SENATE ASSEMBLY

Minutes of the Senate Assembly Meeting of 17 October 1983

Present: Lindner, Bailey, Beutler, Blass, Briggs, Bulkley, Burdi, Caldwell, Carter, Cooper, Dahl, Danielson, Easley, Eaton, Eschman, Evans, Fellin, R. Green, Grosse, Hilbert, Hildebrandt, Loup, Hopwood, Janecke, Kalisch, Kaplan, Kelsey, Knudsvig, Kusnerz, Lehmann, W.G. Lockwood, Humesky, McClamroch, Meyer, Morash, Mosher, Cohen, Powell, Radine, Rae, More, Ringler, Scholler, Rucknagel, Sears, Smith, Taylor, Warschausky, Whitehouse, Zweifler

Absent: Barald, Brooks, Brown, Boyd, Burt, Caffesse, Catford, Courant, Farley, Kahn, Herbert, Howe, Keren, Lawrence, W. J. Lockwood, Ludema, Margolis, Mermier, Moerman, Nagy, Scheele, Stebbins, Solomon, Wieland, Young

CALL TO ORDER AND MINUTES

The meeting was called to order at 3:19 p.m. by Professor Hildebrandt, and the minutes of the meeting of 19 September 1983 were approved.

REMARKS BY CHAIR

1. SACUA meets regularly with President Shapiro and with Vice President and Provost Frye. The agendas of these meetings are distributed to the Assembly with the SACUA minutes.
2. The latest version of the proposed Student Code of Non-Academic Conduct and University Judicial System is being distributed. SACUA would be receptive to comments on it.
3. A proposal to eliminate the retirement furlough for faculty hired after 1 January 1984 has been reviewed by SACUA, CESF, and AAAC with generally favorable reaction. It will be published in the University Record. A change in the Regents' Bylaws will be required in order to put the proposal into effect.

NOMINATIONS AND APPOINTMENTS

Professor Hildebrandt presented SACUA's nominations of Professors Thomas Schriber and Richard Price to the Research Policies Committee and University

Relations Committee. Approval of each of these nominations was moved, seconded, and unanimously carried.

CESF REPORT

Because last year's CESF Chair, Professor John Tropman, was out of town, the present chair, Professor Philip Howrey, presented both the report on last year's activities and the committee's plans for the current year. He listed six activities of last year's committee. (1) The first issues of the CESF newsletter were produced and distributed in December 1982 and April 1983. (2) The annual report summarized the faculty salary situation. It showed, for the second consecutive year, an average salary increase greater than the inflation rate (it had been smaller for each of the preceding eight years). The increase, however, did not keep pace with peer institutions; since 1978-79 the University's salary level has fallen from parity with these schools to 93.7% of parity. (3) The annual compensation request to the Regents contained a plea for a long-term commitment to return to parity with peer institutions. This would require $5 million per year, for three years, above a "normal" 7.6% growth rate. (4) A CESF subcommittee made several recommendations concerning proposed changes in the Periodic Health Appraisal Unit. Some of these (a policy advisory board, a data analysis plan) were implemented but others, notably a shorter interval than 5 or 10 years between routine exams, were not. (5) A member of CESF attended a Society of Actuaries conference on flexible benefits. The committee recommends a cautious approach to this issue because creation of a flexible benefit package is a very sensitive and complex task. It would require legal advice, information on employees' needs, and careful attention to tax problems that could arise (retroactively). (6) A subcommittee, charged to assemble information on unionization and recommendations for further discussion, reviewed the 1972 Reed committee report that addressed many of the issues and concerns arising today. The subcommittee's preliminary report recommends that the Assembly appoint a committee to check the effect of this earlier report and recommend changes.

CESF's plans for this year are to continue publication of the newsletter, to prepare an annual report containing current salary data, to present a compensation request to the Regents, and to continue discussing issues connected with fringe benefits (including flexible benefits, tuition credits for faculty dependents, and possibly the retirement furlough).

