

THE UNIVERSITY OF MICHIGAN

SENATE ASSEMBLY

Minutes of Regular Meeting, June 23, 1980

ATTENDANCE

Present: Ackley, Bacon, Barnard, Barritt, Beck, Bishop, D.R.Brown, M.Brown, Browne, Cares, Carpenter, Datta, Bucher, Dixon, Duderstadt, Eckert, Esteban, Fearn, Flener, Friedman, Aradine, Gordon, Abdel-Massih, Green, Haddock, Hildebrandt, Hinerman, Hollinger, Hultquist, Kahn, Kelsey, Kirkpatrick, Corpron, Pugh, Rinne, Lynch-Sauer, McClendon, Nelson, Millard, Mosher, Nagy, Naylor, Nisbett, Parkinson, Pollock, Rowe, Senior, Dexter, Verhey, Burkhalter, Wyers, Wynne.

Absent: Baumgarten, Berg, D.B.Brown, K.Brown, Burdi, Crane, DeKornfeld, Fraser, Groves, Gull, Hilbert, Holland, Liepman, Maassab, O'Meara, Powers, Romani, Root, Rush, Tek, Vinter, White.

MINUTES

The minutes of the Senate Assembly meeting of May 19, 1980 were approved.

ANNOUNCE-  
MENTS

1. Chairperson Naylor brought to the attention of the Assembly the article by Vice President B. E. Frye and former Acting Vice President Alfred Sussman on the 3-year plan for the redirection of the University in the June 23 issue of the University Record.

2. Professor Naylor told the Assembly that SACUA was asked by the administration if it favored the expenditure of \$250,000 for the planning phase of a University-connected Health Maintenance Organization (HMO). SACUA approved of the expenditure, but Professor Naylor made it clear that this does not mean that SACUA necessarily approves of the proposed HMO.

3. Chairperson Naylor announced that the University's use of the Graduate and Professional Student Financial Aid Service (GAPSFAS) will be discontinued for the 1980-81 academic year for students who do not intend to apply for need-based financial support. The data that has been collected this year will be analyzed to determine if GAPSFAS should be used in the future. It has been made clear that a decision to use the service again will not be made until the issue has been widely discussed throughout the University.

ELECTION  
OF MEMBERS  
OF SENATE  
ASSEMBLY  
COMMITTEES

The Assembly received a complete list of committees and members, and elected SACUA's recommendations to fill vacancies.

BUDGET                    Professor Naylor introduced President Harold T. Shapiro to the  
PROSPECTS                Assembly and noted that the additional large audience indicated  
AND                        great interest in this important subject.

APPROP-                    President Shapiro began his presentation by explaining that the  
RIATE                      -idea of his coming before the Assembly to discuss the subject of the  
STRATEGIES                budgetary prospects during the coming years grew out of a meeting with  
SOME ALTER-                SACUA on the same topic. He was pleased to speak directly to the  
NATIVES -                    faculty on the subject but pointed out that it does not replace the  
PRESIDENT                    traditional mechanism of sending messages through routine administrative  
HAROLD T.                    channels.  
SHAPIRO

PERSPECT-                Mr. Shapiro said that the economic situation of the State of  
IVE ON                      Michigan is probably the most important single input to the short and  
THE                         long term economic outlook for the University. The current economic  
CURRENT                    problem has a long and a short term aspect. In President Shapiro's  
ECONOMIC                    judgment, the long term problem facing the University has changed little  
SITUATION                    in the last couple of years, while the short term problem has changed  
                              considerably.

In summarizing the short term issues, Mr. Shapiro noted that State tax resources for the fiscal year ending in September 1980, have increased very little (i.e. income tax - no change, sales taxes increased only 3%) while the State budget grew approximately 12%. State revenues, therefore, rose very little during 1980.

Asking how the State handled this situation, Mr. Shapiro said that the State took three actions, the Governor's executive order to cut appropriations to higher education (the U-M was cut by \$1.6 million in the current year), by exhausting the State's \$300,000,000 "rainy day fund," and other measures to keep the budget balanced in a technical sense. The State of Michigan is in the fiscal position of where its reserves are virtually depleted.

