Spring SCOF Final Report

Fineman Reporting

This spring, SCOF consisted of Dan Fineman, Chair; Brandon Lehr; George Schmiedeshoff; Saul Traiger; and, Nalsey Tinberg, ex officio. The committee met weekly – with a couple exceptions. In additional, all members of the committee met, approximately monthly, with the college’s strategy and budget committee, BSAC. Finally, two members of the committee, Fineman and Lehr, were part of a sub-committee on merit pay. This last group also included Anthony Chase, Martha Matsuoka, and Clair Morrissey and, while it did the majority of its business on-line, it met four times in person.

SCOF proper began by considering the vast array of potential SCOF business. That list (Appendix A) is attached as some of these items may still merit attention. While many of the items on this list ended up as sub-set concerns of our particular foci, those specific emphases were five in number:

1. The Mortgage Loan Program: the extant MLP was found vastly inadequate in the current real estate market to address either the amount of loan necessary nor the near impossibility of anyone saving sufficiently for a down payment. A new MLP was drafted to address these weaknesses. This was sent to the administration and greeted with some sense of affirmation. We understand that the proposal will be considered by the Board. At the April faculty meeting, the only objection from the floor was that the “no previous home ownership” clause would disable those who had only small equity or even negative equity from a previous sale. While this objection was discussed with sympathy, SCOF decided that all the possible variations could not be anticipated in the proposal, but that there should be a clause to allow appeals to the previous sale and 10-mile radius rules for special circumstances. See Appendix B.

2. Flight Path: the five-year old program that established a computational algorithm that would allow Oxy to automatically track its salaries against our 2011 comparison colleges is in its last year. After discussions with the Dean, it was decided that this plan would be renegotiated in the fall when our exact numbers and situation would be evident. All sides seemed to feel that the previous flight path plane had been a success. Nonetheless, SCOF wanted to make clear the general outlines of the next agreement and to flag potential new or increased problem that should be considered. Therefore, a fairly extensive letter was drafted for the Dean to be forwarded by FC. See Appendix C.

3. Slice of the Pie (SL): for years, there has been concern on SCOF about the availability, quality, and timing of important institutional indicators of performance. Most especially, there had been a feeling that the percent of the E&G budget going to academics may have slipped. This has been informally called “the slice of the pie.” In our CFO, Amos Himmelstein, SCOF found a kindred spirit this year. Working together with his staff, a preliminary SL metric has been developed. This particular
measure, it is hoped, will form a paradigm for a short number of other quantifiable metrics of institutional, mission critical, behavior to be maintained permanently and disseminated on a fixed annual calendar. The specific of the SL measure will be delivered at the final faculty meeting jointly by SCOF and VP Himmelstein.

4. U.S. News: Oxy’s rankings in the USN annual report on colleges has been slipping quickly. Partially due to SCOF’s push, a sub-committee including SCOF (Fineman), VP Schraeder (committee chair) was convened to study the problem. After some consideration, a special analytics package was purchased from USN that allows for detailed study of many more variables than appear in the public report. Initial study, especially by Hanna Espinosa, gave preliminary indications of possible additional future trouble and, perhaps, a few means to begin to address our falling ranking. However, the committee only met twice and was, perhaps, hurt by Hanna’s departure. SCOF hopes this will be continued in the fall.

5. Merit Pay (MP): MP has been an issue for years. At the January retreat SCOF presented a plan in skeletal form that met with significant objection. At the request of FC, SCOF worked with a sub-committee that studied the SCOF MP proposal, read some literature, looked at existing programs, and collected results on our current rewards structure. A brief overview of the report is attached (Appendix D). The basic conclusions were that the SCOF MP proposal was not workable as given, that any MP plan would need to be planned in the long term with serious care and procedures if it was to be effective, and that, in any case, Oxy needed both to make clearer what counts as merit and to do more to reward meritorious behavior with or without a MP plan.

In addition to the above, SCOF was, as part of BSAC, involved significantly in the determination of some elements of the 2015-16 FY budget and in the management of the Strategic Planning fund.