DISCUSSION

Professor Bailey drew attention to the discrepancy between the increases for male and female non-minority professors. He felt that this matter should be investigated by CESF, not just by the Affirmative Action Office as (indicated on page 3). Professor Howrey promised to raise the issue with CESF. He pointed out that the intent of the note on page 3 of the report is to indicate that averages can change because of changes in the set over which the average is computed.

Professor Eaton asked about the reasons for eliminating the retirement furlough. Professor Howrey replied that the administration proposed the elimination to provide more flexibility than it now has. Since the elimination does not affect present faculty there will be no savings for another 20 or 30 years. If the retirement furlough were continued, its cost would increase greatly. CESF decided not to support the cancellation but not to oppose it either. Some members of the committee felt that market forces will enable faculty to recover in other forms the money saved.

Professor Kaplan asked whether CESF had discussed recent proposals for new early retirement plans. Professor Howrey said that a subcommittee had, but that he had not been on that subcommittee. Professor Easley, who had been on the fringe benefits subcommittee, said that the proposal involved extending health benefits earlier.

Professor Grosse suggested comparing salaries not with peers but with major competing universities, ones that we may sneer at but that are actually luring faculty away. He said CESF should learn to which universities and industries we are losing faculty. Professor Howrey said that such information would be useful but hard to get. Professor Brown said that the salary data, from AAUP surveys, are available for all schools. Professor Howrey said that the difficulty was in getting information on business competition, where faculty are going, and what bids they get. He added that deans and directors may have some of this information.

Professor Evans pointed out that the differences between males and females in Table II, the subject of the note on page 3, are smaller than those between black and white faculty, which are not mentioned in the note. Black males have the poorest salary increases of all categories. He said that he was aware of problems caused by averaging, but the average should follow the general trend. He asked that the report be modified to reflect the data in the tables. Professor Grosse asked whether CESF is concerned about the decreasing number of female assistant and associate professors. Professor Howrey replied that CESF has seen itself as representing the entire faculty and has therefore avoided comparisons among schools and departments. He did not know what CESF had done with the data in Table II except to report them. In reply to a question from Profesor Fellin, he said that the 1982-83 figures in Table II had been obtained (at some cost) quite recently and could not yet have been discussed. He said that CESF welcomes the Assembly's guidance on what to do with the data; he promised to report to CESF the concerns expressed here. Professor Bailey asked why data for last year had just been obtained. Professor Howrey explained that the problem is to ensure compatibility with other years and other schools. The time lag in obtaining such data is one of CESF's real problems. Professor Evans repeated that, if CESF chooses to emphasize the male-female salary difference, it should not omit the more glaring black-white difference. Professor Howrey said that the point was well taken.

Professor Rucknagel asked whether CESF had taken a stand on the principle of flexible benefits. Professor Howrey replied that it had not yet, and Professor Rucknagel asked whether it would be advisable to do so.

Professor Howrey said that the subcommittee found so much uncertainty surrounding even existing programs that there was no clear view of what is wise. It is hoped that tax laws will not be interpreted to make such benefits taxable, retroactively, five years from now. Professor Easley added that it is not clear that such benefit packages would be to the faculty's advantage; they could have the effect of putting a lid on benefits.

Professor Fellin said that CESF should ask the Affirmative Action Office to do an analysis of the data in Table II. Professor Evans said that this office is under the president, not the vice president for academic affairs, and thus has no natural connection with faculty governance; its function is to analyze and publish data. Professor Hildebrandt later said that a natural connection does exist and SACUA would bring these matters to President Shapiro's attention.

Professor Morash said that the data in Table II would be clearer if broken down into continuing faculty, newly hired faculty, and promoted faculty. He also expressed discomfort with the publication of data about groups of one, i.e., data about an individual's salary and increment, although salaries are public.

