

THE UNIVERSITY OF MICHIGAN

SENATE ASSEMBLY

Minutes of Regular Meeting, September 21, 1981

ATTENDANCE

Present: Ackley, Bailey, Barnard, Barritt, Beck, Bishop, Blass, Brooks, D.Brown, Martin, M.Brown, Browne, Burdi, Cares, Carter, Cooper, Crane, Dahl, DeKornfeld, Dixon, Stephenson, Easley, Esteban, Abdel-Massih, Friedman, Frost, Gray, Green, Hildebrandt, Kesling, Hollinger, Hultquist, Kahn, Keren, Kirkpatrick, Lockwood, Loup, Maassab, Nelson, Millard, Morash, Mosher, Nagy, O'Meara, Pollock, Regezi, Rinne, Romani, Root, Smith, Tentler, Vinter, White, Wieland, Hagen, Wynne.

Absent: Caffesse, Carpenter, Cassidy, Dobel, Evans, Groves, Haddock, Hilbert, Liepman, Lynch, Ringler, Senior, Sisman, Tek, Weiner, Young.

MINUTES

The minutes of May 18, 1981 were approved.

ANNOUNCE-
MENTS

M. Brown made the following announcements. A. Blass is serving as interim Senate Secretary. Documents concerning the proposal for a Michigan Research Corporation have been distributed to Assembly members; the use of a copy of the Howe Committee report that contains underlining was inadvertant, and there was no intention to draw Assembly's attention to any particular part of the report. The publication, in the University Record of the membership of Senate committees does not preempt the right to make other nominations. The Assembly's agenda for October will include a proposed change in the Regents' Bylaws concerning branch campuses; faculty governance units at Dearborn and Flint have been asked if they wished to comment on the proposal.

Wilfred Kaplan, one of the University's two representatives in the Association of Michigan Collegiate Faculties, announced that this association would have a meeting in Lansing on 2 October, with representatives of a number of corporations, for the purpose of improving cooperation between industry and the state's colleges and universities.

ELECTION OF
REPLACEMENTS
ON SENATE
ASSEMBLY
COMMITTEES

SACUA's slate of candidates for Senate Assembly committees was approved without dissent.

REPORT ON
ACTIVITIES
OF SACUA AND
SENATE
ASSEMBLY
COMMITTEES
AND STATUS
OF ISSUES
THAT HAVE
BEEN BEFORE
US--
MORTON
BROWN

M. Brown listed the following subjects which are expected to come before the Assembly this year.

1. Discontinuance. The guidelines need to be clarified. In particular, the Academic Affairs Committee has been asked to provide a definition of "program" that avoids both the possibility of selective personnel reductions (with individuals being considered "programs") and the possibility of a weak sub-unit being protected from discontinuance merely by being part of a large "central" unit. The same committee will also be asked to investigate the effect of program reductions on the balance between the University's roles in academic studies and professional training.
2. Grievance Procedure. Two years after the Marwil case, the University still has no effective central grievance procedure.
3. Research Environment. The administration is convinced of the need for improvement, but the necessary funds are not available.
4. Tenure. The Tenure Committee has compiled a report on how tenure is obtained in various units of the University. It will prepare a set of model tenure guidelines, but these should not be construed as an attempt to impose uniformity on the schools and colleges. It will also develop guidelines on appointments to associate or full professorship without tenure.
5. Faculty Governance. Last winter there was a meeting of faculty governance representatives from the Big Ten universities and Wayne State University. More such meetings are planned and might lead to collective positions on certain issues, for example, tenure, inter-collegiate sports, or federal paperwork.
6. Michigan Research Corporation. The proposal to set up such a corporation will be discussed by Assembly in cooperation and in parallel with the administration. The administration has been asked to refrain from acting on the proposal until Assembly votes on it.
7. Redirection. We need a generally agreed upon concept of the mission of the University.

Suggestions for other agenda items are invited.

REMARKS--
VICE
PRESIDENT
FOR
ACADEMIC
AFFAIRS,
B. E. FRYE

Vice President Frye addressed the Assembly on two subjects, the budget approved by the Regents last Thursday and long-range budgetary planning.