This is a very brief summary of SCOF activities. Questions may be directed to Dan Fineman at dand@oxy.edu.
Appendix A – Potential SCOF Business

1. Merit Pay – this met with enough opposition at the retreat to merit review.
2. SCOF and US News – this will be in the BSAC agenda but we should parallel?
3. Review of where we stand with NTT/T# and the faculty resolution.
4. BSAC will address FY 2016 budgets – so should we.
5. Shelby is giving another “salon” (2-12-15) and we need to think about her office, the capital campaign, and get a sense of how her fatter staff works.
6. The 5 year salary “flight path” is running out. Do we need to cut another?
7. We should review the SCOF folder and see if it is ok (as I understand it, you need to click on the toolbar “connect to server” – enter address “SMB://files.oxynet.oxy.edu/depts/shared/FC” Yes?)
8. “tail wagging the dog” – is our spending on admin/other functions outpacing educational funds? In line with other schools?
9. #8 is part of the general “slice of the pie” concern.
10. Do we wish to talk about on-campus filming?
11. Trustee committees and our relation with BSAC?
12. Do we need a formal yearly calendar?
13. Do we need to carry the ball on the strategic indicators?
14. Retirement policy is still unclear. What next?
15. A benefits review?
16. Is the death/tuition benefit finalized or not?
17. We expressed some concern about general mediocrity reflected in the downshift between the 1990, 1998, and 2011 comparison groups. Do wish to challenge the institution to a regularized comp review with a call increased achievement rather than an ever smaller metric?
18. Should a MOOC policy be in effect?
19. Institutional size – where are we?
Appendix B

SCOF PROPOSAL FOR A NEW MORTGAGE LOAN PROGRAM

History: Since the 1980s, the rapid increase of housing costs in Los Angeles above the national rate has created a very large and unattractive disparity for non-homeowners living in Los Angeles. This differential, in turn, has made Occidental College less attractive as an institution for those offered a position or already occupying one. To mitigate this effect the Mortgage Loan Program (MLP) was developed and implemented, last updated in February 2011.

The Current MLP at Oxy: For tenured faculty and some administrators, Occidental College will loan between 10 and 150 thousand dollars as a second mortgage at a rate “equal to eighty percent of the current Federal Home Loan Bank (FHLB) 11th District Weighted Average Cost of Funds [lately at about 0.70%], subject to a maximum rate of eight percent and a minimum rate of five percent.” The housing so supported must be within a ten-mile radius of campus and the borrower must provide a down payment of at least 10 percent. First time buyers also have the option of a five-year interest only period included in the 30 year amortization period.

The Problem: In both its amount and its terms, this policy is an anachronism that does not at all match current market conditions. Therefore, the policy is rarely used and the purpose for which it was constituted is not fulfilled.

In particular, the current policy could provide a substantial benefit in a market where interest rates are high and home prices are low, by allowing borrowers to shift a majority of what would be a high interest loan from a traditional lender to a low interest loan from Occidental. Indeed, such a policy with an 8 percent maximum was a large benefit in the 1980s when 30-year mortgage rates peaked at 18.45 percent in 1981 and remained largely above 10 percent until 1990. In addition, from 1982 to 2000, median home prices in Los Angeles County ranged from $119k to $219k, making a second mortgage in the amount of $100k, for example, a sizable portion of the total loan for the median home.

The current housing market, however, is characterized by historically low interest rates near 3.6 percent and historically high home prices. In fact, our particular

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1 Also available to untenured faculty who have received a maximum contract renewal in their pre-tenure review. Employees must also have served two years of full-time employment at Occidental.
2 Only two individuals have used the policy since its last revision in February 2011.
Eagle Rock and Highland Park neighborhoods have seen among the greatest recent price increase in the whole of the United States. The largest barrier to homeownership then is not paying the mortgage interest, but amassing a substantial down payment. Even a minimal down payment of 10% is a large burden for young faculty in an environment where the median home price in Eagle Rock is currently $665,000. This is over 9 times the average salary (including housing benefit) of an assistant professor in 2013-14. For comparison, in 1986 the ratio of the median Los Angeles home price to annual assistant professor salary was 4.6 and historically in the US, median home prices have been 2.6 times as much as the median annual income. To help address these problems and provide a housing benefit commensurate with the benefits provided to previous cohorts, we suggest the following solution.

