

THE UNIVERSITY OF MICHIGAN

SENATE ASSEMBLY

MINUTES OF DECEMBER 10, 1990

ATTENDANCE

Present: Anderson, Billi, Bord, Borgsdorf, Brooks, Cameron, Croxton, Debler, Diana, Douthit, Drabenstott, Duell, Eggertsen, Fellin, Foss, Gazda, Goepfinger, Greenwood, Hayashi, Houk, E. Jensen, Jones, Koopmann, Larson, Levy, Lomax, Loveland-Cherry, Marcelo, Mignolo, Morley, Montalvo, Morris, Mosher, Olson, Penschansky, Radine, Rosenthal, Russell, Saxonhouse, Schwank, C. Smith, Stein, Tentler, Warner, Woods, Yang; Loup, Savory, Schessler, Heskett

Absent: Angus, Avery, Brown, Burdi, Chesler, Crandall, Daly, Dirks, Friedman, Gilgenbach, Gross, Grosse, Gull, Hoft, Jenkins, A. Jensen, Kimeldorf, Markus, Mathes, Mosberg, Ness, Nesse, Ocasio-Melendez, Papalambros, Porter, Potter, Raper, Razzoog, Ross, Senkevitch, G. Smith, Wheeler, Williams, Yano

Dr. Hollingsworth convened the meeting at 3:15 p.m.

MINUTES

The minutes of November 19 were approved as corrected.

ANNOUNCEMENTS

At this time, five units have ratified the document, "Fundamental Tenets of Membership in the University Community": Art, Nursing, LS&A, UM-Dearborn, and Social Work.

In an effort to both make more efficient use of staff resources and cut down on the use of paper, future Senate Assembly agendas and enclosures will be distributed via E-mail. Those members not yet available on E-mail are asked to register.

The following committee appointment was presented to Senate Assembly:

GOVERNMENT RELATIONS COMMITTEE

Theodore J. St. Antoine, Law, for a 3-year term to replace Leslie A. Olsen, Engineering, who has resigned.

Approval of the appointment was moved and seconded. The motion passed unanimously by voice vote.

There will be no regular meeting of the Senate Assembly in January to allow for participation in the Martin Luther King Day events, Monday, January 21, 1991.

The National AAUP has announced that it will match local funds raised for the Davis, Markert, Nickerson Lecture on Academic and Intellectual Freedom. Some contributions have already been received. For additional information, contact the SACUA office.

REMARKS BY VICE PRESIDENT KENNEDY

Richard L. Kennedy, Vice President for Government Relations and Secretary of the University, addressed the Assembly on the activities of the Government Relations Office. He began with a description of new ventures in government relations. The objectives of these ventures are twofold: to achieve a broader public understanding of the needs of higher education, in general, and of the University of Michigan, specifically; and to relate that understanding to the Governor and Legislature in Lansing. A broad array of public forums are planned, including meetings with local community leaders, alumni, and local schools. The first forum took place not long ago in Battle Creek, where President Duderstadt spent the day meeting with leaders and alumni and spending an hour with a high school science class. Similar programs are planned for the President and the Vice Presidents in other major cities.

The University is also cooperating in a joint effort of the Council of State University Presidents; the University's Alumni Association; and the Michigan Advancement Council, a group of Michigan public university alumni, to provide briefings around the State to the alumni of all public universities. In a related effort, the University is seeking alumni volunteers for contact with local legislators, an attempt to bring the University's message from local constituents. There is a newsletter for these volunteers, and April 19, 1991 has been designated as Alumni Day in Lansing.

The changes in Lansing seem to be largely positive. Governor-Elect Engler has met twice privately with President Duderstadt. The most encouraging news comes from the Senate where the Senate Higher Education Appropriations Subcommittee is now chaired by John Schwarz (R-Battle Creek), who is an alumnus of the University and a good friend. In addition, Senator Lana Pollack is on the Joint Capital Outlay Subcommittee.

