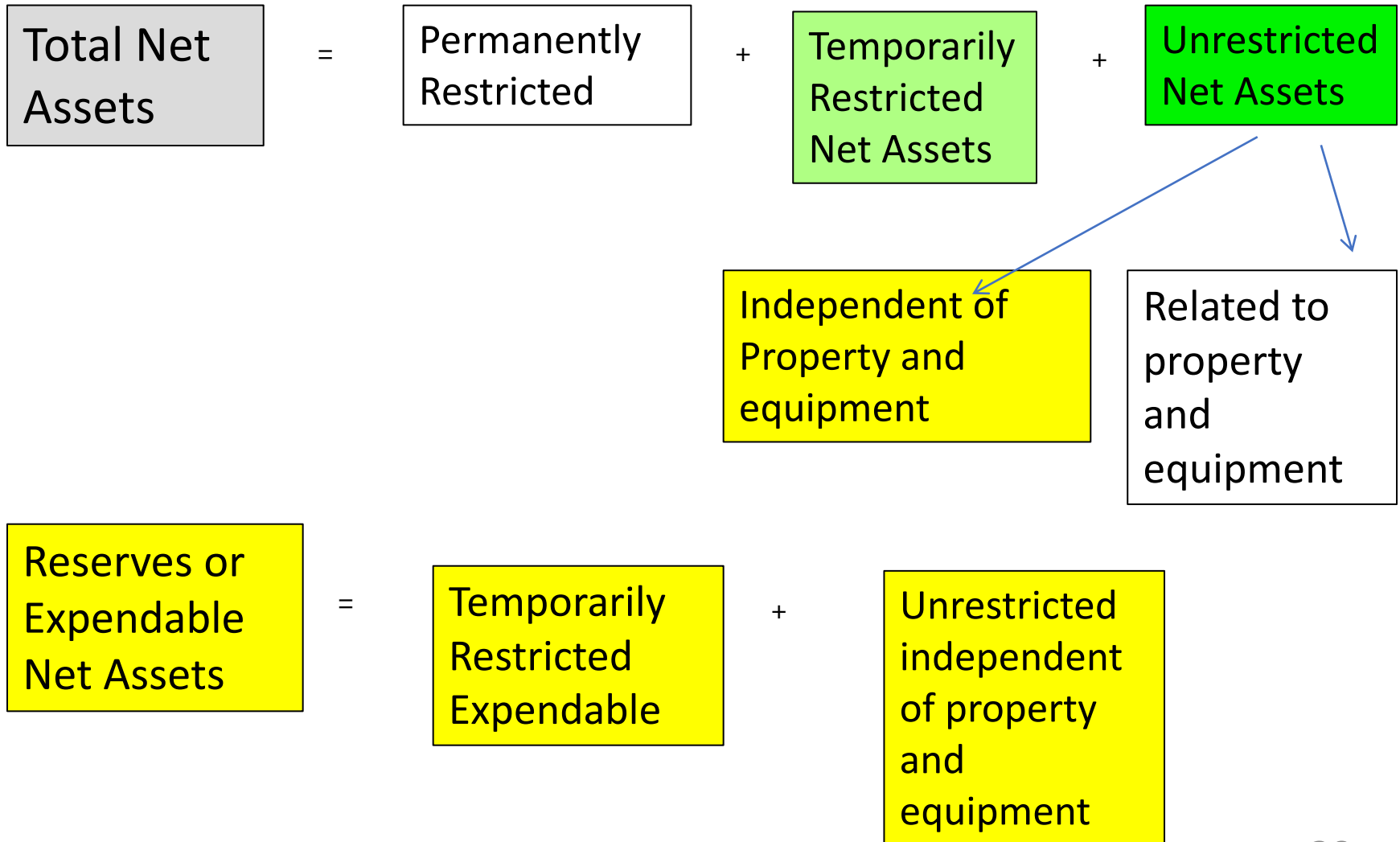
## Part of a Constant Building Spree

Source: Audited Financial Statements

University Only, Amounts In Thousands	Buildings	Construction in Progress	Office Buildings held for sale	Residential properties held for sale
2008	1,616,986	516,046	0	0
2009	1,794,405	677,958	0	0
2010	2,455,233	215,519	0	0
2011	2,545,947	280,831	0	0
2012	2,795,458	218,170	0	0
2013	2,916,798	296,713	0	0
2014	3,143,239	415,555	97,518	0
2015	3,384,801	501,316	0	5,568
2016	3,776,461	286,074	0	19,646

- On July 25, 2014, the University sold the office building held for sale for \$112,000
- On October 13, 2016, the University sold the residential properties held for sale for \$54,475

# Net Asset Components and Reserves



# Breakdown of 2016 Net Assets

Source: Audited Financial Statements

	University	Med	MBL	Total
Unrestricted	790,805	1,225,616	88,339	2,104,760
Temporarily Restricted	3,195,148	81,925	21,049	3,298,122
Permanently Restricted	1,971,688	8,112	56,091	2,035,891
<b>Total Net Assets</b>	<b>5,957,641</b>	<b>1,315,653</b>	<b>165,479</b>	<b>7,438,773</b>
<b>PPE, Net</b>	<b>3,185,722</b>	<b>1,380,132</b>	<b>108,727</b>	<b>4,674,581</b>
<b>Debt associated with plant</b>	<b>3,628,943</b>	<b>856,294</b>	<b>27,983</b>	<b>4,513,220</b>
<b>PPE, Free of Debt</b>	<b>0</b>	<b>523,838</b>	<b>80,744</b>	<b>604,582</b>
<b>True Unrestricted Reserves</b>	<b>790,805</b>	<b>701,778</b>	<b>7,595</b>	<b>1,500,178</b>
Temporarily Restricted	3,195,148	81,925	21,049	3,298,122
<b>Total Reserves</b>	<b>3,985,953</b>	<b>783,703</b>	<b>28,644</b>	<b>4,798,300</b>
<b>Unrestricted Endowment</b>	<b>1,795,157</b>	<b>804,437</b>	<b>9,185</b>	<b>2,608,779</b>

## Reserves in Context – Strong Level of Reserves; But A Lot of Debt

	University	Med	MBL	Total
Reserves	1,795,157	804,437	9,185	2,608,779
Operating Expenses	2,260,183	1,510,195	43,551	3,813,929
<b>Primary Reserve Ratio</b>	<b>79%</b>	<b>53%</b>	<b>21%</b>	<b>68%</b>
<b>Primary Reserve Score (out of 5)</b>	<b>5.00</b>	<b>4.63</b>	<b>3.24</b>	<b>5.00</b>
Reserves	1,795,157	804,437	9,185	2,608,779
Debt	3,628,943	856,294	27,983	4,513,220
<b>Viability Ratio</b>	<b>49%</b>	<b>94%</b>	<b>33%</b>	<b>58%</b>
<b>Viability Ratio Score (out of 5)</b>	<b>2.15</b>	<b>3.35</b>	<b>1.59</b>	<b>2.43</b>

# Reserves and Debt Over Time

Total UC	Reserves	Operating Expenses	Primary Reserve Ratio		Reserves	Debt	Viability Ratio
2008	5,618,720	2,593,028	217%		5,618,720	1,937,490	290%
2009	2,085,776	2,670,865	78%		2,085,776	2,415,371	86%
2010	2,266,453	2,759,516	82%		2,266,453	2,714,911	83%
2011	2,627,065	2,879,148	91%		2,627,065	3,022,873	87%
2012	2,594,782	3,055,459	85%		2,594,782	3,284,066	79%
2013	2,558,469	3,244,124	79%		2,558,469	3,563,152	72%
2014	2,941,334	3,496,302	84%		2,941,334	3,700,862	79%
2015	2,905,526	3,703,097	78%		2,905,526	4,197,207	69%
2016	2,608,779	3,813,929	68%		2,608,779	4,513,220	58%

# What About Pension Liabilities?

In Thousands	DB Plan	Retiree Health	Total
FMV Assets	741,696	37,019	778,715
PBO	1,017,137	318,714	1,335,851
<b>Balance Sheet Liability</b>	<b>275,441</b>	<b>281,695</b>	<b>557,136</b>
2016 Expense on Income Statement	56,666	18,032	74,698
2016 Cash contributed by UC	65,000	14,920	79,920
2017 Cash to be contributed by UC	10,000	5,500	15,500
2016 Cash contributed by UC to DC plans:			
University			52,096
Medical			13,100
Total			65,196

- Starting July 1, 2016, the defined benefit plan was frozen, and everyone is being moved to a defined contribution (401k type) plan. The university realized a gain of \$46 million on this change
- The balance sheet liability is not owed all at once – the cash payments next year will be 15.5 million



# Interest Rate Swaps Derivatives

- UC is involved in at least \$325 million of interest rate swaps at the end of 2016
- They are losing on these swaps to the tune of \$238 million, including a \$74 million loss in 2016
- These are not cash losses – the university borrowed variable rate debt and swapped into fixed. Then interest rates went down, so they are losing
- Two issues:
  - Organizations get involved in these types of derivatives when they feel very good about themselves financially, or they believe they can beat the market because they are so smart
  - The safer play is to borrow fixed in the first place; an organization the size of UC can borrow very favorably at very low rates. This is what they should be doing

# Revenues vs. Expenses, 2016

Sources: Audited Financial Statements

2016	University	Medical	MBL	Total UC
Operating Revenues	2,230,183	1,592,836	34,179	3,857,198
Operating Expenses	2,260,183	1,510,195	43,551	3,813,929
Operating Income	(30,000)	82,641	(9,372)	43,269
Non-Operating Items	(524,149)	(128,535)	6,147	(646,537)
Change in Net Assets	(554,149)	(45,894)	(3,225)	(603,268)
Net Asset Ratio	-24.8%	-2.9%	-9.4%	-15.6%

## Non-operating items include:

- Gains and Losses selling investments
- Paper gains and losses on investments (investments not sold)
- Losses on interest-rate-swap derivatives
- Losses on debt refinancing
- Changes to benefit plans
- Private gifts

# 2016 Cash Flows

Anything over 5% is considered excellent

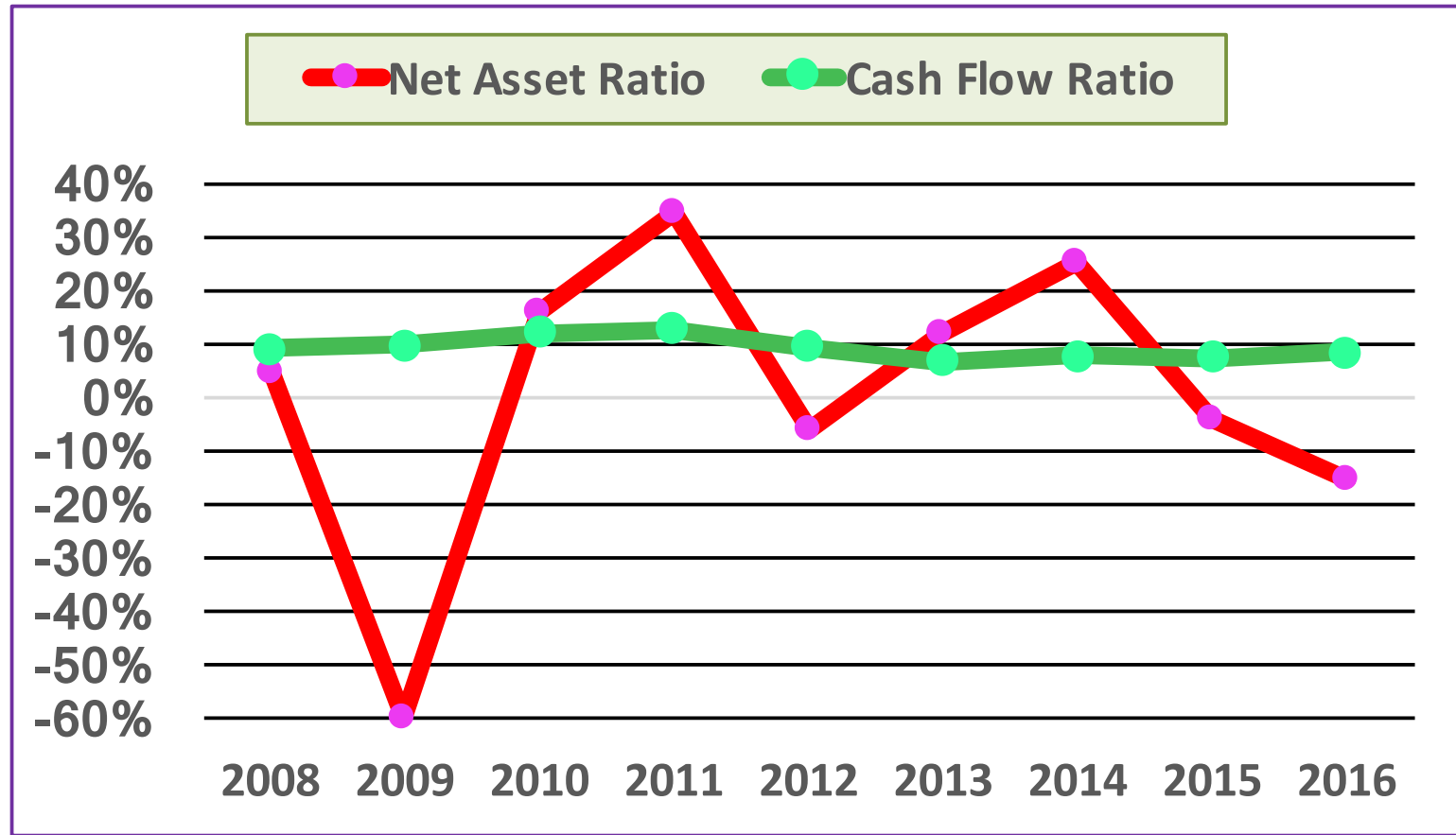
Source: Audited Financial Statements

2016	University	Med	MBL	Total
Operating Surplus	(30,000)	82,641	(9,372)	43,269
Depreciation Expense	188,923	87,123	4,722	280,768
Operating Cash Flows	158,923	169,764	(4,650)	324,037
Operating Revenues	2,230,183	1,592,836	34,179	3,857,198
Cash flow margin	7.1%	10.7%	-13.6%	8.4%