Mr. Shapiro feels that for the fiscal year 1981, the State will rebuild the reserves, so despite the fact that State revenues might increase in the coming fiscal year (October 1980-September 1981) by six to eight percent, State expenditures will not grow by that amount. Because the State budget expenditure cannot respond by increasing as fast as the tax revenues, Mr. Shapiro expects increases in appropriations to higher education to be in the neighborhood of three to four percent. Mr. Shapiro's judgment is that higher education will be fortunate to receive a roughly three percent increase for 1980-81.

BUDGETARY                President Shapiro pointed out that if the University receives an  
OPTIONS                    approximately three percent increase to its General Fund next year, this  
FOR THE                    means that this is at least eight percentage points less than the  
U-M                         inflation rate. Therefore, although our budget will increase in terms

of dollars, we will actually have eight percent less purchasing power at our disposal.

The most obvious option available to mount at least a minimal compensation program, according to Mr. Shapiro, is to use an arithmetic option and simply increase tuition by a certain amount to increase compensation and current accounts to the extent governed by total reserves. He did not believe that this is a realistic or appropriate option.

Another option raised by the President is the reduction of the administrative burden of the University. He noted that the University has, in fact, been gradually reducing the administrative budgets during the past few years. Although he plans to continue this practice, Mr. Shapiro emphasized that there are limits to these reductions. For examples, he pointed to the increasing regulations that the University must follow, including laboratory safety, affirmative action compliance regulations, research administration, and student financial aid. He added that faculty and researchers are continually asking for more administrative services.

The third option Mr. Shapiro discussed was for the University to continue to make "profitable investments." Funds from private giving raised in capital campaigns and annual giving campaigns are examples.

It has been suggested that the University can increase its resources by providing beginning research funds which can result in future sponsored programs which in turn can yield important dividends to the University. He added that it is often suggested that the University develop a larger and more important primary research staff, which could have a direct impact in the number of colleagues working in areas of direct interest to many faculty, and provide support for students.

President Shapiro pointed out that no matter how successful the options mentioned were, they would have little effect on the short term financial problems of the University.

The last option discussed by Mr. Shapiro for the mounting of a more competitive compensation program is what he termed the "1974-75 strategy." This was the strategy followed by the University during the 1974-75 academic year, when the financial problems were similar to those existing today. The University decimated all discretionary spending areas (i.e., equipment, current accounts, book acquisitions), treating the problem as a temporary matter. The outcome of this strategy was that even after six year, the equipment and current accounts have not been brought back to the 1974-75 level. In his opinion, this strategy was a mistake and has been a proven failure, and we would be ill advised to follow a similar program again.

Mr. Shapiro said that the adjustment the University has to go

through has a short and a long term component, that it is not just a temporary problem. "Even if these options are considered," he said, "the basic question is, given a realistic appraisal of the resources likely to be available to The University of Michigan in the years ahead, must we also return our attention to what we might call the heartland of the University, that is, the area of academic programs? In order to get through this period and build for the future, are we forced to turn our attention to the academic programs and the area of program reduction if we are to sustain a meaningful compensation program and to maintain our commitment to the achievement of distinction?"

President Shapiro answered the question by saying, "Yes, we have to do that, and we have to do it now." He felt that the alternative strategies mentioned (in addition to other possibilities) will not yield sufficient resources to maintain current programs with well-paid and well-supported faculty and an appropriately supported high quality student body. In Mr. Shapiro's judgment, no amount of attention to the previously mentioned options will save us from the necessity of looking to the academic programs and program reduction over the next five years. Enrollment reduction is also a factor that has to be seriously considered.

PROGRAM  
REDUCTION

The President expressed his opinion that the faculty and individual units can address the meaning of program reduction more effectively than can the Administration. He offered as an example that colleges, schools, and departments can have fewer offerings and cover fewer fields. Programs are not good because they are large. Mr. Shapiro said that there is probably no department in the entire University that could not limit its program offerings somewhat, to the benefit of everyone considering the situation we are experiencing. He summarized this point with a statement that he has made in the past, "the quality of the University of Michigan will not be judged by how many things we do, but how many things we do well."

Mr. Shapiro said that we must be bold enough to consider things that haven't been addressed in a long time. He spoke to the following items:

1. Faculty Workload

He said that it is understood that in order to attract quality faculty, we must provide appropriate compensation, quality students, and a work load that is roughly consistent with what our peers offer. Drastic unilateral action cannot be taken in these areas, but the subject must be examined.