The new budget contains \$262,378,811 for the Ann Arbor General Fund. Apart from a three million dollar technicality caused by A-21 cost-sharing, this represents an increase of \$23,701,110 over last year's budget. Sources of revenue changed, compared with last year, as follows: State appropriation, down \$6.1 million; tuition, up \$17.9 million; and internal reallocation \$10.4 million. The apparent discrepancy between the decrease in state appropriation and the legislature's increase of 12% in the University's allocation is due to two factors. First, the Governor is expected to order a 5% cut in the state's 1980-81 funding of the University; because the University's 1980-81 fiscal year is already over, the cut affects the 1981-82 budget, leaving a net increase of only 2.7% or \$3.4 million. Second, last year's budget was based on a 3% increase in state funding, when in fact a 5% decrease occurred. The resulting \$9.5 million shortfall, together with the \$3.4 million increase, produced a net decrease of \$6.1 million.

Expenditures are to increase by \$10.1 million for salaries, \$1.6 million for staff benefits, \$2.7 million for student aid, \$2.8 million for utilities, \$3.6 million for special instructional and other programs, and \$1.7 million for non-salary inflation. Vice President Frye noted that the 6% increase in salaries does not keep pace with inflation (around 9%) or with salaries at peer institutions, though the comparison with peer institutions looks reasonably good over a period of several years. The administration is committed to giving priority to the salary program. Vice President Frye also remarked that, despite savings of \$4 million per year through conservation, utility costs have grown from 2.3% to 6.5% of the General Fund budget over the last ten years, and an increase of 25% in natural gas prices is expected.

The budget does not provide for any of the following items that had been hoped for.

1. Adequate salary increases. It will be difficult to respond to outside pressure.
2. High priority underfunded needs, such as rental space for research.
3. New program development and new faculty, for example, in business and engineering. LSA has 15 new faculty members in tenure track positions; two years ago it had 50.
4. Special funds for research incentives. Indirect Cost Recovery money, intended to be used here, had to be diverted to other purposes.

There is a possibility that the Governor might order a second budget cut of 4 to 5% later in the year, causing a shortfall of up to \$5.5 million for the University. Such a shortfall would result in immediate restrictions on current expenditures plus reductions in the base budget for the start of the next fiscal year.

Vice President Frye said that other state universities in Michigan have announced higher salary increases (in the 8 to 9% range) by not taking account of the imminent cut in state funds and the possibility of further cuts later. These cuts may force major retrenchment or midyear tuition increases at those universities. He also emphasized that faculty salaries are not a secondary priority for the administration. Although some costs, like utilities and health care, are not tightly controllable, the need to improve faculty salaries was the main reason for this year's large tuition increase as well as last year's cut-backs. Further steps in these two directions would have been the only way to further increase salaries; for example, a tuition increase of 21% would have been needed for a 7% salary program. He pointed out that non-salary expenditures, for research facilities, for student aid to attract better students, etc., are also ultimately in the faculty's interest.

Vice President Frye began the second part of his address, on long range budgetary planning, by saying that the University is, by almost any criterion, among the top five or ten schools in the nation, largely because of traditionally high public and private support. For some years now, that support has been eroding, and the state's recent economic difficulties have hastened that erosion. The University has responded by saving money through energy conservation, deferral of spending, elimination of elasticity in the budget, retrenchment, and tuition increases. In the next decade, our problems will be aggravated by a decrease in the pool of qualified students, by further reductions in state support, and by the accumulation of delayed maintenance work.

We need a budget plan that (1) includes a total assessment of cost-related problems, (2) includes a total assessment of present and future sources of revenue, (3) clearly displays any disparity between (1) and (2) and provides means for reconciling them, (4) considers an appropriate time frame, long enough for broad planning but short enough for realistic projections, probably three to five years, and (5) is flexible enough to adapt to changing opportunities and difficulties. The plan should also involve participation at all levels of the University (not just administration) be developed expeditiously (using work already done rather than starting de novo), be realistic (acknowledging that we are in a no-growth situation where every expansion is at the cost of a reduction elsewhere), and adhere to the essential ideals of the University (excellence, freedom of inquiry, balance between teaching and research).