Moody's adds interest expense and has a higher cash flow margin than the above calculations report; we believe this more conservative approach is appropriate, due to the fact that interest must be paid each year

# Net Asset and Cash Flow Ratios Over Time

Net Assets All Over the place;  
Cash Flows steady and positive



# Summary of Ratios

Ratio	Numerator	Denominator	Weight in Formula
Primary Reserve	Total Reserves	Annual Expenses	40.0%
Viability	Total Reserves	Total Debt	22.5%
Net Asset	Change in Net Assets	Total Revenues	12.5%
Cash Flow	Operating Cash Flows	Total Revenues	25.0%
	Level of Ratio		
	Poor	Average	Excellent
Primary Reserve	Less than 10%	15% to 25%	More than 50%
Viability	Less than 30%	50% to 100%	More than 250%
Net Asset	Anything Negative	1% to 3%	More than 5%
Cash Flow	Anything Negative	1% to 3%	More than 5%

# Fichtenbaum-Bunsis Ratios

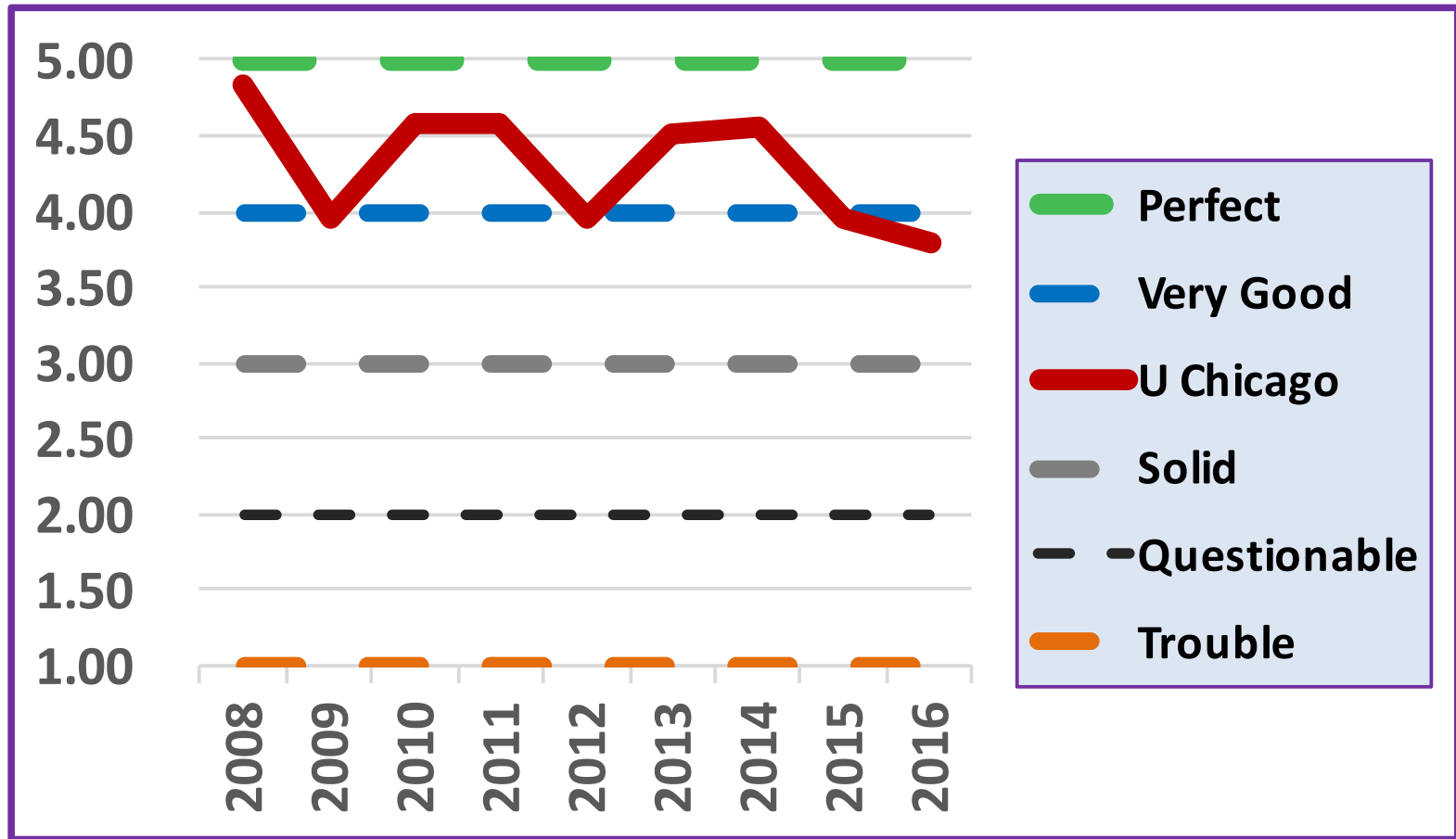
	Ratio Scores					
	0	1	2	3	4	5
Primary Reserve Ratio	< -10%	-10% to 4.99%	5.00% to 9.99%	10.00% to 24.99%	25.00% to 49.99%	> 50%
Viability Ratio	< 0%	0% to 29.99%	30.00% to 59.99%	60.00% to 99.99%	100% to 249.99%	> 250%
Net Asset Ratio	< -5%	-5.00% to 0.00%	0.00% to 0.99%	1.00% to 2.99%	3.00% to 4.99%	> 5%
Cash Flow Ratio	< -5%	-5.00% to 0.00%	0.00% to 0.99%	1.00% to 2.99%	3.00% to 4.99%	> 5%

- The weights are 40.0%/22.5%/12.5%/25.0%
- A perfect score is 5
- To be in financial exigency, there needs to be two consecutive years below 1.75

# Ratio Scores for UC

Values	2008	2009	2010	2011	2012	2013	2014	2015	2016
Primary Reserve	217%	78%	82%	91%	85%	79%	84%	78%	68%
Viability	290%	86%	83%	87%	79%	72%	79%	69%	58%
Net Asset	4.3%	-59.8%	15.7%	34.4%	-6.3%	11.5%	25.2%	-4.1%	-15.6%
Cash Flow	9.0%	9.7%	12.1%	12.5%	9.2%	6.7%	7.7%	7.2%	8.4%
Scores (out of 5)	2008	2009	2010	2011	2012	2013	2014	2015	2016
Primary Reserve	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Viability	4.77	3.16	3.09	3.17	2.98	2.80	2.99	2.73	2.43
Net Asset	5.00	0.00	5.00	5.00	0.24	5.00	5.00	0.69	0.00
Cash Flow	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fichtentbaum-Bunsis Score	4.84	3.96	4.57	4.59	3.95	4.50	4.55	3.95	3.80

# Ratio Scores Graphically

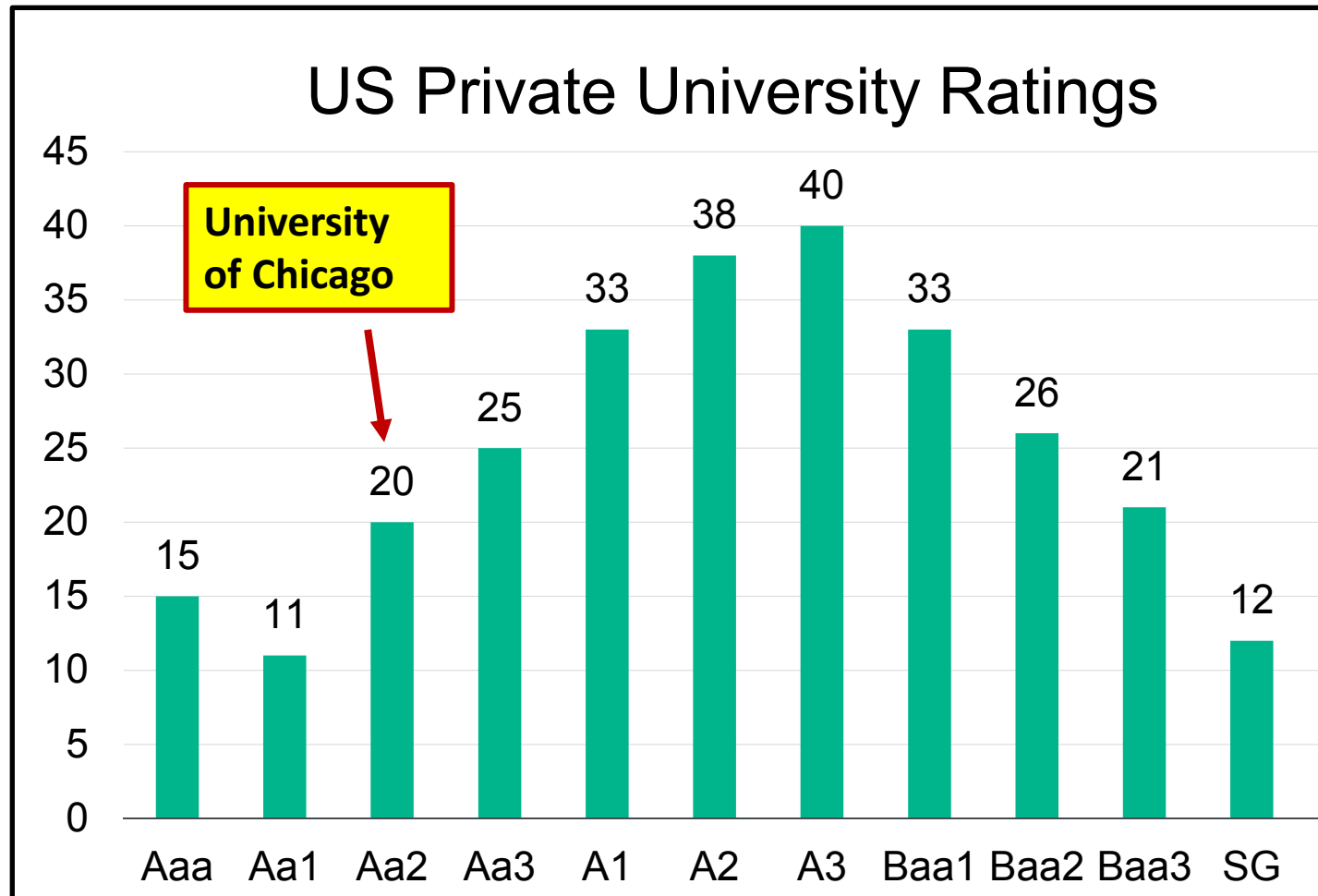




# UC Bond Rating: Aa2, 3<sup>rd</sup> highest rating

- Moody's affirms University of Chicago's Aa2
- Stable outlook, February 24, 2016
- Strengths:
  - Global prominence as an elite research university
  - Notable strengthening of undergraduate demand
  - Demonstrated fundraising prowess for strategic initiatives
  - Good unrestricted liquidity.
- Challenges
  - High leverage (lots of debt)
  - Weak operations expected over the next several years
  - Significant employee benefit liabilities
  - Substantial exposure to more volatile health care revenue through UCMC operating in the highly competitive Chicago area.
- Stable Outlook
  - Expected strong gift revenue that will ultimately grow balance sheet resources, stable liquidity, and thin consolidated cash flow with rising university and medical center debt service

