

THE UNIVERSITY OF MICHIGAN

Senate Assembly

Minutes of Regular Meeting of 23 September 1985

ATTENDANCE

Present: Ascione, Bassett, Beutler, Bissell, Briggs, Boyd, Burdi, Checkoway, Chudacoff, Comninou, Cornell, Durrance, Eaton, English, Glover, Green, Vinh, Hacker, Han, Hanks, Howe, Hudson, Kusnerz, Larson, Lavoie, Lehmann, Leonard, Lewis, Lockwood, Lougee, Loup, Lusk, Manis, McCarus, McClamroch, Meyer, Miller, Moerman, Moran, Mosher, Nadelman, Oleinick, Olsen, Pierce, Radine, Reed, Rizki, Marc Ross, Sanders, Sears, Stapp, Stebbins, Todor, Warschausky, Yocum

Absent: Bailey, Brewer, Carnahan, Dahlke, Easley, Eschman, Farley, Herbert, Jacobs, Kahn, Lorey, Luther, Malvin, Margolis, Mermier, Payne, Muriel Ross, Rutledge, Schauer, Scheele, Schteingart, Snyder, Southwick, Taylor, White, Wiseman, Zelenock, Zweifler

Professor Robert Green convened the meeting at 3:20 p.m.

MINUTES

The minutes of 18 June 1985 were approved as written.

MATTERS ARISING

SACUA had retreats in June and September; the latter was held with Committee chairs.

ANNOUNCEMENTS

1. Vice President Linda Wilson was introduced and welcomed.
2. The next Assembly meeting will be 28 October.

3. The Faculty Advisory Panel was established to deal with faculty concerns arising from program discontinuance. For 1985/86 members include Al Burdi, Don Brown, Mort Hilbert and Cheryl Easley.

4. MSA will host a forum with outside speakers on October 4 & 5. The topic will be Strategic Defense Initiatives.

5. AAUP will host a forum on health care benefits and open enrollment September 26, Michigan League.

6. Professor Green introduced Jan Lindberg, Chair, Tenure Committee and welcomed President Shapiro.

COMMITTEE APPOINTMENTS

Professor Green explained that SACUA nominates and Senate Assembly appoints committee members. To the list of nominees Professor Green added Alan Deardorff for CESF; Myron Mychalonka for Research Policies Committee; Raji Rammuny for Student Relations; 1-year on Budget Priorities Committee, Alan Merten and Warren Norman. There were no nominations from the floor. Burdi moved, Eaton seconded, adoption of the slate. Motion passed.

ROLE OF THE UNIVERSITY SENATE SYSTEM IN UNIVERSITY DECISION-MAKING

Regents' Bylaw 4:01 speaks to the role of the University Senate system in decision making. It reads: "Jurisdiction over academic policies shall reside in the faculties of the various schools and colleges, but insofar as actions by the several faculties affect University Policy as a whole, or schools and colleges other than the one in which they originate, they shall be brought before the University Senate." SACUA has taken note and written to Vice President Frye with the hope that the provision will be followed.

SACUA has also suggested to the Deans ways in which the faculty and Senate Assembly can communicate. A copy of the letter was sent to each Assembly member.

SENATE ASSEMBLY DELIBERATIONS FOR 85-86: OPPORTUNITIES AND OBLIGATIONS: RESPONSES TO A CHANGING WORLD

Over the last several years, Professor Stebbins noted, SACUA has become more active and involved earlier in the University decision-making process. Philosophical matters have been addressed but could benefit from lengthier study than that which has been possible. Therefore, SACUA proposes to establish four ad hoc committees for 1985-86 to deal with the themes of the University program, faculty, influence, and research and scholarship.

Committee work would lead to discussion in the Assembly followed by a report to SACUA, the Office of Academic Affairs and finally, perhaps, to the

Regents. It is SACUA's hope that each committee would focus on that aspect of the topic which seemed most important. There is possible overlap with standing committees but, as Professor McClamroch noted, the intent is to focus on basic values rather than specific problems.

