EXHIBIT 10

UA’s Budget Presentation: Dr. Rudy Fichtenbaum Responds

July 28, 2020

In order to verify the Administration’s claims that the University is in a financial crisis, Akron-AAUP asked Dr. Rudy Fichtenbaum to update his previous financial analysis of the University’s finances. Dr. Fichtenbaum has completed financial analyses for the Chapter in contract negotiations in the past and is familiar with the University’s financial history.

As Dr. Fichtenbaum notes below, the administration did not provide the data he required. He completed his report primarily based on publicly available reports and the data that the university was willing to provide. You can read that report here. When Dr. Stephen Storck, UA’s interim chief financial officer, gave his recent budget presentation, we asked Dr. Fichtenbaum to respond. A video presentation and a written summary of his analysis is posted below.

We question why the Administration continues to withhold this information. If the University's financial picture is as dire as they claim it is, we would expect that they would be happy to have that verified by us. Why don't they want the faculty to have the clearest picture they possibly can as they vote on this proposed agreement?

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At the Chapter's request, I updated my prior analysis of the University of Akron's financial condition, focusing on the Fiscal Years June 30, 2014-19. I have not been given access to data or information to analyze the year that just closed, June 30, 2020. Although the administration almost certainly has this data, they have not shown a willingness to release the data in spite of the fact that it is public information and failure to provide it is a clear violation of Article 4 Section 1(B).

I understand that the Chapter's members are most interested in the University's current financial condition, and so here I want to address some points made in a recent budget presentation by Dr. Stephen Storck, UA's interim chief financial officer (https://www.uakron.edu/finance-administration/video). He starts out the presentation by assuming a 20% decline in enrollment for FY 21. He provides no justification for this decline in his presentation. According to a May 21, 2020 study by McKinsey "… the total number of high school students planning to enroll in a full-time bachelor's degree program could remain largely unchanged." So, the real question may be which institutions will students select? The same study also points out that students are looking for lower cost institutions and want to stay closer to home. This should give an advantage to state regional institutions like Akron. Moreover, in a new report, Moody's Investors Service forecast that enrollments could increase between 2%-5% but that net tuition revenue might fall 5%-13%. They also point out that there could be a shift to lower-priced institutions.

Also, remember that in 2019 the Administration assumed an 11% decline in enrollment, but enrollment declined only 6.5%. So, their track record on forecasting enrollment, even in the absence of COVID-19 has not been great. There is a good chance that if the Administration did its job, some of the projected decline in enrollment could be mitigated.

Next, Dr. Storck assumes that the state share of instruction will be down by $14.9 million from a projection that was $1.1 million less than Akron finally received in 2020. According to a report issued by ODHE on July 1, 2020, The University of Akron received $95.2 million in 2020 and is projected to get $90.4 million in SSI. So, Dr. Storck assumes a 15.8% reduction from their revised 2020 projection when in reality ODHE says the reduction will be only 5%, a difference of approximately $10 million.

Next, Dr. Storck says that due to instability and declining stock prices they budgeted only $500,000 in investment income. But as of today, the S & P 500 is only about 5% below its previous peak and financial markets have proven to be pretty resilient. In 2019 the University had $7.9 million in investment income. It seems overly pessimistic given what has transpired thus far to assume that investment income will only be $500,000.

To summarize, the presentation projects a $30.6 million loss in tuition, $19.9 million in state share of instruction (this is different than the $14.9 million Dr. Storck used earlier in his presentation), and then says the University has a structural budget deficit of $14 million for a total of $65 million funding shortfall.

The biggest problem with the presentation, apart from overly pessimistic assumptions, is that the budget is only a plan and it only deals with the General Fund. The General Fund, however, only accounts for a portion of the University's revenues and expenses. In FY19 the General Funds Budget had revenue of $265.3 million and expenditures of $235.5 million. So, one would think that there was a $29.8 million surplus. But what happened to that surplus? It was transferred to other funds. In fact, the General Fund had net transfers out of exactly $29.8 million. So, the budget was balanced, yet we are told that there is a $14 million structural deficit.

Total revenues for the University in 2019 were $394.5 million. Compare that to General Fund revenues of $265.3 million. Where is the missing $129.2 million? On a cash basis, the University in 2019 had a surplus of $24.9 million. So, where is the deficit?

If one assumes an enrollment decline of 11% and extrapolates from Dr. Storck's presentation, then the tuition decline is $16.8 million. If one just takes the average interest on investment from the cash flow statements over the last 5 years, that is $5.8 million so that leaves an $11 million shortfall. On top of that, in a recently released spreadsheet, ODHE projects a loss of just $4.7 million, so the total shortfall is $15.7 million, which is a far cry from $65 million.

In addition, the University had $158.8 million in reserves in 2019 and even if 2020 turned out to be a terrible year, they would still have substantial reserves. Finally, there is a strong possibility that the next package that the House and Senate will take up to deal with the COVID-19 epidemic will provide some relief to state governments. It is the job of the University presidents and members of the Board of Trustees collectively to make sure that higher education gets some of that funding.

While the University clearly faces some challenges, there is nothing that I have seen in looking at its financial statements that could justify financial exigency or the use of force majeure to make draconian budget cuts that result in the dismissal of tenured faculty. In fact, such a measure is more likely to harm the University by sending the message to the region that the University cannot manage its finances and is a sinking ship. That can easily become a self-fulfilling prophecy.

As the McKinsey report noted, the fact that students will be looking to stay closer to home and for institutions that are lower in cost but are high quality should give institutions like the University of Akron a comparative advantage. But, taking advantage of this opportunity would require an administration that has a well thought out enrollment management and marketing plan and the ability to offer a high-quality education to students. Gutting the faculty hardly seems like a plan that would attract students concerned about getting good value for their tuition dollars.

Rudy Fichtenbaum is a Professor Emeritus of Economics at Wright State University. He has a Ph.D. in economics from the University of Missouri-Columbia and was a faculty member at Wright State University from 1980-2015. He has authored more than forty-five articles and chapters in books, dealing primarily with race and sex discrimination, changes in income distribution, the impact of unions on wages and benefits, and the effect of occupational structure on earnings.

Since 1999, he has also worked as a consultant analyzing the finances of colleges and universities for AAUP, testified as an expert witness at fact-finding hearings, and has presented numerous workshops *for faculty on understanding university and college finances, costing contracts, and health benefits.*