If the current budget is projected three to five years into the future, assuming that revenues and non-utility expenditures grow at the rate of inflation, then the unmet costs would be utilities, the deficit in maintenance and equipment amortization, and several academic priorities. The last, which are in need of debate leading to some consensus, include (but are not limited to) salary improvement to put the University unequivocally into the top echelon, merit support for both undergraduate and graduate students, research incentives, new programs, and the special developmental needs of schools and colleges.

There are four ways to generate the additional revenue needed to pay for these things:

1. Tuition increases exceeding the inflation rate. We should avoid this course since tuition is already by far the highest of any public university in the nation and further increases will make it even harder to attract good students in a period when the college-age population is decreasing.
2. Private support. A proposal for a major capital campaign is being developed.
3. Retrenchment and internal reallocation.
4. Special state support. This will be necessary since (2) and (3) cannot realistically be expected to yield all the necessary funds.

The executive officers have begun formulating a long-range plan and intend to involve the rest of the University community, for example, by presenting working papers for discussions, criticism, and revision. The deans, SACUA, and the Budget Priorities Committee will have a major role in the planning process.

We must be realistic about our problems, but not driven to despair. Our problems are the problems facing higher education throughout the nation but our strengths are unique.

In the question and comment period which followed Mr. Frye's remarks, Professor Bailey asked how the budget figure for student aid was arrived at, what effect federal cuts in student aid would have, and what was to be done to recruit good graduate students. Vice President Frye replied that student aid was increased by approximately 18% to match the tuition increase, that federal cuts will have little impact this year but a major impact next year, and that a committee had just been formed to review the graduate student recruiting situation and make recommendations for the long-range plan (expected to involve spending at least several million dollars).

Professor Carter asked whether the administration had paid attention to a frequent shortcoming of "bricks and mortar" capital campaigns, namely the lack of operating funds for the new buildings. Vice President Frye replied that, although the campaign will involve some bricks and mortar (e.g., the hospital, a new chemistry building), the main emphasis was to be on support for people through endowments for professorships and for student aid. By transferring some faculty to endowments we would release general fund money for operating costs.

Professor Cooper asked about contingency plans in case of further cuts in state appropriations and about faculty input to the planning process. Vice President Frye replied that the contingency plan consist of two phases. Phase 1 is to restrict General Fund expenditures by freezing certain accounts, e.g., equipment and library accounts. This does not mean that purchases of equipment and books would cease but that they would be paid for out of interest on working capital, interest that could otherwise be used for other purposes, such as renovation. Phase 2 is a reduction of the base budget by cutting programs and reducing the number of people. The administration will try to make these cuts in areas other than the primary research and instructional units. The total reduction that may be required if the state cuts occur will probably be about half as big as last year's cut of \$11.1 million. Faculty input to such contingency plans has in the past come primarily through the Budget Priorities Committee, and this system will be continue.

Professor Pollock, recalling last year's recommendation of retrenchment and reallocation rather than shared poverty, asked how the administration has, in this year's budget, addressed the issues of retrenchment and reallocation. Vice President Frye replied that retrenchment and reallocation will continue, perhaps to the extent of another 10% of the General Fund over the next three to five years. He wants the process to occur with less speed and more planning than last year. He noted that nearly half (11.1 out of 23.7 million dollars) of this year's budget increase came from last year's retrenchment. He stated his preference for program reductions over across-the-board cuts and asserted that the characteristics we need to preserve in the University are not directly tied to size.

Professor Vinter urged that faculty in all units be invited to develop plans now for retrenchment in the short-run or over a three to five year period. Vice President Frye agreed with the suggestion but noted that an incentive is needed to make such planning happen.

Professor Friedman asked about the "better" part of "smaller but better:" what has improved? Vice President Frye replied that, though he was reluctant to name specific instances of improvement for fear of offending those people involved in improvements he didn't name, there certainly are improvements, for instance in Physics,

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the English Composition Board, the Theatre Department, and
the Center for Human Growth and Development.

ADJOURNMENT

The meeting adjourned at 4:28 p.m.

Respectfully submitted,
Andreas Blass
Interim Senate Secretary