Professor Briggs noted that in his 1984 State of the University address President Shapiro urged faculty to speak out on ethics and how they are incorporated into institutional life. The proposed committees are an attempt to provide such a forum. Professor Nadelman suggested that an impediment to involvement in such discussions is faculty disbelief that their views will matter. Professor Moerman replied that the proposed committees could serve to show that faculty views are influential and that there can be consensus on some topics. Professor Stebbins concluded discussion by inviting volunteers for the committees. SACUA members will be available to answer questions and elaborate on the proposal. Discussion will resume at the October meeting.

WHENCE AND WHITHER THE BUDGET: AN OVERVIEW - BILL E. FRYE, VICE PRESIDENT FOR ACADEMIC AFFAIRS & PROVOST

Professor Green reminded members that when he last addressed them, the Vice President agreed to speak in the Fall about the University budget. He does that now just a few days after announcing that he has accepted the position of Vice President for Research and Dean of the Graduate School at Emory University.

Vice President Frye began by noting that the budgetary crisis of the early 1980's has passed but the comparative shortage of money relative to needs continues to be a central factor in the U of M's ability to define and achieve collective aspirations. How the University looks at those budgetary challenges is as important as the fact that those challenges exist.

The Five Year Plan, initiated to address a \$50 million per year gap between essential needs and available resources, included three initiatives: 1) internal retrenchment and reallocation of \$20M; 2) recovery of some share of lost state funding; and 3) increased private support.

Now in its fourth year, the retrenchment and reallocation program has shifted \$16.3M from the base budgets of administrative and academic units and reallocated it to higher priorities. An additional \$11.6M of general fund monies was also cut in FY 1982 because of a 5% shortfall in state appropriations. To date, then, nearly \$28M has been cut or shifted. Another \$2M will be reallocated next July and the remaining \$2M in the two years thereafter. The plan will be 90% completed on schedule but be somewhat attenuated because major revenues of some units took longer to produce than anticipated and some units needed more time to make required cuts while avoiding unnecessary damage.

Ultimately, about \$10.5M will have been cut from Schools and Colleges and \$10M from other administrative and support units which, proportionately and as anticipated, have contributed more than the instructional units. Of the reallocated funds, almost 80% (\$12.9M) have gone directly to the Schools and Colleges and the remainder (\$3.3M) has gone for academic support. Specifically, the \$16.3M has been used as follows: Faculty salaries \$7.5M (46%); Equipment \$3.0M (18%); Regents Fellowships (graduate student aid) \$2.0M (12%); Program Development (Engr.) \$1.0M (6%); Library \$.864M (5%); Computing \$1.5M (9%); other \$.4M (2.5%). The pattern of reallocating funds to academic purposes is expected to continue. In reallocating \$30-32M between 1981 and 1988, the U of M will bring more focus to general fund expenditures, reduce institutional size and address some of the needs most central to the quality and vitality of the University.

Progress in increasing private support has been heartening. The Capital Campaign has reached nearly \$103M in gifts and pledges. Over \$64M has been raised for facilities (80% of the goal) and \$33M for endowment (40% of the goal). The Vice President expressed optimism that campaign goals will be exceeded and noted that the University currently is considering extending the campaign for an additional year and increasing the goal to \$200M.

Annual giving has increased 100% (35% adjusted for inflation) since 1980-81. Total gifts have risen from \$28M in 1980-81 to \$54.6M last year and the value of pledges receivable from \$13.6M to almost \$40M. Many people and much effort are responsible for this. Although the distribution of gift support varies greatly, the importance of such gifts to the University as a whole is significant. Units successful at fund raising rely on the funds for a large part of their activities and thereby reduce their demands on the general fund.

In the matter of state aid the Vice President said that interpreting the general fund in terms of the University's well-being is complex and risky, involving historical comparisons that may not be totally valid, programmatic changes over time, and comparisons with peer institutions that are difficult to make in really equivalent terms.

With the aid of summary sheets, he highlighted what he believes are the most salient and valid features of the general fund budget through the close of FY 1985.

1. Purchasing power of the general fund.

Adjusted to 1985 dollars, between 1974 and 1985 purchasing power declined by \$6M or less than 2%. The decline was sharp, to a low of 16% in 1982 and then a recovery over the last three years. In addition, the cumulative shortfall over the twelve years was about \$263M (1985 dollars) and represents foregone revenues and expenditures.