# Moody's Bond Ratings in Higher Education Private Sector



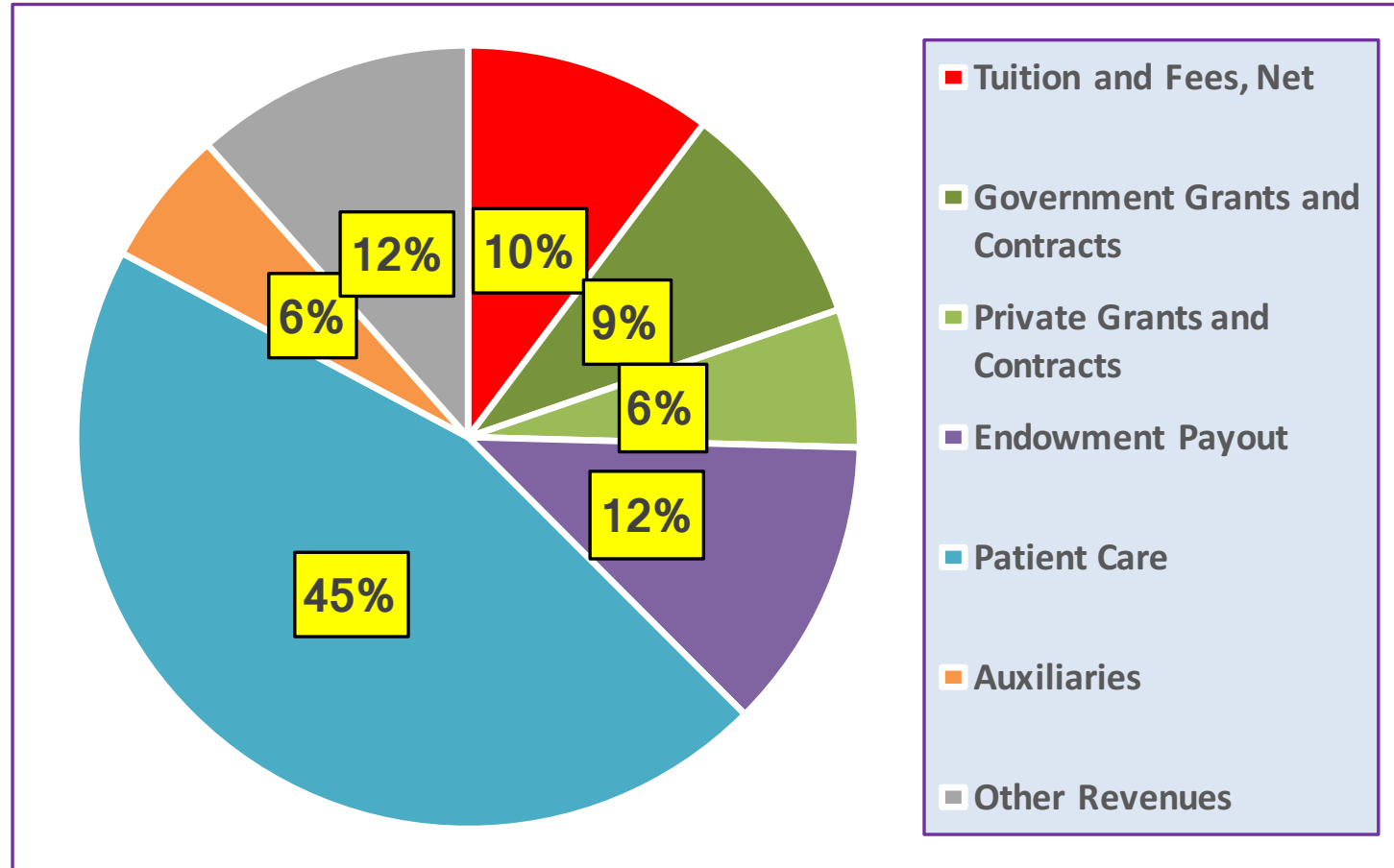
# **Revenue Analysis: Where is the Money Coming From**

# 2016 Revenue Distribution

Source: Audited Financial Statements

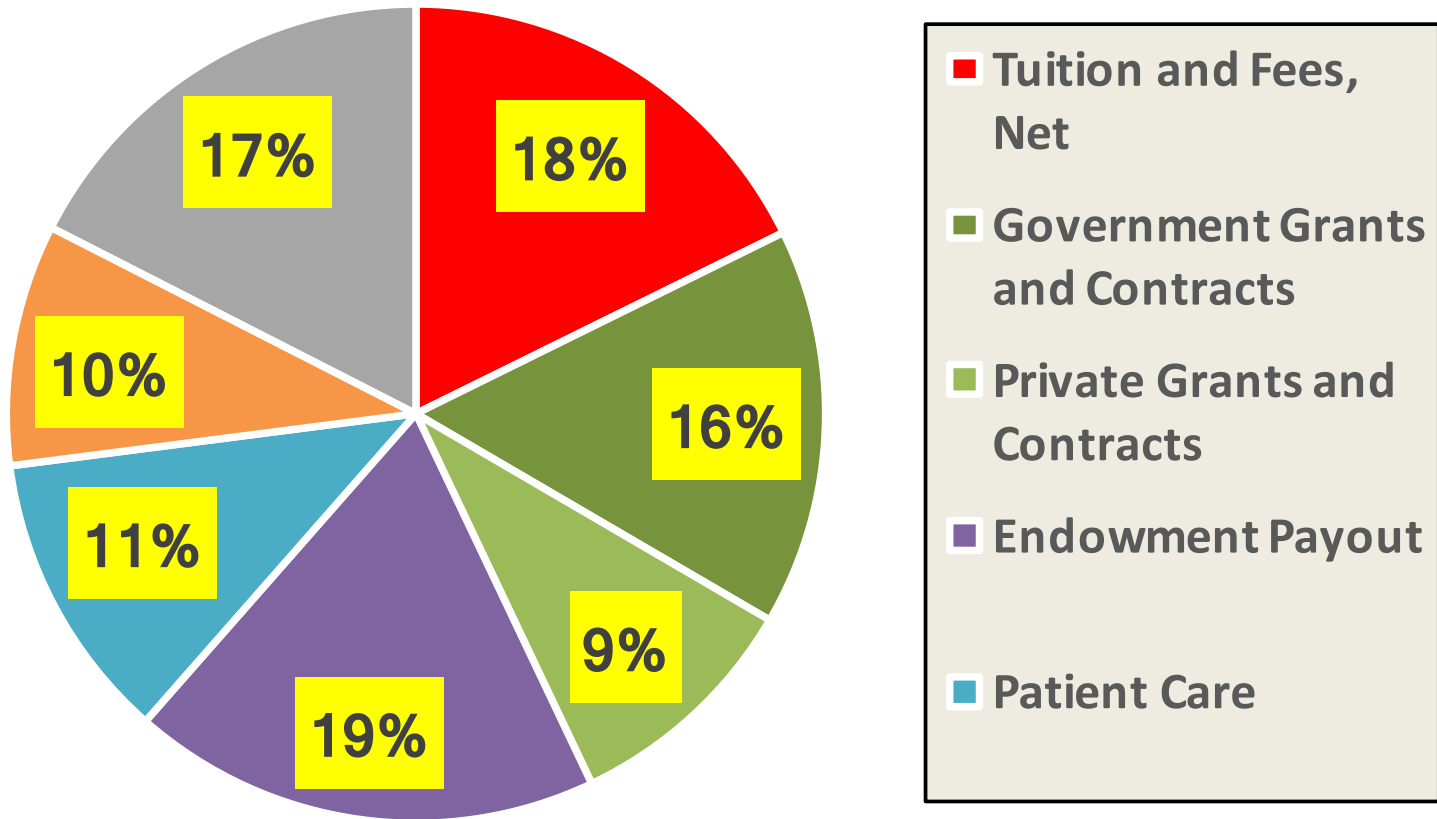
2016 In Thousands	University	Medical	MBL	Total
Tuition and Fees, Net	394,935	0	839	395,774
Government Grants and Contracts	350,128	0	14,812	364,940
Private Grants and Contracts	212,602	222	7,033	219,857
Endowment Payout	413,381	48,851	4,246	466,478
Patient Care	256,199	1,490,009	0	1,746,208
Auxiliaries	212,947	0	4,473	217,420
Other Revenues	389,991	53,754	2,776	446,521
Total Operating Revenues	2,230,183	1,592,836	34,179	3,857,198

# Revenue Distribution of Total UC



# Revenue Distribution of University Only: Diverse Set of Revenue Components

Source: Audited Financial Statements

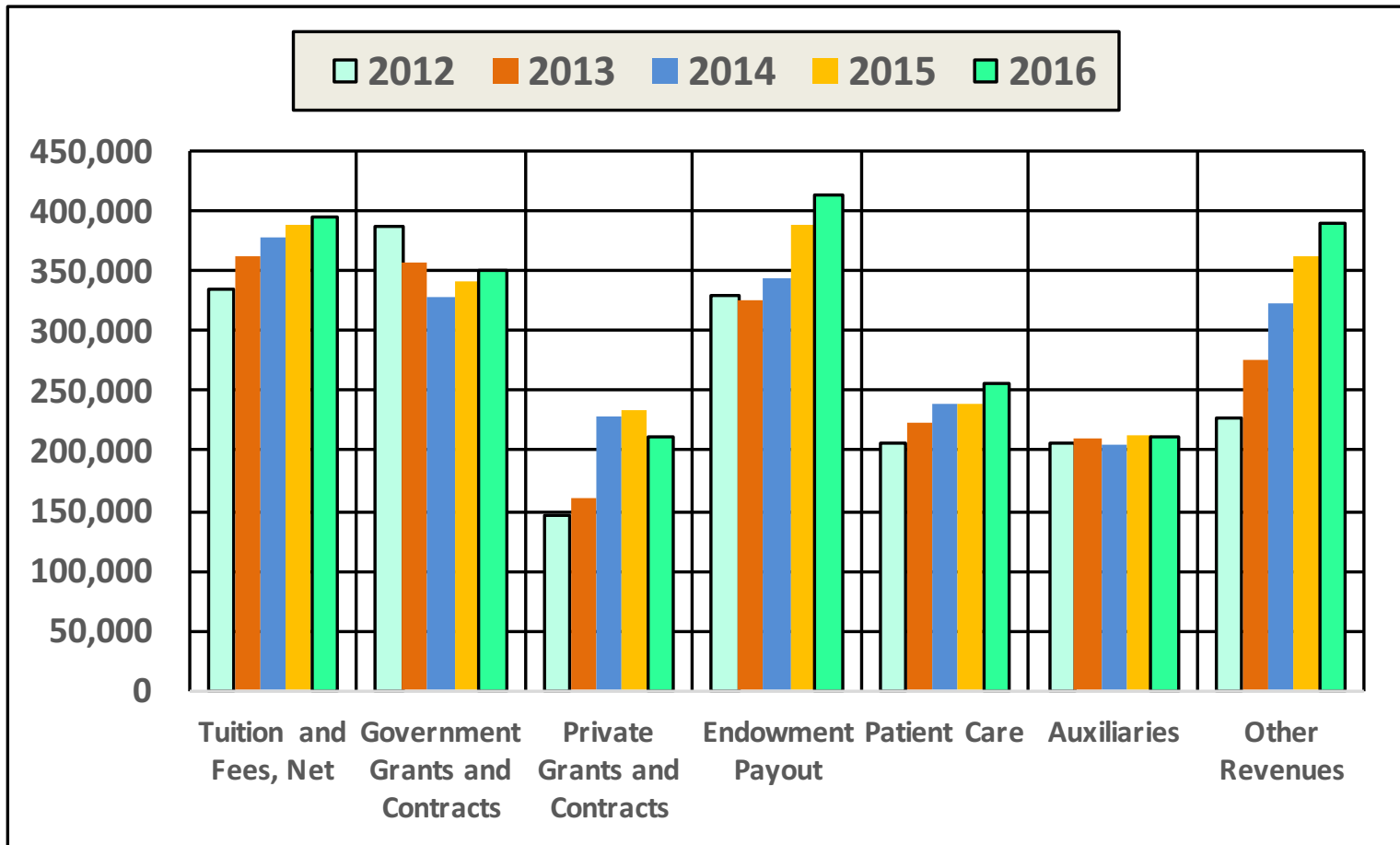


## **Specifics of Agreement Between the University and the Medical Center**

- **The University will continue to have available to it a hospital for use in connection with its medical education, training and research activities**
- **All members of the Medical Center's medical staff will have academic appointments at the University except to the extent such members treat patients exclusively at off-campus Medical Center facilities**
- **If the Affiliation Agreement is terminated in accordance with its terms either by mutual consent or upon a default, the Medical Center is obligated to return all the Hospital's facilities and assets to the University, without payment of any kind by the University to the Medical Center.**