2. Promotion Policy

Mr. Shapiro indicated that he has been interested in the quality issue of faculty promotion since he became Vice President for Academic Affairs. Another issue concerning promotion that he

believes should be examined is our basic strategy of staffing -- that of hiring assistant professors with the understanding that only the quality of their work stands between them and promotion (and tenure). It is not clear to President Shapiro that the University can still afford this option. However, he does not want to minimize the role of human relationships regarding the scholarly community at the University when considering promotion.

### 3. Shared Poverty Option

Mr. Shapiro stated that another option available to us is to use the University resources, as large as we can make them, and share them throughout the University as it now exists -- an alternative that he calls a "shared poverty option." This is a serious option, but not one that he favors because he is not persuaded that we can build a quality faculty and quality programs in that manner.

#### SUMMARY COMMENTS

As to the issue of program reduction, Mr. Shapiro said that it is an easy subject to discuss, but a difficult subject to act upon. He considers the question of where the initiative for program reduction should lie very important. He has sensed from communicating with the faculties of various schools, colleges, and departments that there is a feeling that the initiative for program reduction is someone else's problem.

Putting the question in another form, he asked the Assembly members to put themselves in the position of being in charge of a department's future. "You might not want to depend on the wisdom of the dean," he said, "to protect the future of the department." "You might want to take some initiatives on you own that can protect the future of the department by mobilizing the resources in a somewhat different way that can result in assuring that your department can survive what may be an ill-advised decision by the administrator in charge of budget making."

Mr. Shapiro reminded the Assembly that the University has operated under a decentralized administration for a long time, and he believes that the initiatives should be taken at the school or departmental level, for that is where the faculty are who can best make decisions on program reductions.

President Shapiro said that he senses that a kind of "symbolic dance" is occurring at the University between the administration and the faculty in that neither party believes that the other really has the will to carry out the difficult decisions on program reductions. He reiterated his position that it would be very unfortunate if the initiatives would lie in a major way in the central administration. He is willing to make the decisions if it is the wish of the schools and

colleges, but thinks that that would be unfortunate.

Mr. Shapiro stated that we all have to have the will to go ahead with the issue of program reduction if that is the accepted option. He has the will, and hopes that the faculty has the will also.

The Assembly was told that the subject of program reduction has been discussed for a long time, but very little has been accomplished. Mr. Shapiro emphasized that we have to begin program reduction now. He said that the Legislature may not adopt a budget until after the November elections, but hopes that the University will adopt its budget before that, and the administration will ask every school and college to reallocate some of its resources in the coming year, and in the succeeding years.

President Shapiro said that he is fully aware that it is possible for deans and chairpersons, in any particular year, to maneuver to avoid the inevitable, and do things to make it appear that they are reacting when in fact they are not. He stressed that this is not a one year proposition.

Recalling that our objectives are to mount as large a compensation program as possible while continuing to improve the support facilities for faculty and students, Mr. Shapiro restated his belief that we can meet this challenge over several years, but not without going to the "heartland" of our programs (program reduction). The objectives cannot be met simply on the periphery (i.e., reducing administration, profitable investments, etc.).

President Shapiro closed his presentation by saying that the nature of our problem is especially difficult in the coming year, but as he assesses the University in the year 1985, it is no different than his assessment made six months and a year ago -- that a realistic appraisal of resources likely to be available for the University to pursue distinction will require some program reduction. Our short run problems have not changed this long run problem. He added that the current situation is actually propelling us to take action, and stimulate our determination to get on with the job before us.

President Shapiro thanked the Assembly for their attention and invited questions concerning his remarks.

Professor Naylor began by asking if rewards or incentives will be offered departments that participate in program reduction, so that some departments won't make sacrifices while others try to maintain the status quo. Mr. Shapiro agreed with the premise and said that if he were acting as a dean, he would explain to a department that it has the opportunity to pursue a number of objectives to build a superior compensation program, equipment budget, etc. He felt that it is appro-

priate for a dean to give that freedom to a department. He added that any particular dean who fails to do that has failed to make the system work.

Professor Andrew Nagy then suggested that the University use an imaginative approach in using research personnel and funds as an option in the coming financially troubled times. President Shapiro responded by saying that the challenge before us concerning sponsored research is, "to what extent do we want to commit University resources to provide special subsidies to certain areas?" He said that this is an open question, but he does not have a specific recommendation. The matter relates in Mr. Shapiro's view of the role of the primary research staff and he plans to spend considerable time in considering options in the area.