Professor Grosse asked why the numbers in Table 3 are lower than those of Table II. Timothy Case, CESF research associate, replied that Table 3 represents continuing faculty while Table II represents all faculty.

Professor Bailey suggested that, when data for this year are available in February or March, they be brought to the Assembly for discussion. Professor Howrey said that CESF could do this, since it expects to use the data for a presentation to the Regents in March or April.

Professor Bulkley suggested that CESF look at salary ranges rather than just medians. Professor Howrey agreed that the ranges could be useful in some cases. For CESF's purpose of representing the entire University community, averages have been considered appropriate.

REPORT OF THE AD HOC COMMITTEE ON INDIRECT COSTS

Professor Hildebrandt indicated that the Indirect Cost Committee's report, which is still under consideration by the Research Policies Committee (RPC), is being brought to the Assembly today for discussion. After the RPC reports to SACUA, a recommendation for action may be brought to the Assembly.

Professor George Carignan, a member of both the RPC and the Ad Hoc Committee on Indirect Costs presented the report of the latter committee. He began by explaining that indirect costs of research, defined as costs not easily identified with a specific project, are a large part of the University budget, about $50 million per year. Being less visible than direct costs, indirect costs are a frequent target of researchers and sponsors. Suspicions that indirect cost recovery was being abused led Professor Ray Kahn, who chaired the RPC in 1981-82, to appoint a committee to study indirect costs. This Ad Hoc Committee, whose list of members and charge had been distributed to the Assembly along with its report, produced an interim report last spring, covering questions of fact, and now a final report containing recommendations.

It found that indirect costs are real costs and the University does not profit from indirect cost recovery. Faculty suspicions that it does profit are fueled partly by lack of participation by faculty in setting indirect cost rates. The committee's first recommendation is therefore the establishment of a liaison between the Controller's Office and the RPC. The second recommendation, intended to reduce divisiveness, is to continue using a single indirect cost rate for all federally sponsored research on the Ann Arbor campus. In order for the University to fully recover indirect costs without setting rates so high as to drive away research sponsors, it must hold indirect costs down. This point is addressed in general in recommendation 3 and with specific reference to departmental administration in recommendation 4. Finally, the fifth recommendation is that the University allocate funds to units, as a research incentive, calculated as a fraction of indirect costs. Although some members of the committee considered this recommendation orthogonal to the thrust of the committee's work, it was felt that it would reduce divisiveness by encouraging faculty support for full recovery of indirect costs.

RPC chair Professor Edith Gomberg reported on the RPC's tentative discussion of the Ad Hoc Committee's report. No formal action was taken on the interim report submitted last spring, but, as no changes were suggested, the report was implicitly accepted. Of the five recommendations in the final report, the first four were accepted but motions were attached to the third and fourth. These motions were that the wording of recommendation 3 should be strengthened with specific reference to the Plant and Purchasing Departments as areas of concern and that the liaison person (in recommendation 1) should report to RPC on the implementation of recommendation 4. The RPC felt that the broader issue of research incentives needed more scrutiny. It therefore defeated recommendation 5 but passed a motion saying that it favors research incentives and will continue to scrutinize the issue and work with the administration to develop appropriate incentives.

DISCUSSION

Professor Dahl said that, as a former chair of a Research Policies Subcommittee at Dearborn, he knows that researchers there share the concerns of those in Ann Arbor. He asked whether the committee favors having the same indirect cost rate there, too. Professor Carignan replied that the committee had not considered this question since it had no members from the regional campuses.