2. Sources of revenue.

From 1974-1985 State appropriations dropped from almost 60% to 50% of the general fund while tuition revenue rose from near 30% to its present 42%. The dollar value of the lost state money in 1985 was \$35M; the increase in student fee revenue \$34M. (The \$6M decline reported above is caused by a \$5M decline in "other" revenue.) In his judgment, the two greatest unknowns in the future of the University are the State's willingness to support a world-class institution as it once did and the University's capacity to maintain access to highly qualified students of all economic strata in the face of rising costs and declining numbers of potential applicants.

3. Distribution of Expenses.

Since 1974 there has been a 10% shift in expenditures away from salaries and other programmatic activities and into two main costs, staff benefits (+\$9M) and utilities (+\$16M). Together with the decline in the purchasing power of the general fund, the University had a "problem" of \$30M or more in 1985. Further improvement in revenues during FY 1986 may reduce this historical "gap" to \$15-20M and reflect a reversal of the trend of the previous decade.

4. General fund "gap".

While there has been a significant reduction in this "gap" since it was first described in 1982, there is still a large annual shortfall in effective general fund revenue; funding gaps created by the decline still persist.

5. Consequences.

Certain options for the future have been consumed. Tuition is the highest of any public university and is 2/3-3/4 of the Ivy League schools. Thus, the University may be unable to continue to raise tuition to meet its needs and may also be less able to recruit students of top ability. Certain funding gaps, created by foregoing expenditures during the period of stringency, need to be redressed if the quality of the University is not to suffer in the longer run. The most notable are faculty salaries and equipment and maintenance expenditures.

This brief summary of the status of the general fund gives some indication of progress made and also provides one view of the nature of the challenge of the next several years. To clarify and refine the dimensions of the financial challenge, the Vice President offered some independent measures.

1. Need.

No less than \$40-50M in incremental resources above inflationary growth is required over the next 3-5 years to bring expenditures back to their comparative levels of 15 years ago, to keep pace with standard schedules of amortization of equipment and facilities, and to meet the costs of emergent new technologies, the library, etc.,.

2. State appropriations per student.

The 1984-85 appropriation was approximately \$4500 per student (Ann Arbor) or \$2,000-3,000 less per student than at other major state universities. Even if an appropriate part of any appropriation increment were used to offset the tuition differential between the U of M and these institutions, at least \$1000-1500 per student would remain as an effective increase over the present budget or an increase of at least \$35-40M.

3. Operating revenues per student (all funds).

At peer private and public institutions revenues per student exceed comparable expenditures at Michigan. To bring the U of M to the level of Berkeley's revenues, the lowest among peer public schools, would cost about \$1200 per student or \$42M.

In summary, the U of M tries to maintain top status with its peers with substantially fewer resources. To the extent that it has maintained and even improved academic quality indicates that it most likely has managed its resources better than others have. This will continue to be its challenge for the future.

In the area of near-term priorities, the Vice President suggested five which he believes are not being adequately addressed but need to be if the academic quality and integrity of the University are to be protected.

1. Salary improvement.

Relative salary standing has slipped by 8% compared to private peers. That slippage must be stopped and the gap closed as quickly as possible. Because the cost of each extra percent of increase is over \$1M, at least \$5-10M of additional funds are needed beyond whatever is required to hold the present position over the next few years.

2. Graduate student support.

The need identified three years ago called for an additional \$4.5M which adjusted for inflation is now close to \$6M. Although the new Regents'

Fellowship program has added \$2M, the current gap is \$4M. Grants of \$10-12,000 per student are now required to attract top students and, thus, the University must increase graduate student merit scholarship support by an additional \$3-5M as quickly as possible.

3. Equipment and facilities.

Estimates based on standard amortization schedules of equipment and of the need for renewal of old facilities suggest that the U of M spends \$10M and possibly \$20M less per year from the general fund than it should, particularly if the library and emergent computing costs are included. Although progress has been made in the past few years, more needs to be done if the University is to remain productive or competitive for outstanding faculty and students.

4. Support for research.

The need for incremental support for research, including incentive funds, assistants and support of junior scholars, and venture capital for new research initiatives, has been recognized for several years as a primary need. As yet relatively little has been done in this area.