Professor Thomas Adamson asked Mr. Shapiro if he feels that our peer institutions are experiencing the same pressures that we are and will then adopt the same solutions? The President said that most of his counterparts at these institutions indicate that they have plans to decrease faculty and staff, the magnitude in the non-professional areas being around five percent. Our problems are more severe because we are in the State of Michigan.

Professor Donald Brown wondered if there has been any consideration of innovative and attractive early retirement programs. Mr. Shapiro said that a number of early retirement schemes are being studied, but as long as the expected rate of inflation is as high as it is, the amount of resources necessary to develop an attractive program is substantial.

Professor Robert Green noted that Mr. Shapiro had referred only to program reduction in his remarks and asked him to comment on the subject of program discontinuance, a sensitive topic that has received much attention in the past couple of years. President Shapiro decided to use the term program reduction because there is so much negative symbolism associated with the word discontinuance in relation to the two examples that were dealt with in that area recently. He felt that the documents on program discontinuance have to be examined more carefully - he is not certain about the balance between allowing affected persons due process and making it less expensive for people to contemplate program discontinuance and reduction. The President reminded the Assembly that program reduction has always occurred at the University with little notice, but the problem is that more programs are being started than are being stopped.

Professor James Hayward asked if the Legislature and Governor might act more favorably toward higher education in Michigan if efforts were made to eliminate or reduce similar redundant programs in various state supported universities. Mr. Shapiro indicated there is a lot

of discussion among the administrators (not faculties) of the universities about this matter. In Mr. Shapiro's judgment, the Legislature would be delighted if we could come with positive steps in this area, and would react in a positive way. He said that he has only limited hope, however, that the elimination or reduction of similar programs in state universities can be readily accomplished, and has much greater faith in our capacity to try to bring our offerings into line with the resources that we have than to do that job for the State as a whole. Mr. Shapiro urged anyone with ideas in this area to bring them to the attention of the administration and promised help in pursuing them.

Professor Wilfred Kaplan raised the question of using the mechanism of faculty committees to make initiatives in suggesting where program reduction should take place, or will just mechanical financial formulas be used? Mr. Shapiro replied that he does not recommend any method that uses just a mechanical formula, but he doesn't think that the bringing together of, for example, the now dissolved Long Range Planning Committee and Program Evaluation Committee is the answer. He restated his belief that the answer is in challenging the faculties of the schools and colleges to make the initiatives and take proposed plans to committees such as the Budget Priorities Committee and the central administration for evaluations and decisions.

Emeritus Professor Norman Nelson felt that the University seems to have an image of itself that is different from the image possessed by many legislators. He agreed that the "ship can be tightened," and used the example of Central Michigan University where some high-salaried people have taken a voluntary cut in pay as a possible option for us. Professor Nelson continued to make additional comments concerning the financial plight of annuitants.

Professor Victor Hawthorne commented that the entire matter being discussed has a pessimistic and depressing aura. He felt that in times of difficulty such as we are experiencing now, we should not overlook the possibility of some form of expansion. President Shapiro apologized for making his remarks imbalanced toward the pessimistic side and welcomed Professor Hawthorne's comment. He said that throughout the adjustment period there will be programs that expand, and others that will contract. Speaking for the central administration, Mr. Shapiro said that anyone with credible ideas will be given encouragement. He explained that he was afraid that by mentioning too many options, we as a faculty might think that we can postpone what he believes is appropriate for the University at this time - selective program reduction.

Professor Ralph Loomis asked for Mr. Shapiro's reaction to the idea of establishing a faculty "gold ribbon committee" to advise him and make recommendations for program reductions on a long term basis. For the short term problems, Professor Loomis suggested the possibility of using the traditional merit system in reverse. This would encourage faculty input and administrative initiatives. President Shapiro thought

that the last statement should be reversed, that is, he would like to see administrative input and faculty initiatives. He said that he does not think that the formation of more campus-wide committees is the answer. He reiterated his position of advocating initiatives from the faculty and departments. Mr. Shapiro's first reaction to the idea of using a merit system in reverse was that it would not by itself accomplish our objectives.