# Main Revenues Over Time

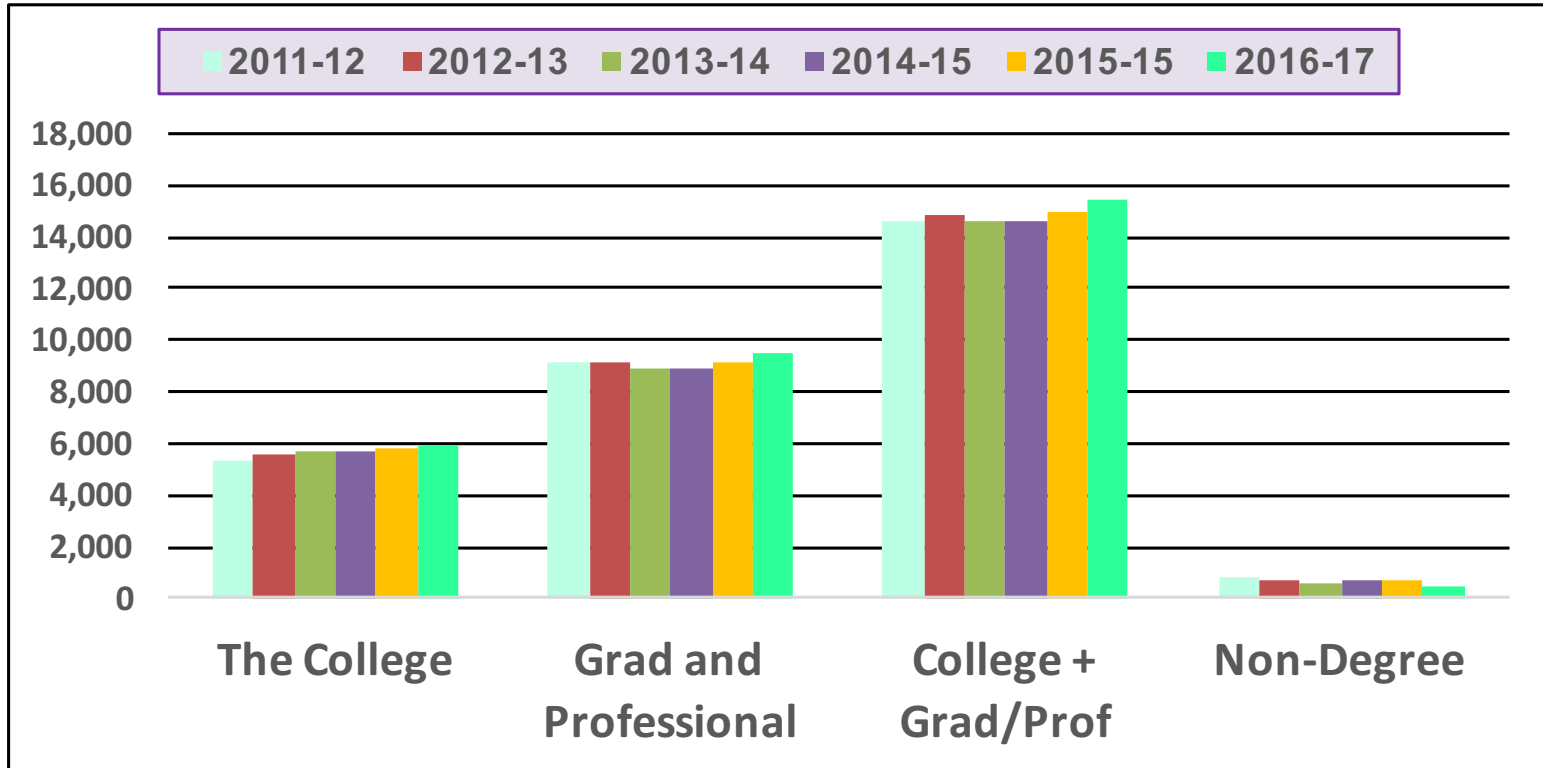
Source: UC Bond Report, 12/23/2016





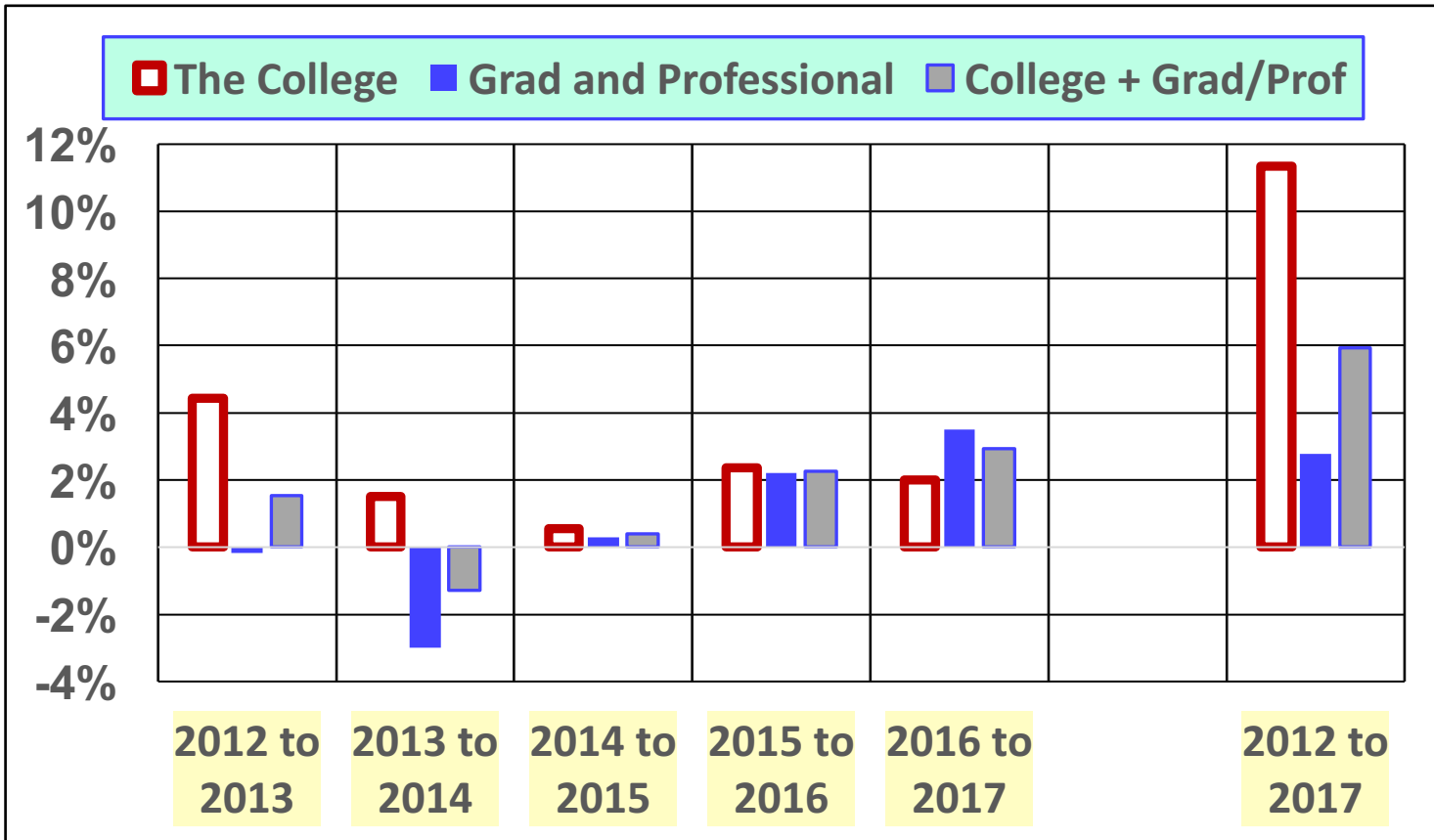
# Enrollment

Source: UC Bond Report, 12/23/2016



	2011-12	2012-13	2013-14	2014-15	2015-15	2016-17
The College	5,369	5,607	5,692	5,724	5,860	5,978
Grad and Professional	9,194	9,179	8,905	8,932	9,129	9,449
College + Grad/Prof	14,563	14,786	14,597	14,656	14,989	15,427
Non-Degree	830	753	597	656	737	489
Total	15,393	15,539	15,194	15,312	15,726	15,916

# Percentage Changes in Enrollment



# Tuition Price

Source: UC Bond Reports

The College:	2011-12	2012-13	2013-14	2014-15	2015-15	2016-17
College Tuition and Fees	\$42,783	\$44,574	\$46,386	\$48,253	\$48,253	\$48,253
Room and Board	\$12,683	\$13,137	\$13,653	\$14,205	\$14,206	\$14,207
<b>Total</b>	<b>\$55,466</b>	<b>\$57,711</b>	<b>\$60,039</b>	<b>\$62,458</b>	<b>\$62,459</b>	<b>\$62,460</b>
Grad and Prof Low	\$26,988	\$28,068	\$29,190	\$30,357	\$30,357	\$30,357
Grad and Prof High	\$57,087	\$59,454	\$62,490	\$64,800	\$64,800	\$64,800
% Changes	2012 to 2013	2013 to 2014	2014 to 2015	2015 to 2016	2016 to 2017	2012 to 2017
College Tuition and Fees	4.2%	4.1%	4.0%	0.0%	0.0%	13%
Room and Board	3.6%	3.9%	4.0%	0.0%	0.0%	12%
<b>Total</b>	<b>4.0%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>13%</b>
Grad Low	4.0%	4.0%	4.0%	0.0%	0.0%	12%
Grad High	4.1%	5.1%	3.7%	0.0%	0.0%	14%

College Tuition does not include first year fees

For Grad, tuition only

Low = Divinity School MDIV full time program

High = Booth School of Business Executive MBA program in North America

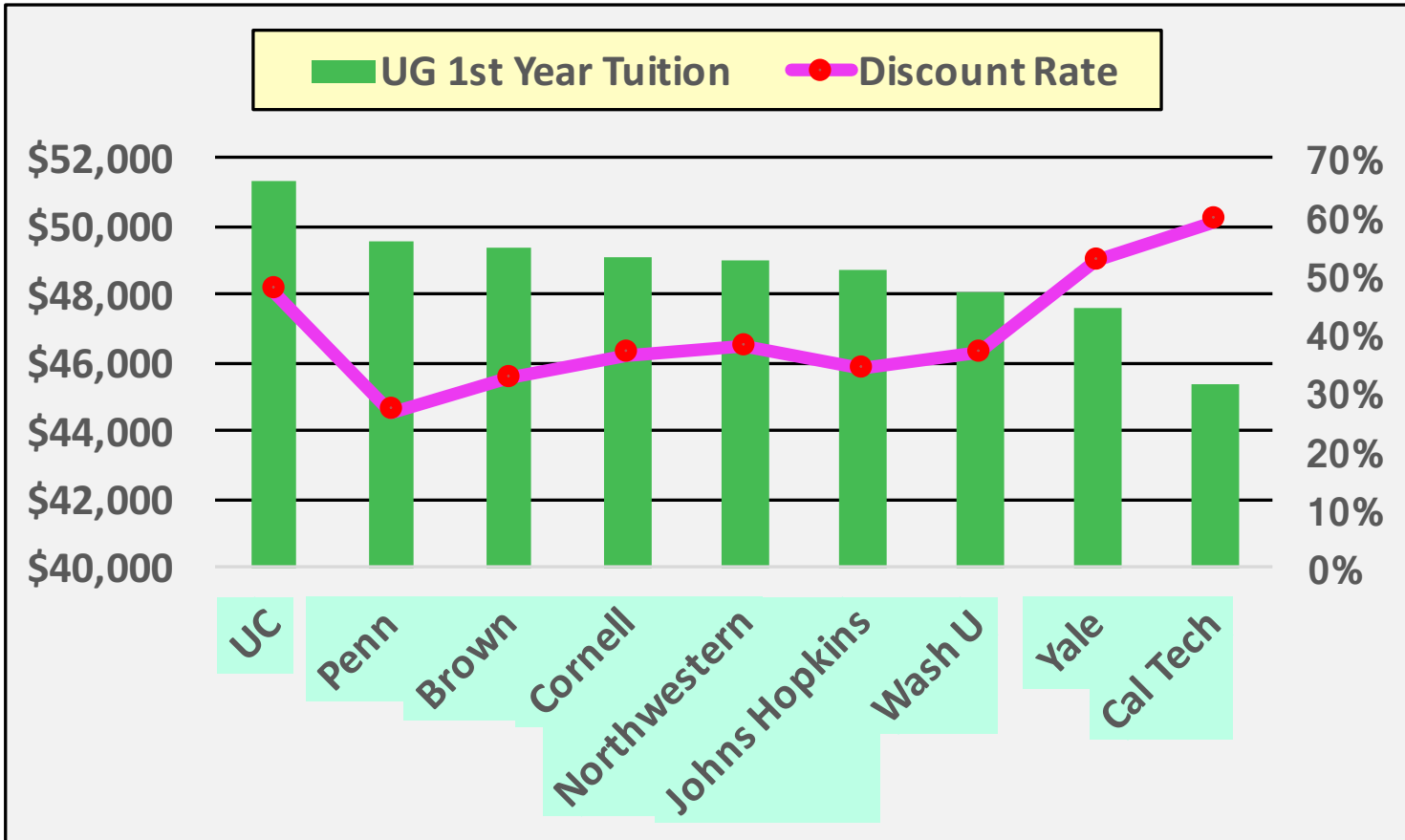
# Discount Rate

Source: UC Bond Report, 12/23/2016

In Thousands	Tuition and Fees, Gross	Less: Student Aid	Tuition and Fees, Net	Discount Rate
2012	629,288	294,394	334,894	46.8%
2013	671,779	310,056	361,723	46.2%
2014	704,846	326,592	378,254	46.3%
2015	735,384	347,152	388,232	47.2%
2016	778,382	383,447	394,935	49.3%