5. LSA Natural Sciences.

It has been clear for some years that the natural sciences have been relatively underfunded to a rather great degree and this has resulted in the relatively weak academic standing of some of these departments compared to departments in the social sciences and humanities. Despite efforts to redress the problem, only modest success has been achieved not only because of a shortage of resources but also because there has not been clear recognition of the magnitude of the problem and of the inability the College of LSA to cope with it unilaterally. Multiple year budget data make clear the nature of the problem. Although LSA has 50% of the students and generates over 45% of the tuition and indirect cost incomes of the University, it receives only 32% of the total School/College general fund allocation. Expenditures per student in the College are lower than any other unit, being \$1,000 below the next lowest unit (Art) and almost \$2,000 below the University average (4,769). Such data bears careful interpretation and there are legitimate reasons for some disparity based on size and mix of students and disciplines. While it is a large, efficient undergraduate instructional unit, LSA, however, is also the largest and one of the strongest and most central of the graduate and research units in the University. It is in the interest of the whole University to rectify this situation by targeting improvement funds at the central natural sciences as has been previously done with other units. This should also enable the College to protect its strengths in the social sciences and humanities and to sustain initiatives to improve undergraduate teaching.

These priorities are improvements needed over the present status and suggest that the University must attempt to provide incremental resources of no less than \$20M in these categories over the next four to five years. In short, it must continue to redirect at least 1-2% of its resources to these sorts of purposes, whether off the top of incremental revenues or by some form of internal reallocation.

In broad terms, choices and hopes will continue to be what they have been: enhanced state support, more private giving, and careful setting of internal priorities by selective resource allocation. The hope for incremental revenues must not substitute for action. Though both state support and gift support are important, they are not likely to be sufficient. Thus, even though the crisis of a few years ago is past, the University would be remiss if it did not recognize the necessity and opportunity to continue to make choices that conform to its sense of essential priorities. This does not foretell a continued program of enforced retrenchment but rather other, less stressful and more constructive modes of reallocation. This would likely be based on a strong and clearly stated plan of differential allocation of incremental revenues "off the top." The University does not face a crisis. Its stature is not threatened unless it fails to recognize the challenge in its proper magnitude and to take steps to meet it. As one of his decanal colleagues recently said, "The University of Michigan is on a roll." It is a characterization with which he agrees.

Professor Hanks inquired about reallocation after 1989. Vice President Frye replied that he thought it is a mistake not to always be thinking of reallocation in order to treat emerging new needs, and to address disproportions. Professor Pierce asked about the extent of congruity of the Five Year Plan as envisioned and as it resulted. Vice President Frye replied that there was a fair coincidence but not a perfect one. Faculty salaries and support of graduate students were both included in the original version. With reference to the handout on the Capital Campaign, Professor Pierce inquired about the nature of the \$16M collected and listed as undesignated. President Shapiro explained that these gifts are designated for relatively smaller items and for convenience here, were listed in summary form. In reply to Professor Moerman's question about the source of the incremental \$20M needed for proposed improvements, Vice President Frye said that some of it will come from the state if the pattern of state support continues and some from gifts. Additional portions will come from internal management activities such as improved energy management. Imbalance in the distribution of resources might still exist and might mean that some units would have to change their aspirations for the future.

Professor Leonard noted that when originally proposed, departmental review was to apply eventually to all. Has that been done? Vice President Frye replied that comprehensive departmental review had never been intended as part

of the Five Year Plan. Departmental review at the college level is essential not for the budget, but for quality and vitality. There should be some form of review every 5-7 years. In reply to Professor Han's question, Vice President Frye explained that Plant Extension applied standard amortization formulas to develop its estimates. Actual replacement costs would be much higher. Noting the possibility of future reallocations, Professor Stebbins asked how the Assembly might help. Vice President Frye indicated that he was intrigued by the notion and will take the matter up with SACUA.

OLD BUSINESS

There was none.

NEW BUSINESS

There was none.

ADJOURNMENT

The meeting adjourned at 4:45 p.m.

Respectfully submitted,



Patricia B. Yocum
Senate Secretary