Professor Roy Rappaport brought up the question of how resources are recovered from program reduction. He asked if it were true that tenured faculty associated with a discontinued program would merely be reassigned to another area, resulting in no funds being saved? Mr. Shapiro felt that our commitment to tenure makes the coming adjustment more difficult and the program reduction plans that we may wish to implement are going to be affected by the issue of tenure. There are some options that are closed to us because of our commitment to tenure. He mentioned that in his judgment, there are many areas in the University where these are not the restraints that we are facing.

Professor Rappaport followed with another question. He asked what would happen to tenured faculty in a school or department if the entire unit was dissolved? Would the positions of the people who had served on the faculty of the affected department or school be protected by tenure or would tenure dissolve along with the position? Mr. Shapiro said that he has tried to find the answer to the question but has been unable to do so to his satisfaction. He noted that legal counsel has been of varying opinion on this issue over the past years, and he is not prepared to take a position on the controversial matter. He added that these issues will have to be clarified.

The President mentioned that in the non-academic area of the University, where tenure is not an issue, we will not be able to undertake successful adjustments by turnover alone - layoffs will be necessary to accomplish the adjustments on the administrative side of the University.

Professor Gordon, while agreeing that individual units are in the best position to evaluate their own academic programs, felt that it is possible that the local units will view their fields in a parochial manner. Because of this, he suggested that we not think only in terms of the centralized versus decentralized approach, but perhaps in addition to departments and schools making their own decisions, some kind of cross-campus group that would act as a counter weight to the parochial view of individual units could be formed. President Shapiro completely agreed with this.

Professor Bruce Friedman noted that the Medical School had contracted with a management consulting firm to study financial and personnel management matters associated with the school. He then asked Mr. Shapiro if the use of such management consulting firms will become widespread throughout the University, and if there is a fundamental conflict between

the use of such comprehensive management schemes and the academic enterprise of the University?

Mr. Shapiro responded by saying that he was not familiar with the details of the Medical School's contract with the consulting firm, but felt that the problems of the administration of the Medical School, particularly in the clinical departments, are not typical of those in the rest of the University. He added that they are atypical problems, and may require atypical solutions.

Professor Friedman asked President Shapiro if he felt that the principle of "zero-based budgeting" would be a good one for the University to adopt. Mr. Shapiro expressed his personal view that, "zero-based budgeting is one of those marvelously seductive ideas that doesn't work."

Professor Rosemary Sarri asked if it wasn't necessary to consider other kinds of values when struggling with the decisions in program reduction, although everyone probably agrees that excellence is very important. She felt that beyond excellence, there may be other values that need to be served in society that will make it difficult for some units not to weigh these in such a way that might appear to others as self-serving to a particular unit.

Mr. Shapiro agreed that there were other values to be considered unless excellence is defined so broadly that it includes all other values and becomes a non-working definition. He recognized the difficulty of the challenge to go beyond the parochial views of one's own unit, as Professor Jesse Gordon suggested. He again urged that plans for program reduction began soon, and felt that discussions on values and ideals will develop along with the plans.

Professor Richmond Browne asked if the University is seriously interested in pursuing the elimination of duplicate programs, that is, might we have graduate fields where other institutions provide undergraduate programs in the same field?

President Shapiro personally feels that this is a very attractive idea, but said it has to be attractive to the faculty.

Professor Loren Barritt assumed from the discussion that the decision has already been made to reduce the size of the University and that Mr. Shapiro favors the option of program reduction to accomplish this. He asked the President if he felt that the effects of following the options would in turn affect the number of Black students and sons and daughters of blue-collar workers who wish to attend the University?

Mr. Shapiro said that if the option of program reduction is followed, it means fewer faculty (and staff) and fewer students. He did not know if the students mentioned by Professor Barritt would be more affected

than other students - that is another matter.

Professor Ronald Lomax wondered if the reduction of the size of the University might not result in the Legislature reducing our allocation state funds. Mr. Shapiro said that this is a possibility, but his judgment is that that is not a great risk for us. He said that he feels that there is some understanding in Lansing that the university system is basically underfunded, and the Legislature would like to see a reduction in enrollment at The University of Michigan, for that would help relieve the pressures on other schools and colleges in the state that are experiencing underenrollment.

Professor Naylor thanked President Shapiro for speaking to the Assembly.

OLD AND  
NEW  
BUSINESS

There was neither old nor new business.

ADJOURNMENT

The meeting was adjourned at 4:51 p.m.

Charles C. Kelsey  
Senate Secretary