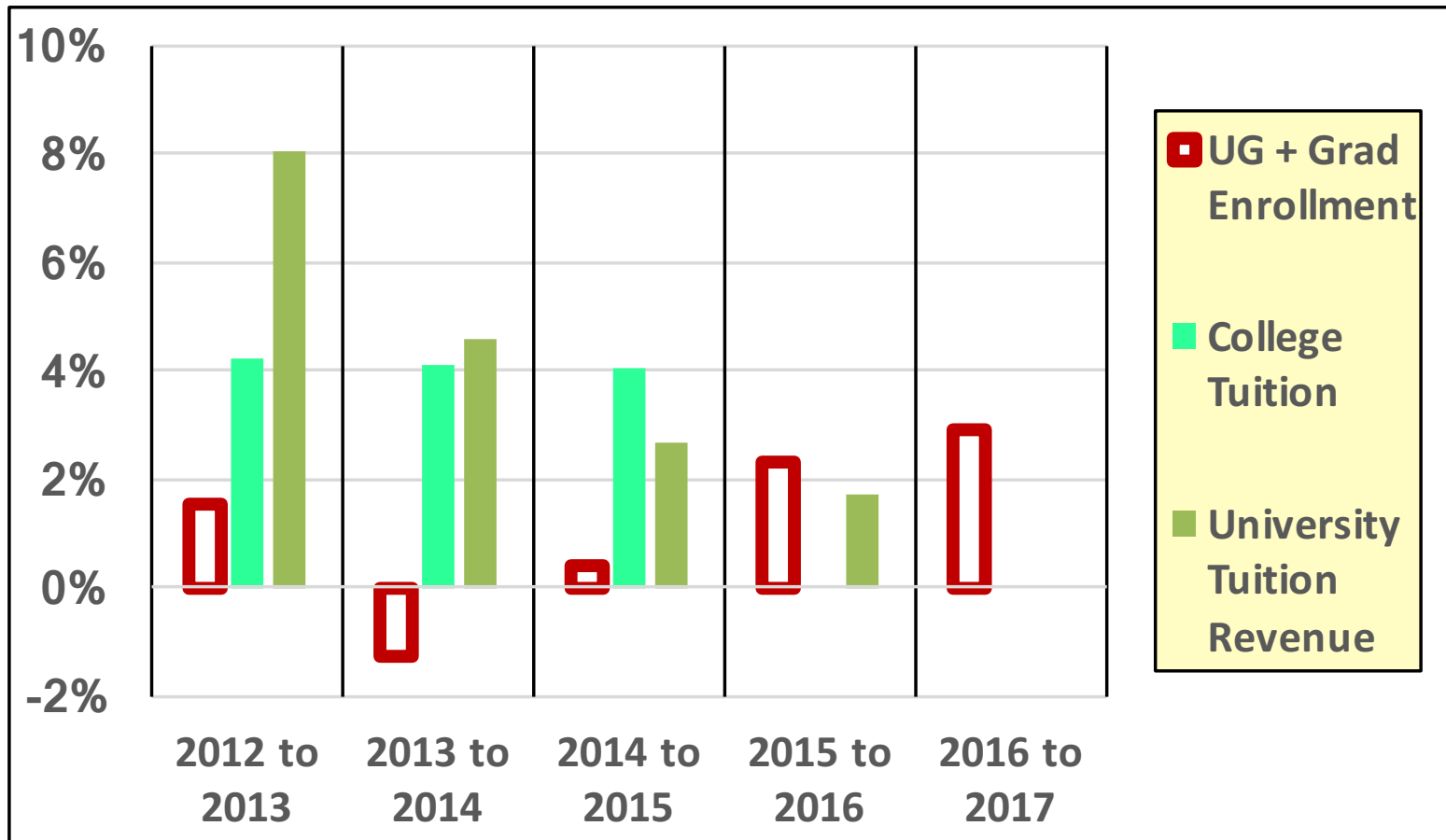
**Discount rate = (Student Aid / Tuition and Fees, Gross)**

## Discount Rates and Tuition Price of Peers (Peers per 2012 Chronicle of Higher Education Study)



**Peer Average tuition = \$48,355**  
**Peer Average discount rate = 39%**

## Percentage Changes in Enrollment, Tuition Price, and Tuition Revenue



# **Expense and Priority Analysis**

# 2016 Expense Distribution: Natural

**Comp is 56% of Total Expenses (63% for University)**

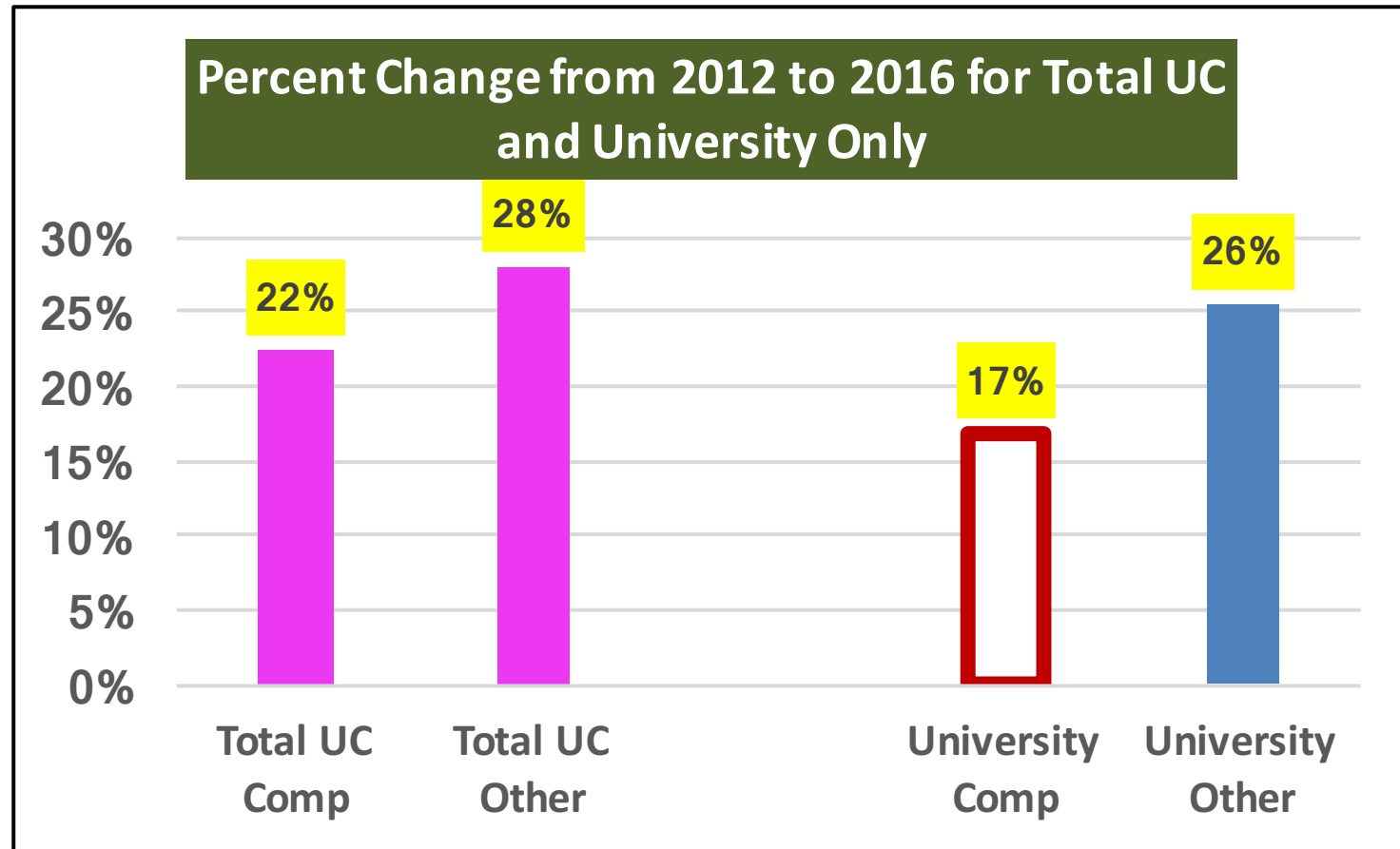
Source: Audited Financial Statements

In Thousands of \$\$	University	Medical	MBL	Total
Academic Salaries	541,399	0	8,023	549,422
Staff salaries	573,355	551,367	8,439	1,133,161
Benefits	300,862	147,385	5,191	453,438
<b>Total Compensation</b>	<b>1,415,616</b>	<b>698,752</b>	<b>21,653</b>	<b>2,136,021</b>
Utilities	51,046	24,210	2,476	77,732
Depreciation	188,923	87,123	4,722	280,768
Interest	111,227	33,420	1,020	145,667
Supplies, service	476,760	655,366	12,830	1,144,956
Insurance	16,611	11,324	850	28,785
<b>Total Other Operating Expenses</b>	<b>844,567</b>	<b>811,443</b>	<b>21,898</b>	<b>1,677,908</b>
<b>Total Operating Expenses</b>	<b>2,260,183</b>	<b>1,510,195</b>	<b>43,551</b>	<b>3,813,929</b>
As % of Total	University	Medical	MBL	Total
Academic Salaries	24%	0%	18%	14%
Staff salaries	25%	37%	19%	30%
Benefits	13%	10%	12%	12%
<b>Total Compensation</b>	<b>63%</b>	<b>46%</b>	<b>50%</b>	<b>56%</b>
Utilities	2%	2%	6%	2%
Depreciation	8%	6%	11%	7%
Interest	5%	2%	2%	4%
Supplies, service	21%	43%	29%	30%
Insurance	1%	1%	2%	1%
<b>Total Other Operating Expenses</b>	<b>37%</b>	<b>54%</b>	<b>50%</b>	<b>44%</b>
<b>Total Operating Expenses</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



# Percent Changes in Expenses, 2012 to 2016

Source: Audited Financial Statements

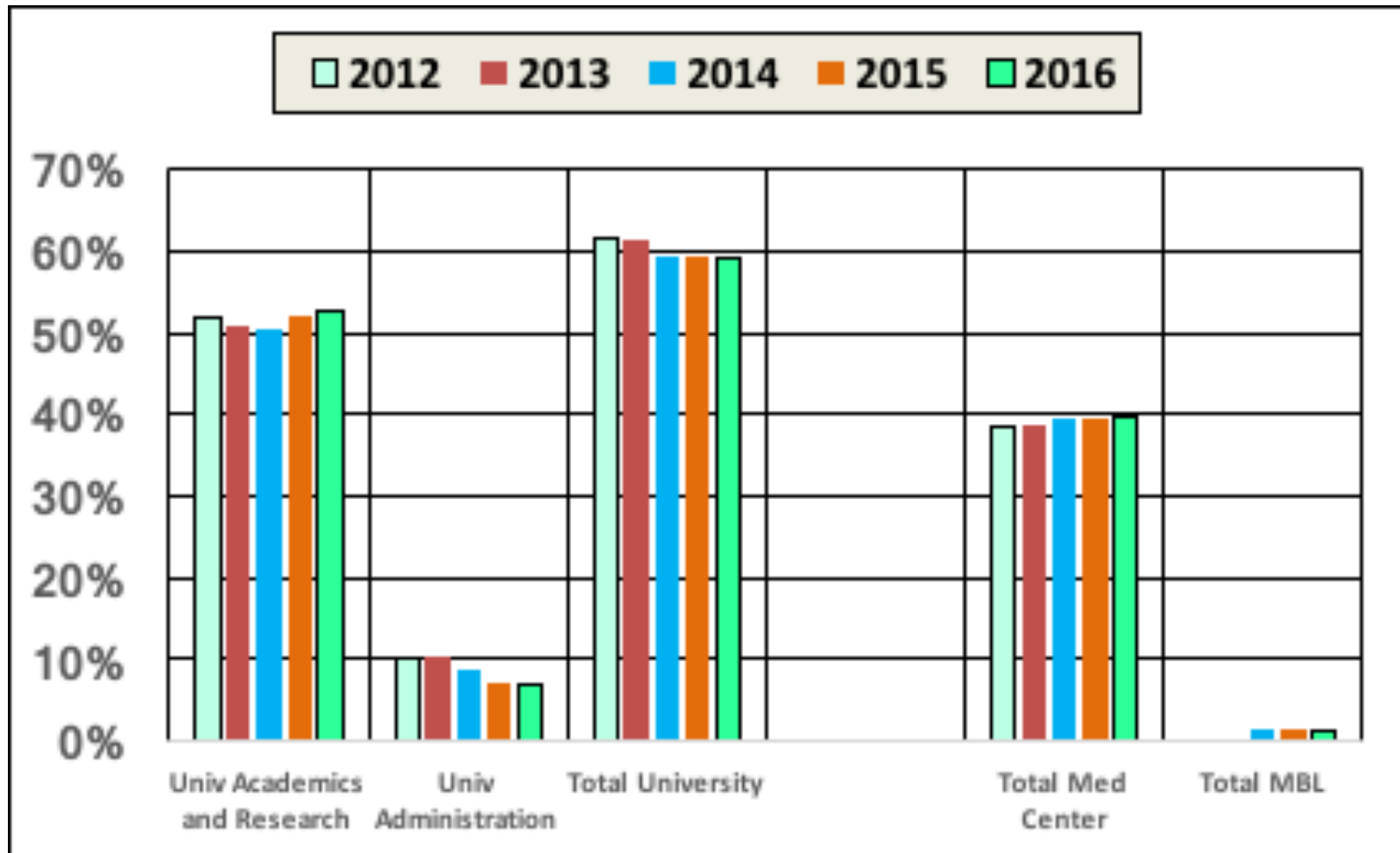


# 2016 Expense Distribution: Functional

Source: Audited Financial Statements

<b>UNIVERSITY</b>				
Instruction	1,104,427			
Research	259,070		<b>MEDICAL CENTER</b>	
Auxiliary	162,053		Healthcare Service	1,403,939
Library	18,220		General and Admin	106,256
Student Services	80,627		Total Med Center	1,510,195
Plant	131,688			
Depreciation	156,425		<b>MBL</b>	
Interest	90,343		Healthcare Service	37,846
Total Academics and Research	2,002,853		General and Admin	5,705
			Total MBL	43,551
Institutional Support	187,033			
Plant	16,915		<b>Total UC</b>	<b>3,813,929</b>
Depreciation	32,498			
Interest	20,884			
Total Administration	257,330			
Total University	2,260,183			

# Functional Expenses as Percent of Total, 2012 to 2016 per Audited Statements



# Discrepancy in 2015 Reporting of Functional Expenses

	2015 Amount Reported in 2015 Audited Statements	2015 Amount Reported in 2016 Audited Statements	Discrepancy
Univ. Academics and Research	1,864,098	1,930,522	66,424
Univ. Administration	334,792	268,368	(66,424)
Total University	2,198,890	2,198,890	0
Total Med Center	1,459,149	1,459,149	0
Total MBL	45,058	45,058	0
TOTAL UC	3,703,097	3,703,097	0
% of Total UC Expenses:			
Univ. Academics and Research	50%	52%	
Univ. Administration	9%	7%	