However, the State faces a very difficult financial picture. The deficit is serious, though it is hoped not as long-lasting or as severe as the early eighties. So far, it has cost the University one percent of the 1990/91 appropriation, but this is only the first round of

reductions. The budget imbalance facing the Legislature in January will be as bad as the one just solved. Higher education is vulnerable, with further cuts expected in February. The prospects for 1992 depend on the Michigan economy; there will be lean times if the slump continues. The impact of Engler's proposed tax reduction remains a question.

There are several assurances that the cap on building authority will be lifted. The University expects funding for the renovation of East Engineering and Physics and for building ITIC on North Campus.

In Washington, deficit issues will be prominent in Congress, with continuing efforts for reduction. Two areas of concern are proposed reductions in indirect costs and the inclusion of student employees in Social Security. A major effort over the next two years will be the reauthorization of the Higher Education Act. The University is fortunate to have Congressman William Ford leading this effort.

Jones (LS&A) asked if the ceiling for deductions for gifts to state universities, currently \$400 for a joint return, could be raised. Vice President Kennedy replied there had been no discussion of this so far, but all suggestions are welcome. Senator Vernon Ehlers has suggested the State match alumni contributions to endowment funds. The University is enthusiastic, but other institutions are not.

Eggertsen asked if it is true that the University has more friends in Lansing now, and the Vice President replied, "We are about to find out." He went on to say he was very encouraged. For ten or more years the University has lacked a real champion in Lansing and has been seriously disadvantaged. Unfortunately these new friends arrive at a time when there is no money.

Morris inquired about how drastically Congress is expected to cut indirect costs. Vice President Kennedy indicated there is overall interest. The Agriculture Department has placed ceilings on agriculture research of 25-35% and NIH and NSF contracts seem vulnerable. The Vice President offered to respond to further questions through E-mail.

#### OPEN FORUM

No questions were raised.

#### REMARKS BY VICE PROVOST D'ARMS ON UNIVERSITY EVENTS

John D'Arms, Vice Provost for Academic Affairs, Dean of the Rackham Graduate School and Chair of the Standing Committee on University Events, discussed faculty honors,

awards, and university events. He emphasized that these events are more than theater. It is important for the University to demonstrate what it thinks of itself, what it stands for, and what it considers to be important. Two years ago President Duderstadt appointed an ad hoc committee with Dean Paul Boylan as chair to examine the manner in which such events are conducted. Following that committee's report, the President last summer appointed the Standing Committee and charged it with overseeing scheduling, developing policies, planning and coordinating, evaluating proposals for changes and for new events, assisting the President in the selection of speakers, and further review and evaluation. The Committee includes four faculty members (nominated by SACUA and appointed by the President), three students (nominated by MSA and appointed by the President), two administrators, and the Director of University Relations.

The Committee's primary concern this fall has been increased ways to honor the University faculty. Plans are finally progressing for the recognition of faculty with twenty-five years or more service to the University. The Committee is also looking at ways to increase nominations for Michigan faculty for national honors and have met with local members of the various academies to encourage nominations. Another effort has focused on the appropriate form of the Fall honors convocation.

Vice Provost D'Arms also discussed the work of the Honorary Degrees Committee, which is not connected to the Standing Committee. The most recent request produced twenty-five strong nominations. D'Arms encouraged the faculty to pay close attention to the calls for nomination and respond with names of outstanding representatives in their fields.

#### OLD BUSINESS

None.

#### NEW BUSINESS

None.

#### REMARKS BY PROVOST WHITAKER

The following is a condensation of the Provost's address to the Assembly, which is printed in its entirety in the December 17, 1990, issue of the University Record.

#### **EXCELLENCE ON A REVENUE DIET**

Provost Whitaker indicated his remarks would outline the first steps the University will be taking to assure the continued excellence of the University of Michigan while on

a "revenue diet." "While to many the notion of doing as well or even better with less seems contradictory, I believe that it not only is possible but provides an exceptional opportunity for the University to provide leadership for higher education -- leadership which is an important component of the greatness of the University of Michigan." Because of the unparalleled needs which must be addressed for the future, the University must devote its attention to ensure that the limited revenues available support the highest and best purposes.