Professor Kaplan noted that other major research universities probably share our problems with indirect costs; he asked about possible cooperation with them in this area. Professor Carignan said that there is cooperation at the administrative level. DRDA Director James Lesch explained that indirect cost rates for federal research are set in a two-stage process: calculation of rates based on OMB cost principles, followed by negotiation with the cognizant federal agency - in our case the HHS office in Chicago. Other universities have other cognizant agencies; those that negotiate with the Defense Department tend to get higher rates. Also, private universities negotiate more aggressively since, lacking a state subsidy, they need to recover every dollar of indirect costs; at the other end of the spectrum are some state universities whose indirect cost money reverts to the state treasury. About 120 universities, including ours, work together strongly in Washington. Mr. Lesch also commented on the distribution of indirect cost funds. In 1967, the University began putting into the general fund indirect cost money for operating expenses. Indirect cost money for capital outlay is kept separate and spent for equipment and its maintenance.

Professor Brown asked whether, because of the federal auditors, the question of across-campus rate differences is out of our hands. Mr. Lesch replied that there are different rates. The on-campus research rate is larger than the off-campus rate but smaller than the instructional rate. There are also special rates for ships, computers, etc., and there use to be separate rates for the health-science complex and for Willow Run Laboratories.

Professor Grosse asked who was to perform the analyses mentioned in recommendation 4. Professor Carignan said that, since the report is to the RPC, the Ad Hoc Committee is asking the RPC to implement the analyses. Professor Gomberg said that the liaison in recommendation 1 is to report to the RPC on the mechanism for implementing recommendation 4. She suggested that the RPC could present a formal report, possibly including the liaison's name, to the Assembly next month.

Professor Janecke said that research incentives at the University are very limited, and recommendation 5, which resembles the Engineering College's scheme, could be a first step. He asked where the money would come from, whether it would introduce divisiveness, and what alternatives are under consideration. Professor Gomberg said that failure to answer such questions was partially responsible for the RPC's discontent with recommendation 5. She re-read the RPC's motion agreeing with the principle but not the details of recommendation 5, and she suggested that a special group be set up to work on research incentives. Professor Briggs noted that auditors would prevent the University from including research incentives in indirect costs, and Professor Carignan said that there is no intention to return indirect cost money, only to use it as a guage of research activity. Mr. Lesch added that there is a $5 to 8 million shortfall in indirect cost recovery. The money collected has already been spent, so it's not available for incentives unless another part of the general fund pays the indirect costs. Professor Carignan said that, in the Engineering College, the dean uses indirect costs as one component (along with, e.g., Ph.D. production) in a formula for allocating his budget, not a special allocation.

Professor Evans said that the research incentive issue is too big to be handled by the Indirect Costs Committee. He said that indirect costs measure not productivity but how much of a grant goes to salaries. With schemes based on indirect costs, a chair or dean can dictate what kind of support to get and even what kind of research to do, encroaching on the academic freedom that comes with tenure to choose our own research. Productivity consists of publications and well-trained students, not dollars. Professor Carignan said that the committee agrees. He pointed to the recognition of the need for incentives for non-sponsored research in recommendation 5 and said that the University is clearly committed to scholarly research whether or not it can recover the indirect costs. Professor Hilbert said that the RPC was wise to separate the issue of research incentives and indirect costs.

Professor Beutler said that he finds it hard to believe that the University does not completely recover indirect costs; if this is so, we could save money by shutting down sponsored research. Mr. Lesch replied that, because of the difference between the calculated rate and the negotiable rate, sponsored research costs the University $6 or 7 million per year; this money could be viewed as a research incentive. The University views this as a worthwhile investment, part of the cost of doing research.

Professor Janecke noted that there have been four indirect cost rates in the last four years and urged that rates be announced as early as possible. Mr. Lesch said that, although we submit our rate calculation in December, we are lucky if we get the letter confirming the final rate by 1 July. Recent fluctuations in indirect cost rates were due to reinterpretations of the revised A21 circular. HHS realizes that the rate had been too low and gave us 60% this year with little argument. The rate is likely to remain near 60%. Professor Carignan said that the liaison could bring concerns like Professor Janecke's to the conference table.

ADJOURNMENT

The meeting adjourned at 4:57 p.m.

Respectfully submitted,

Andreas Blass
Senate Secretary