- In the 2015 audited statements, \$1.864 billion went to instruction, and \$334 million to administration
- In the 2016 audited statements, 2015 and 2016 are both reported; the 2015 amounts now had \$66 million more in instruction and \$66 million less in administration.
- No explanation was given for this discrepancy

# Changes in Reporting Categories from 2015 to 2016 in the Notes to the Audited Statements

2015 Categories	2016 Categories
Univ. Academics and Research	Univ. Academics and Research
Instruction	Instruction
Research	Research
Auxiliary	Auxiliary
Library	Library
Student Services	Student Services
Plant	Plant
Depreciation	Depreciation
Interest	Interest
Total Academics and Research	Total Academics and Research
Administration	Administration
Institutional Support	Institutional Support
Plant	Plant
Depreciation	Depreciation
Interest	Interest
Informational Services	Not Reported in 2016
Development and Alumni Relations	Not Reported in 2016
Total Administration	Total Administration

# Expenses per IPEDS, 2015 and 2014

(Integrated Postsecondary Education Data System of the U.S. Dept. of Education)

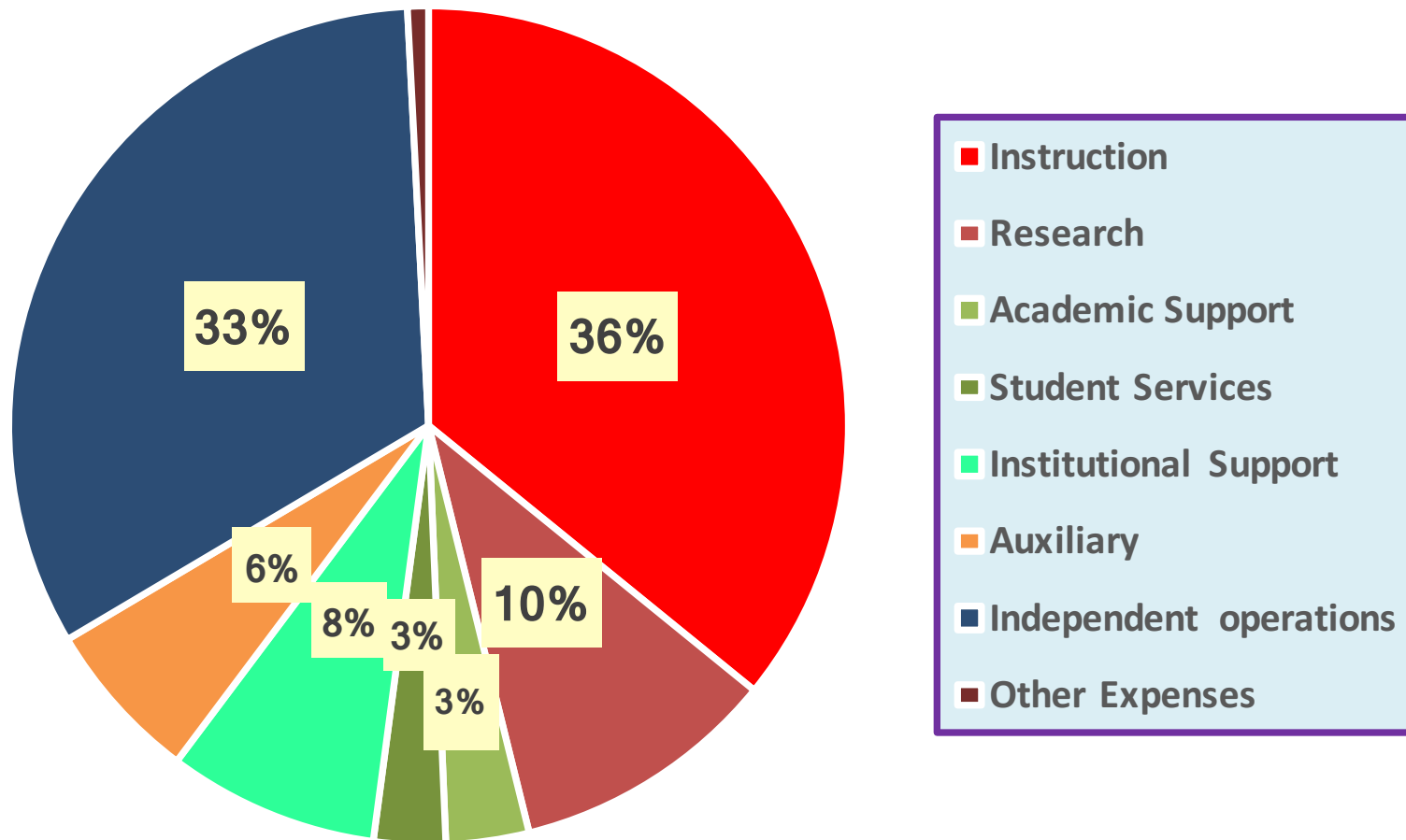
**No Match between IPEDS and the audited financial statements**

	2015	2014	2015	2014
Instruction	1,210,666,016	1,144,752,378	35.9%	34.8%
Research	346,839,992	334,520,483	10.3%	10.2%
Public Service	0	0	0.0%	0.0%
Academic Support	107,901,100	106,498,366	3.2%	3.2%
Student Services	93,397,210	85,959,413	2.8%	2.6%
Institutional Support	274,388,168	239,312,414	8.1%	7.3%
Auxiliary	210,756,253	199,194,150	6.2%	6.1%
Hospital services	0	0	0.0%	0.0%
Independent operations	1,104,060,865	1,149,413,833	32.7%	35.0%
Other Expenses	27,268,331	28,569,470	0.8%	0.9%
Total Expenses	3,375,277,935	3,288,220,507	100.0%	100.0%
Total Univ. Expenses per Audit	2,198,890,000	2,072,529,000		
Total Med/MBL per Audit	1,504,207,000	1,423,773,000		
Total UC Expenses per Audit	3,703,097,000	3,496,302,000		



Sad

# 2015 Expense Distribution per IPEDS



# Expense Category Definitions

<b>Instruction</b>	<b>Salaries of those who teach; academic admins are out</b>
<b>Academic Support</b>	<b>Deans and Libraries; Advising</b>
<b>Auxiliaries</b>	<b>Housing, dining, bookstore, parking, athletics</b>
<b>Institutional Support</b>	<b>Upper level administration</b>
<b>Scholarships/Student Aid</b>	<b>Direct aid to students</b>
<b>Plant</b>	<b>Buildings and grounds</b>
<b>Student Services</b>	<b>Admissions; student orgs</b>
<b>Research</b>	<b>Includes external grants and internal spending</b>
<b>Depreciation</b>	<b>Estimated decline in value of buildings</b>
<b>Public Service</b>	<b>Conferences and institutes</b>



## Instruction and Research Breakdown per IPEDS, 2013 to 2015

(Increasing amount of other; Benefit rate per AAUP Salary survey is 26%)

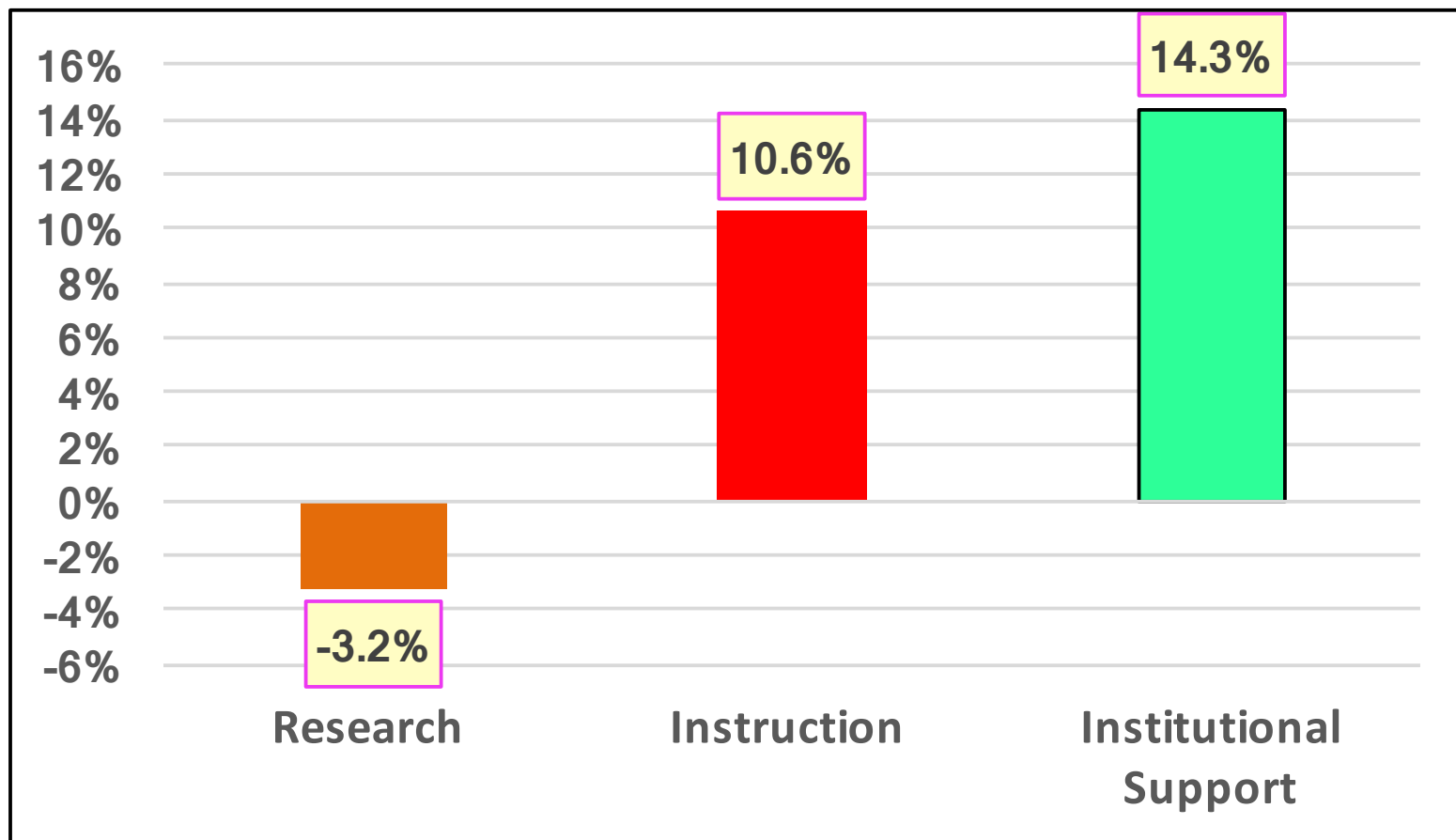
Instruction	2013	2014	2015
Salaries	646,774,313	685,426,336	715,124,902
Benefits	176,864,867	194,027,909	203,450,346
Plant	74,255,967	86,369,665	84,699,911
Depreciation	59,462,70	63,108,107	68,443,947
Interest	27,271,754	28,260,367	31,291,548
Other	40,782,743	87,559,994	107,655,362
Total Instruction per IPEDS	965,949,644	1,144,752,378	1,210,666,016
Benefit Rate	27.3%	28.3%	28.4%
Research	2013	2014	2015
Salaries	125,328,384	127,173,445	121,346,377
Benefits	29,758,264	31,927,004	29,502,123
Plant	12,650,488	19,158,833	17,861,413
Depreciation	22,305,483	26,259,637	29,594,153
Interest	17,107,185	22,050,968	24,914,566
Other	107,205,624	107,950,596	123,621,360
Total Research	314,355,428	334,520,483	346,839,992
Benefit Rate	23.7%	25.1%	24.3%

## Institutional Support (Upper-level Admin) per IPEDS, 2013 to 2015

Institutional Support	2013	2014	2015
Salaries	110,902,721	119,195,548	126,718,747
Benefits	44,072,963	29,879,108	37,245,653
Plant	8,877,226	10,207,640	12,174,342
Depreciation	29,393,680	30,479,045	30,602,208
Interest	23,280,830	26,236,154	22,940,184
Other	47,201,242	23,314,919	44,707,034
Total Institutional Support	263,728,662	239,312,414	274,388,168
Benefit Rate	39.7%	25.1%	29.4%

- An upward trend in salaries, and a downward trend in “other”
- The benefit rate is all over the place.