**The Proposal:** Occidental’s southern California sister institutions have policies that are varied, but generally much better at addressing the demands of the housing market [see attached]. It is time that ours did so as well. Relative to the current MLP, we suggest:

New Features:

1. A first mortgage, with loans not to exceed 95% of the purchase price, up to the maximum loan allowable, $675,000.
2. The interest rate on loans is 97% of the real estate rate for conventional 30-year loans, with a minimum of 2.0% interest rate.
3. The loan is available only to first-time buyers.

Maintaining Existing Features:

4. Home must be primary residence and located within 10 miles of campus, so as to cultivate a residential community one expects at a top tier liberal arts

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4 From February 2012 to February 2015, home prices have increased 46.5% in Eagle Rock, 53.0% in Highland Park, and 17% nationally, according to Zillow.com.
6 This is still quite modest considering the very high and growing home prices in the Northeast Los Angeles region. An implication of this policy is that for a borrower relying exclusively on an Occidental mortgage to finance the purchase of a home with a minimal down payment of 5%, the maximum home price covered by this policy is $675,000/0.95 = $710,526.
7 This is the discount provided by Pomona College, as a reference point.
college. Exceptions can be made for extenuating circumstances, such as the location of a partner's place of employment.

5. The policy is available to tenured faculty, tenure-track faculty who receive a favorable third-year review, and some administrators. All employees must have worked at the college for a minimum of two years prior to receiving the benefit.

6. A participant will be certified for only one loan under this program and only one loan will be granted per household.
Appendix C – Flight Path

Dear Dean Gonzalez:

About five years ago, you worked with FC and SCOF to create an algorithm that adopted the then new and still current college comparison (CC) group, founded a method for “normalizing” the distribution of faculty ranks, and committed to achieving the projected median of the CC by raising our pool. This practice has lead to a more even and regular growth in salary and benefits over the last 5 years. This regularity and predictability led to a constructive relation between faculty and administration in an area previously fraught. This laudable arrangement was effective as the system was self-correcting and an under or over estimate of the CC’s average growth rate in one year informed the next year’s calculation. However, this arrangement is at the end of its five-year run and this year’s salary letters will be the last under this plan.

FC and SCOF believe that such an arrangement should be renegotiated and should borrow heavily from the previous model and its algorithmic instantiation. This renegotiation should happen in the fall of 2015 and be completed in time for the FY 2016-17 budget discussion of the Board. This calendar will mean that such a complex calculation will need to be done with some dispatch. However, the next version should address a few questions that have become more evident, and SCOF wishes to flag these now so that our deliberations can begin in a quick and informed manner.

1. Cost of living: Our CC are located in areas of lower COL. While there are clear advantages to living in Los Angeles, the enormous cost of housing in particular must be factored into the new algorithm. Using objective and available data a moving factor that at least partially addresses the costs of Southern California must be added to our flight path calculation.

2. Mortgage Loan Policy: The old MLP no longer addresses the financial realities of the current housing market. While the on-going re-norming of salaries has adjusted for the previous discrepancies in the college-owned residences policy, the net effect at the upper salary ranks relative to our comparison group and the flight path still does not reflect the huge cost of living differential of our real estate market. The SCOF proposal for a significant revision in the MLP, if accepted, would largely address the COL concerns listed in #1 above for many but not all faculty.

3. NTT: Oxy is unusually dependent on contingent labor. We appreciate your plan to make us less so. However if many NTT positions are converted into T3 appointments, we can expect some major adjustments in faculty size and distribution. The normalization aspect of the salary algorithm may capture some of these effects but these should be modeled so as to insure no surprises or difficulties.

4. CC: All calculations depend on the CC, so it forms a foundational element in the flight path. However, we have no agreement on how often or by what measures new CCs will appear. Such a discussion seems long over-due as our descent into weaker
and weaker groups should be assessed in a rational and quantitative historical frame mainly as it bears on our collective welfare but also, in the case at hand, in securing an accepted standard for change and so calculation.

4. Merit: The Merit Pay Taskforce has recommended the rejection of the Merit Pay Plan presented by SCOF in January. However, the Taskforce report does not rule out any future merit pay proposal and does forcibly suggest more recognition of meritorious behavior whether or not a formal MP program is adopted. Since any MP activity will have to be budgeted for the long term and yet be kept clear of the basic compensation calculation, this possible demand should enter into next year’s consideration.

