

February 22, 1999

To: James Hall, Chancellor
Antioch University

From: Bob Devine, President
Antioch College

Re: Depreciation

The top-down implementation of the plan to charge depreciation to each campus is, for the College, *the* crushing blow. It renders the challenge of building a healthy and viable College a Sisyphean nightmare, in that it means that the College's Revenue over Expenses will *never again* be a positive number. There inevitably will be pressure to fund depreciation to alleviate this situation. However, the College is faced with the dilemma of simultaneously funding 20 million in deferred maintenance, making improvements in the lowest faculty and administrative salaries in the state of Ohio, maintaining a program array, faculty and financial aid capacity that are competitive with other distinctive private liberal arts institutions -- *and* repaying University reserves for past indiscretions (something that I was told, coming into this position, that the College would never be required to do). We simply can't grow the revenue fast enough to manage those equally weighted priorities, and it seems that our capital campaign will not begin in sufficient time to provide relief. It's increasingly clear to me that the College will not be able to get up that hill.

In the 2+ years that I've served in the President role, the College has grown its revenue substantially, but the availability of resources for strengthening and improving our competitive position has been flat. We have not had the benefits of the gains we have made.

- We began with an \$800,000 deficit, and so the first \$800,000 in additional revenue was necessary to get us back to ground zero.
- We voluntarily terminated the \$80,000 library subsidy and the \$125,000 public relations subsidy. Further, we agreed to an adjustment of the cross-campus tuition policy that resulted in a net \$20,000 drop in revenue to the College. So the next \$225,000 growth in revenue resulted in no additional resources.
- We watched a shift in Trustee giving away from the College, resulting in a net \$100,000 loss to the College. And so the next \$100,000 in revenue growth resulted in no additional resources.
- We voluntarily agreed to adjust the repayment formula for the capital campaign. The short term loss to the College will be \$500,000 (the first \$1,000,000 in unrealized unrestricted bequests was slated to come to the College, and was earmarked internally for deferred maintenance and capital improvements).
- We are currently struggling to replace the \$250,000 in revenue we've received from the

MacArthur Foundation for the last three years. Again, it means that while our revenue might grow by an additional \$250,000, the resource base will remain flat.

In effect, our gains have been neutralized by good faith efforts at being a responsible member of the federal University, by give backs, and by the necessity of reversing past difficulties.

The College is unique in the University model, both in being a residential undergraduate liberal arts program for traditional-aged students, and in struggling to reverse the damage done by two decades of devastating neglect and misfortune. While it seems to me that any University Strategic Planning effort would address the particularity of the College, and the specific issues of what it will take to sustain such a distinctive residential undergraduate liberal arts program within the framework of a federal University, the financial modeling I've seen thus far has been aimed at standardizing, rationalizing, and achieving equity across the campuses, with little regard for the history, circumstance or distinctiveness of the College. I am reminded that in his talk to the Board of Trustees, David Warren noted that *how* liberal arts institutions such as Antioch College face the future will determine which will survive. The College is focused on these issues, but I'm not sure that the University shares the gravity of this concern.

By adding a \$1.3 million depreciation expense at the College, we will (a) completely demoralize a staff and faculty that has worked very hard to put the College in the black, to build a foundation for capital fundraising, and to strengthen all aspects of our operation without significant increases in the resource base, (b) make it virtually impossible to approach foundations -- who always look at the accrual line as a sign of fiscal health, (c) make it extremely difficult to undertake the sort of major fundraising that is *essential* to the College's survival (it's not easy to convince donors who suspect that they are funding a chronic deficit), (d) make it impossible to secure real leadership for the College, and (e) confirm *absolutely* what the AIF folks have been saying for the past five years. Further, it seems odd (as it will to University critics) that the depreciation is shifted to the College, while the assets (the College's endowment and the buildings) are not similarly shifted to our balance sheet.

Like the recent Health Benefits change (which did tremendous damage to my credibility and was devastating to the morale and good will of our new faculty members), this decision was made with University, not College, agendas in mind, and with little thought given to the impact on our very fragile operation across the street. Further, it ignores what Cornell West refers to as the "nonmarket values" and "nonmarket activities" implicit in the College's mission. It may represent sound business thinking, but it lacks vision and is oblivious to, and gives no care for, our educational mission or the current historical circumstance of the once-great Antioch College. It represents to me a glaring disconnection between policy-making and both core values and human-scale impact. What seems like an improved paper trail for the University represents an insurmountable obstacle for the College in its efforts to move forward.

I've tried very hard to avoid a train-wreck between the College and the University. Many of us have witnessed that scenario before, and it serves no-one's interests. However, this is clearly an instance in which University interests and College interests are in sharp opposition, and since it is clear that the University interests will prevail, those of us who have a mandate to look out for the College's best interests are left (again) to deal silently with some extremely deleterious impacts. I have the overwhelming sense that I've let the College down.

cc: Robert Krinsky