## Percent Changes in The **Salary Component** of Instruction, Research, and Institutional Support per IPEDS from 2013 to 2015



# **Who Works at the University of Chicago?**

# Number of Graduate Assistants Per IPEDS

	2013	2014	2015	2016	Number Change 2013 to 2016	Percent Change 2013 to 2016
Grad Teaching	202	203	186	132	(70)	-35%
Grad Research	281	310	333	275	(6)	-2%
Total Main	483	513	519	407	(76)	-16%
Grad Teaching - Med	3	0	2	0	(3)	
Grad Research - Med	53	70	65	64	11	21%
Total Med	56	70	67	64	8	14%
Grand Total Grad per IPEDS	539	583	586	471	(68)	-13%

# Number of Part Time Employees per IPEDS (Does not include graduate assistants)

Part Time Employees - Total	2013	2014	2015	2016	# Change 2013 to 2016	% Change 2013 to 2016
Part Time Instructors	501	517	502	488	(13)	-3%
Part Time Research	106	95	87	91	(15)	-14%
Library and Student Affairs	540	509	469	413	(127)	-24%
Management	53	48	50	57	4	8%
Business and Finance	58	51	53	24	(34)	-59%
Engineering and Science	124	144	142	133	9	7%
Community, Social Service, Legal, Arts, Design, Entertainment, Sports, Media	137	141	158	147	10	7%
Healthcare	66	67	51	42	(24)	-36%
Service	28	38	42	52	24	86%
Sales	2	2	2	1	(1)	-50%
Office and Admin Support	162	195	222	158	(4)	-2%
Construction and Maintenance	141	156	135	131	(10)	-7%
Transportation	45	62	42	46	1	2%
<b>TOTAL</b>	<b>1,963</b>	<b>2,025</b>	<b>1,955</b>	<b>1,783</b>	<b>(180)</b>	<b>-9%</b>

# Number of Full Time Instructors/Research per IPEDS

	2013	2014	2015	2016	# Change 2013 to 2016	% Change 2013 to 2016
Total Tenured	772	795	799	798	26	3%
Tenure Track	329	281	280	304	(25)	-8%
Total T/TT	1,101	1,076	1,079	1,102	1	0%
Total NTT	864	888	925	987	123	14%
Total FT Instructional Staff	1,965	1,964	2,004	2,089	124	6%
Research Staff	1,324	1,307	1,282	1,348	24	2%

# Number of Full Time Non-Instructional Employees per IPEDS

Full Time Employees - Total	2013	2014	2015	2016	# Change 2013 to 2016	% Change 2013 to 2016
Library and Student Affairs	673	760	767	723	50	7%
<b>Management</b>	<b>1,129</b>	<b>1,146</b>	<b>1,234</b>	<b>1,285</b>	<b>156</b>	<b>14%</b>
Business and Finance	620	647	720	725	105	17%
Engineering and Science	987	981	1,010	1,045	58	6%
Community, Social Service, Legal, Arts, Design, Entertainment, Sports, Media	468	481	534	550	82	18%
Healthcare	322	339	335	353	31	10%
Service	370	310	254	245	(125)	-34%
Sales	18	17	20	20	2	11%
Office and Admin Support	1,028	1,016	1,031	829	(199)	-19%
Construction and Maintenance	180	166	168	156	(24)	-13%
Transportation	51	53	60	58	7	14%
<b>Total Non-Instructional FT</b>	<b>5,846</b>	<b>5,916</b>	<b>6,133</b>	<b>5,989</b>	<b>143</b>	<b>2%</b>
<b>Total FT Instructional Staff</b>	<b>1,965</b>	<b>1,964</b>	<b>2,004</b>	<b>2,089</b>	<b>124</b>	<b>6%</b>
<b>Research Staff</b>	<b>1,324</b>	<b>1,307</b>	<b>1,282</b>	<b>1,348</b>	<b>24</b>	<b>2%</b>
<b>Grand Total Full Time</b>	<b>9,135</b>	<b>9,187</b>	<b>9,419</b>	<b>9,426</b>	<b>291</b>	<b>3%</b>



# Number of Faculty per IPEDS and AAUP Salary Survey – They Do Not Match

PER IPEDS	2013	2014	2015	2016
Professor	527	548	560	595
Associate Professor	188	189	195	213
Assistant Professor	222	205	210	291
Instructor	80	75	86	44
Lecturer	135	133	140	164
No Rank	0	0	0	0
Total FT Faculty	1,152	1,150	1,191	1,307
PER AAUP Salary Survey	2013	2014	2015	2016
Professor	573	596	606	595
Associate Professor	204	207	211	210
Assistant Professor	231	210	216	252
Instructor	81	75	86	77
Lecturer	135	132	140	158
No Rank	10	9	12	1
Total FT Faculty	1234	1229	1271	1293

# AAUP Salary Survey: Faculty Salary Levels and Changes

Salaries Submitted to AAUP	Professor	Associate Professor	Assistant Professor	Instructor	Lecturer
<b>2013</b>	\$203,638	\$117,609	\$102,682	\$59,314	\$62,819
<b>2014</b>	\$210,725	\$118,853	\$105,612	\$62,937	\$63,915
<b>2015</b>	\$217,349	\$124,325	\$112,325	\$64,213	\$63,829
<b>2016</b>	\$232,391	\$132,207	\$115,794	\$64,596	\$69,089
<b>2013 to 2014</b>	<b>3.5%</b>	<b>1.1%</b>	<b>2.9%</b>	<b>6.1%</b>	<b>1.7%</b>
<b>2014 to 2015</b>	<b>3.1%</b>	<b>4.6%</b>	<b>6.4%</b>	<b>2.0%</b>	<b>-0.1%</b>
<b>2015 to 2016</b>	<b>6.9%</b>	<b>6.3%</b>	<b>3.1%</b>	<b>0.6%</b>	<b>8.2%</b>
<b>2013 to 2016</b>	<b>14.1%</b>	<b>12.4%</b>	<b>12.8%</b>	<b>8.9%</b>	<b>10.0%</b>

# Upper Admin **W-2** Salaries per IRS 990's (Amounts Above \$500,000 in 2015)

Position	2013	2014	2015
VP & Chief Invest Officer	\$1,989,833	\$1,934,810	\$1,990,763
Exec VP Medical Affairs	\$1,850,726	\$1,878,980	\$1,950,481
President	\$1,192,225	\$1,206,827	\$1,913,283
Chief Cardiac Thoracic Surgery	\$1,095,720	\$1,239,896	\$1,359,415
Investment Chief Risk Officer	\$1,594,104	\$1,680,427	\$1,174,320
Managing Director - PRIV Equity			\$1,121,350
Exec VP for Admin and CFO	\$623,351	\$666,948	\$1,119,761
Chief Operating Officer			\$1,068,750
Chairman of Medicine	\$821,310	\$930,929	\$913,092
VP & Chief HR		\$685,548	\$676,602
Provost		\$47,500	\$667,985
Dean, School of Bus	\$571,875	\$600,780	\$613,274
VP Alum Relations & DEVL	\$414,830	\$508,257	\$560,783
VP Enroll & Student ADV	\$442,043	\$490,354	\$513,159
VP for Operations and CFO			\$506,330

# Other Admin W-2 Salaries Reported in the IRS 990's for 2013 to 2015

Position	2013	2014	2015
Executive VP	\$342,305	\$380,010	\$494,443
VP & General Counsel	\$381,042	\$442,326	\$454,743
VP Civic Engagement	\$436,139	\$397,177	\$424,866
VP Communications	\$396,969	\$416,618	\$418,669
VP Research	\$381,042	\$404,659	\$410,267
VP Global Engagement		\$236,398	\$380,065
Executive VP	\$683,963	\$745,777	\$354,327
Provost	\$649,144	\$678,123	\$331,675
VP & General Counsel			\$326,678
VP Campus & Student Life	\$218,749	\$279,810	\$300,552
Secretary of the University		\$187,425	\$241,580
VP Alum Relations & DEVL	\$668,555		
MTG Director - Strategy	\$1,129,960	\$1,167,682	
MGT Director - Public Markets		\$1,083,384	
MGT Director - Real Estate	\$1,005,422		
Dean of Students	\$138,407		

# 5 Largest Contractors per IRS 990

Firm	Type	2013	2014	2015
W E O'Neil Construction	Construction	\$19,430,594	\$32,401,457	\$74,401,930
Lend Lease US	Construction		\$19,462,746	\$52,755,483
Turner Construction	Construction	\$38,941,237	\$41,139,485	\$43,530,356
Mortenson Construction	Construction			\$25,581,389
Aramark Services	Food Service	\$14,050,162	\$13,235,804	\$15,574,663
American Business Maintenance	Maintenance		\$11,109,663	
Bovis Lend Lease	Construction	\$29,196,110		
Bulley & Andrews LLC	Construction	\$13,310,495		
# of Independent Contractors who received > \$100,000 in compensation		686	901	1,031

# Conflicts Reported in the 2015 IRS 990

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 2	ANDREW M ALPER AND KENNETH M JACOBS, BOTH TRUSTEES OF THE UNIVERSITY HAVE A BUSINESS RELATIONSHIP RODNEY L GOLDSTEIN AND JAMES S CROWN, BOTH TRUSTEES OF THE UNIVERSITY HAVE A BUSINESS RELATIONSHIP THOMAS J PRITZKER AND BYRON D TROTT, BOTH TRUSTEES OF THE UNIVERSITY HAVE A BUSINESS RELATIONSHIP JOHN W ROGERS AND PAULA WOLFF, BOTH TRUSTEES OF THE UNIVERSITY HAVE A BUSINESS RELATIONSHIP ANDREW M ROSENFELD AND PETER W MAY, BOTH TRUSTEES OF THE UNIVERSITY, HAVE A BUSINESS RELATIONSHIP TIMOTHY M GEORGE AND KENNETH M JACOBS, BOTH TRUSTEES OF THE UNIVERSITY, HAVE A BUSINESS RELATIONSHIP PETER W MAY AND KING W HARRIS, BOTH TRUSTEES OF THE UNIVERSITY, HAVE A BUSINESS RELATIONSHIP PETER W MAY AND ROBERT W LANE, BOTH TRUSTEES OF THE UNIVERSITY, HAVE A BUSINESS RELATIONSHIP MICHAEL P POLSKY AND MARY A TOLAN, BOTH TRUSTEES OF THE UNIVERSITY, HAVE A BUSINESS RELATIONSHIP CRAIG J DUCHOSSOIS AND E DAVID COOLIDGE III, BOTH TRUSTEES OF THE UNIVERSITY, HAVE A BUSINESS RELATIONSHIP CRAIG J DUCHOSSOIS AND RODNEY L GOLDSTEIN, BOTH TRUSTEES OF THE UNIVERSITY, HAVE A BUSINESS RELATIONSHIP CRAIG J DUCHOSSOIS AND JOHN W ROGERS, BOTH TRUSTEES OF THE UNIVERSITY, HAVE A BUSINESS RELATIONSHIP CRAIG J DUCHOSSOIS AND BYRON D TROTT, BOTH TRUSTEES OF THE UNIVERSITY, HAVE A BUSINESS RELATIONSHIP BYRON D TROTT AND JAMES S CROWN, BOTH TRUSTEES OF THE UNIVERSITY, HAVE A BUSINESS RELATIONSHIP BYRON D TROTT AND JOSEPH NEUBAUER, BOTH TRUSTEES OF THE UNIVERSITY, HAVE A BUSINESS RELATIONSHIP BYRON D TROTT AND NASSEF O SAWIRIS, BOTH TRUSTEES OF THE UNIVERSITY, HAVE A BUSINESS RELATIONSHIP

**The Environment For  
Labor in the Trump  
Administration:  
We Must Act!**

# **NLRB Columbia Grad Student Case**

## **August 23, 2016**

**Echoing arguments made by the AAUP in an amicus brief, the National Labor Relations Board held that student assistants working at private colleges and universities are statutory employees covered by the National Labor Relations Act.**

**The 3–1 decision overrules a 2004 decision in *Brown University*, which had found that graduate assistants were not employees and therefore did not have statutory rights to unionize.**

**In this case the AAUP filed an amicus brief with the Board arguing that extending collective bargaining rights to student employees promotes academic freedom and does not harm faculty-student mentoring relationships, and instead would reflect the reality that the student employees were performing the work of the university when fulfilling their duties.**



## More from the AAUP on the Columbia Case

In reversing *Brown*, the majority said that the earlier decision “deprived an entire category of workers of the protections of the Act without a convincing justification.”

The Board found that granting collective bargaining rights to student employees would not infringe on First Amendment academic freedom and, citing the AAUP amicus brief, would not seriously harm the ability of universities to function.

The Board also relied on the AAUP amicus brief when it found that the duties of graduate assistants constituted work for the university and were not primarily educational.

# **NLRB Decision and AAUP Brief Directly Contradict the UC President/Provost (8/24/2016)**

Per UC Admin: “Students follow their own unique paths at the University in coordination with their faculty advisors and do so in a way that is quite different from the well-defined and important work of employees in skilled trades or clerical positions, where the University has had productive relationships with unions for many years.”