5. With our numerous expected near-term retirements, the demographics of the faculty may change rapidly in the next 5 years. While an algorithm that normalizes rank distribution will accommodate such change to a large degree, the effects on the pool might be unsustainable and should be anticipated and considered in advance.

6. As the baby bust for the professoriate will be national and especially pronounced in California (the echo of the CA Master Plan), our next calculation should anticipate a more competitive hiring market and perhaps expect additional inflationary pressures.

7. The previous flight path negotiations were for salary only. We believe that the next document should also address with clarity the demands benefits as these represent a large portion of overall compensation.

8. Tuition Death Benefit: Most of the concerns expressed here are to address the regular trajectory of salary and benefits. However, SCOF believes that the current lack of a tuition death benefit should be addressed immediately and permanently.

SCOF knows that you are also enthusiastic about the development of a new flight path. We look ahead to working with you on a new version next year.
Appendix D – Merit Pay

*Brief Overview of the Merit Pay Report*

The members of the Merit Pay Sub-committee are: Dan Fineman, Anthony Chase, Brandon Lehr, Martha Matsuoka, and Clair Morrissey.


*Conclusions:*

1. The SCOF Merit Pay Proposal as it now stands has relatively little faculty support.

2. Our critique of the SCOF MPP suggests that parts of the current proposal are likely unworkable and that other elements would require considerable additional specification for effective implementation.

3. Few schools of our ilk have MP programs and this lack may be because our mission and diversity make the creation of standard metrics difficult.

4. Regardless of criteria, weighting, judgment and power concerns, the bureaucratic maintenance and integral funding of such programs is difficult and would require more specification and long-term vigilance than has been our institutional wont.

5. Nonetheless, most faculty would like to see some meaningful recognition of exceptional achievement.

6. While the tenure and promotion system are clearly the most evident instruments for rewarding faculty these are two infrequent and two blunt to be clear or continuous guides for a more fine-grained and on-going sense of purpose, direction, or reward.

6. What rewards have been distributed outside of the strict limits of salary, benefits, and standard policy sometimes seem less than orderly, clear, or equitable in their distribution. Thus these extras may create more bad feeling than is necessary.

*Recommendations:*

1. The MP sub-committee does not recommend going ahead with the SCOF MPP as it now stands.

2. Any future MPP must engage the faculty and administration to the point of clarity about all details of funding, criteria, maintenance, and implementation if the benefits of such are to outweigh its liabilities and costs.

3. Regardless of whether Occidental adopts a MP system or not, our review suggests we do a major problem that should be addressed: that there already are various benefits that are thought to have been distributed inequitably and without adequate transparency. Thus, we recommend that all awards or any kind be made public and that each reward’s terms, requirements, and criteria are made clear and are scheduled an appropriate annual calendar.

4. We recommend that the faculty and administration both celebrate more the already available modes of recognizing achievement and actively seek ways to recognize laudable behavior in all three criteria. Perhaps, this function may be implemented, in part, as a standing charge to a reconstituted Intellectual Life Committee.
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FC and SCOF believe that such an arrangement should be renegotiated and should borrow heavily from the previous model and its algorithmic instantiation. This renegotiation should happen in the fall of 2015 and be completed in time for the FY 2016-17 budget discussion of the Board. This calendar will mean that such a complex calculation will need to be done with some dispatch. However, the next version should address a few questions that have become more evident, and SCOF wishes to flag these now so that our deliberations can begin in a quick and informed manner.

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4. Merit: The Merit Pay Taskforce has recommended against the Merit Pay Plan presented by SCOF in January. In part, this rejection occurred because of the difficulties inherent in maintaining a fund for merit that is both separate and dependable. Otherwise, the costs associated with merit that would interfere with the integrity of the regular salary pool flight path. Because the Taskforce report does not positively rule out any future merit pay proposal and because it does forcibly suggest more recognition of meritorious behavior, these concerns should be kept in mind in any future consideration of merit expenses and their necessary separation from the flight path pool.
5. With our numerous expected near-term retirements, the demographics of the faculty may change rapidly in the next 5 years. While an algorithm that normalizes rank distribution will accommodate such change to a large degree, the effects on the pool might be unsustainable and should be anticipated and considered in advance.

6. As the baby bust for the professoriate will be national and especially pronounced in California (the echo of the CA Master Plan), our next calculation should anticipate a more competitive hiring market and perhaps expect additional inflationary pressures.

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