**The AAUP brief gives 3 reasons why graduate student assistants perform work in return for compensation and are thus employees under the Act.**

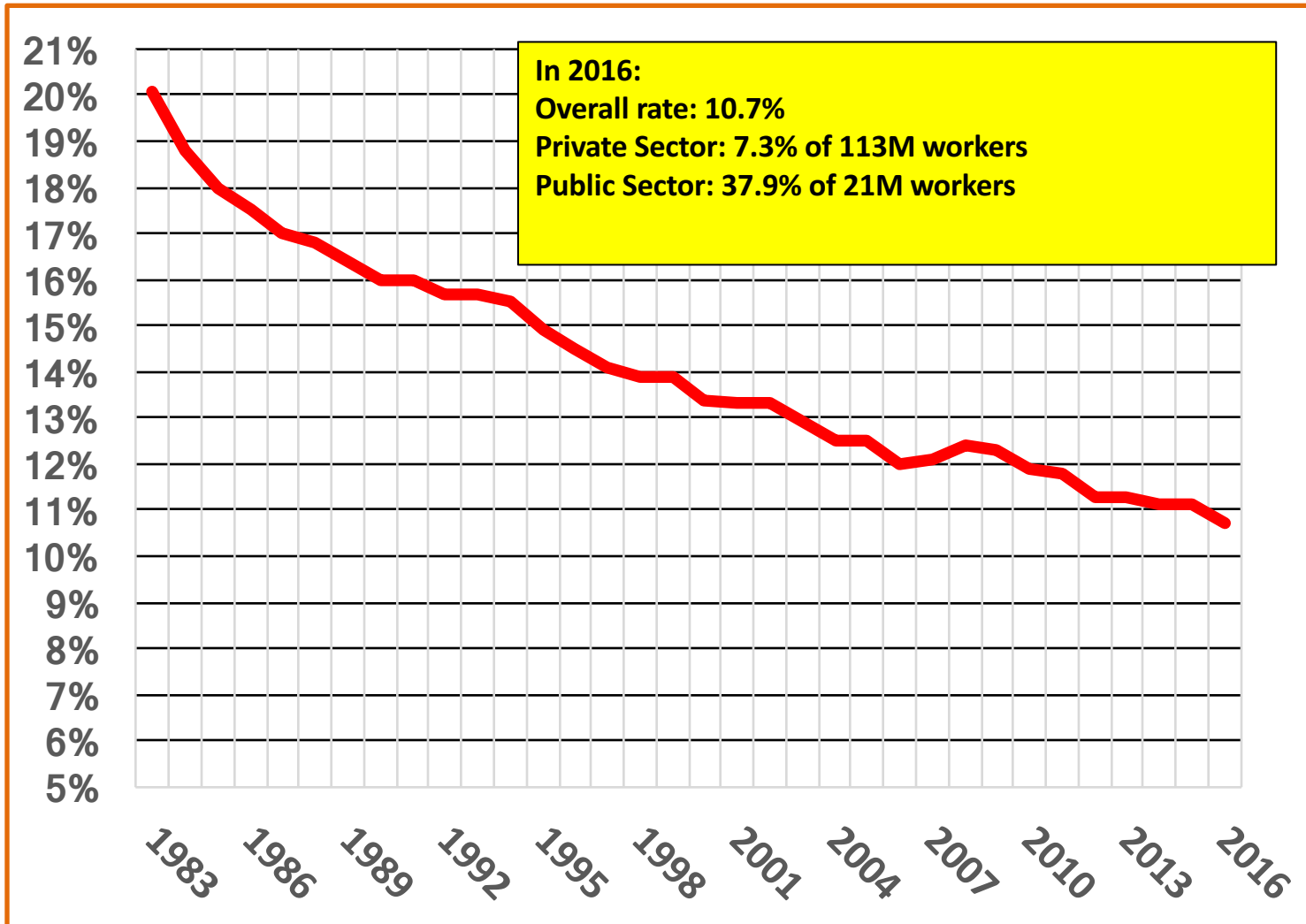
**First, when graduate students work as teaching and research assistants, their work is similar to that performed by university faculty.**

**Second, graduate students teach because they are paid, not because it is at the core of graduate education.**

**Third, universities generally treat any stipend as payment for teaching or supporting the professor's research, not as general financial support to enable the graduate student to attend class or conduct his or her own dissertation research.**

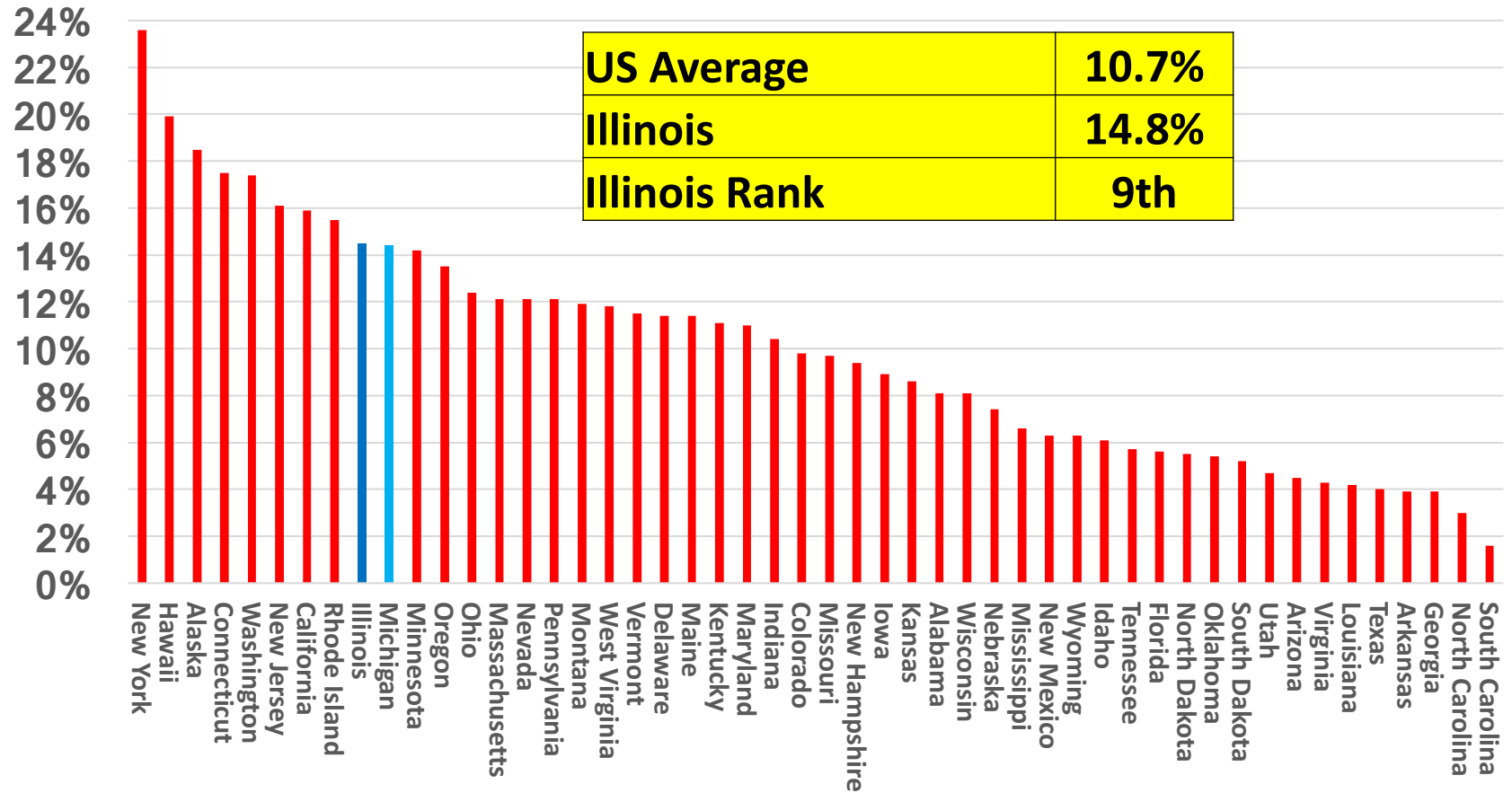
# Percent of Workers In Unions

Source: Bureau of Labor Statistics



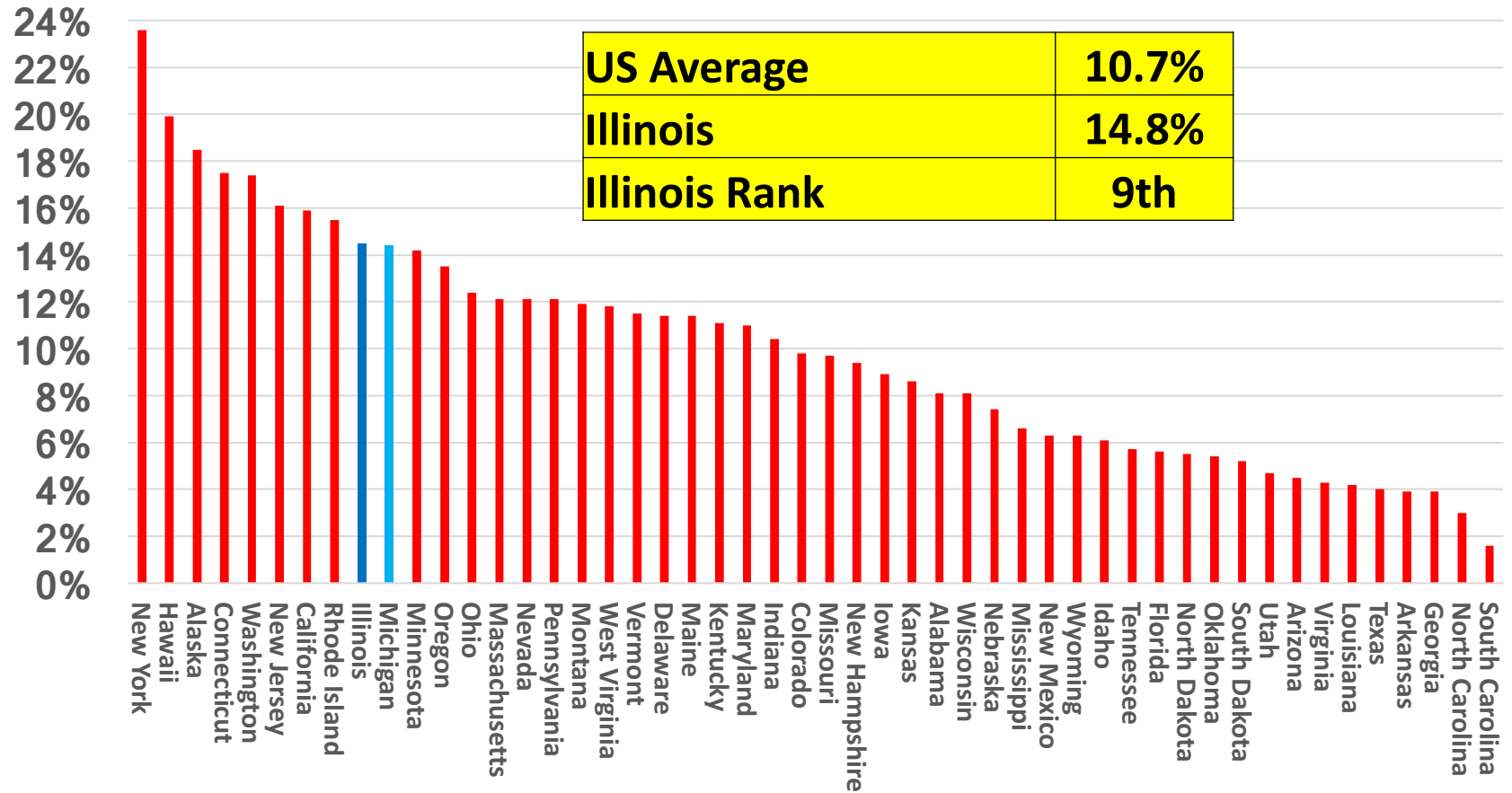
# 2016 State Unionization Rates

Source: Bureau of Labor Statistics



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Source: Bureau of Labor Statistics



# AAUP Stands for Grad Student Unions

October 13, 2015

## **Statement of Solidarity with #WeAreWorkers**

On Thursday, October 15, 2015 graduate employees at universities throughout the country are standing up in defense of their right to form unions and bargain collectively with their employers.

The American Association of University Professors (AAUP) Committee on Graduate and Professional Students stands firmly beside these graduate workers and endorses their solidarity day of action to declare in one voice that We Are Workers.

# Collective Bargaining Law Proposal in Iowa

- Iowa lawmakers push bill to severely restrict collective bargaining by employees in higher education.
- Inside Higher Education February 10, 2017
- The bill would:
  - Prohibits contract negotiations over insurance, leaves of absence for political activities, supplemental pay, transfer procedures, performance evaluations (for faculty members and other employees), procedures for staff reduction, grievance procedures for resolving questions arising under the agreement, and any employment “advantage” based on seniority.
  - The only mandatory topic is wages, and increases can be no more than 3% or the rate of inflation, whichever is lower
  - Unions would have to be recertified by election prior to the end of every collective bargaining agreement in a two-thirds vote by all members
- What is left to bargain?



# Legal Challenges – Friedrichs Type Case

- We escaped a bad outcome when *Friedrichs* was decided 4-4 in the aftermath of Scalia's passing. This would have made fair share or agency fee nonexistent in the public sector
- However, there are other cases in the pipeline. The most prevalent is *Janus v. AFSCME*
  - This case, like *Friedrichs*, could overturn *Abood*, which supported the collection of mandatory agency fees for public sector unions
  - In *Janus*, the governor of Illinois, Bruce Rauner, set the money associated with agency fees aside in an escrow account
  - This case can possibly hit the U.S. Supreme Court this term



## **Legal Challenge – Jarvis v. Cuomo or the Nuclear Catastrophe – CERT DENIED 2/27/2017**

- Exclusive representation/collective bargaining in the public sector would be declared unconstitutional if the plaintiffs win
- Yes, that is what this case is about – it originated with a AFSCE local in NY
  - Plaintiffs claim that the defendant union violated their *First Amendment* rights because it entails union association
  - The Second Circuit, in September of 2016, soundly rejected this argument, citing *Minnesota State Board for Community Colleges v. Knight*, 465 U.S. 271, (1984).
  - In *Knight*, the Supreme Court held that a state law requiring public employers to "meet and confer" with a bargaining unit's exclusive representative did not infringe the First Amendment rights of nonunion unit members

# AAUP Taking a Stand

- **Stand Against the Muslim Ban:** AAUP Calls for Reversal of Muslim Ban Executive Order, Praises Widespread Citizen Resistance
- **Reject Betsy DeVos's Nomination:** The AAUP urges the United States Senate to reject Betsy DeVos's nomination as education secretary
- **Block ~~Andrew Puzder~~ Nomination:** The AAUP urges the Senate to block the nomination of Andrew Puzder as secretary of labor. SUCCESS!!!