### **Revenue Diet**

The University's revenue sources are multiple, which is a strength, but each is constrained. State revenues are not growing as fast as the demands on the State. Michigan is now in the bottom third of states for funding of higher education, and the current budget situation is a disaster. Tuition, the largest component of the general funds, provides stable income provided we maintain the quality of the education offered. The ability to recover from tuition the State short-fall is considerably less than ten years ago. The Federal picture is still not clear. The threat to indirect cost recovery is only one issue. The additional costs to the University as a result of the 1990 tax bill and the Clean Air Act are yet to come. The fourth source, gift income, must become part of the base as well as provide enhancements. To increase gift income requires increased investment.

We cannot solve our current problems and provide for new initiatives through revenue growth alone. Cost reductions must be a part of the solution.

### **Cost Reduction**

The Task Force report, "Enhancing Quality in an Era of Resource Constraints," suggests strategies for cost containment as well as some suggestions for dealing with costs. The suggestions focused on internal actions, including the importance of good customer relations. Poor customer service is more costly than good customer service. Any resource use is a cost, and we must ensure that the resources used are devoted to our primary goals of effective teaching, research, and service. By putting our ingenuity to work, we can address our needs.

The University must move to a risk-taking environment, an accountability environment, and we need to move carefully and deliberately. With the University putting its assets at greater risk, the importance of managers carefully chosen and trained is increased.

In addition to reducing costs, the University must begin an effort to maintain and enhance its fundamental

educational programs. This is a challenge, but intelligence and creativity are our primary resources and must be used carefully and well.

During the past three months, several groups have been involved in considerable effort to address the challenges facing the University. These include the Provost's Office, the Budget Priorities Committee, a subcommittee of the Deans, and the Chief Financial Officer's senior staff. The Provost has been informed by each of these groups' recommendations as well as reports from other institutions facing similar problems, including Stanford, Cornell, and Virginia. An action plan has been developed for formulating new long-range budget strategies.

### **An Approach to Cost Containment at Michigan**

All of the groups recognize that the University must preserve its excellence. We have taken on many tasks which may need to be eliminated. Difficult choices must be made. Advice and consultation is required as well as trust and mutual support.

The revenue diet is expected to last for several years. The University must restructure, refocus, and realign our resources for critical uses. This applies to all uses of resources -- faculty, staff and infrastructure. Proper balance among all these resource uses is essential. We cannot again let our structures and equipment be neglected in order to continue lower priority activities.

In his role as Chief Academic Officer and as Chief Budget Officer, the Provost will be called upon to make budget recommendations that are consistent with our highest values and most critical missions. He cannot do that alone. He needs the advice and help of the University's best minds and plans to seek that from all possible sources. This problem requires new thinking and new paradigms for managing the University's resources and he is, therefore, naming today a special committee to assist in this process.

This group will be called "PACE," the Provost's Advisory Committee on Excellence in an Era of Revenue Constraints. Ten distinguished members of the faculty, staff, and student body have agreed to serve on this committee, a broadly representative as well as an outstanding group. Edward (Ned) Gramlich, a distinguished economist, outgoing Chair of the Economics Department, incoming Director of the Institute of Public Policy Studies, and former Director of the Congressional Budget Office, will be the Chair.

For the long term, PACE will assess our situation without constraints as to the choices we must make. For the current short-run problem, PACE will assist the Provost in

setting priorities and recommending processes for reducing our expenditures, if necessary, to bring them into line with our revenue. It is anticipated that there will need to be budget reductions which, in the short run, will affect every unit on campus to some extent. The non-general fund units are also being asked to plan for cuts. It is only by taking work out of the system, not by loading the same work on fewer individuals, that we can successfully refocus and restructure our University for the future.

### **The Future**

Our financial resources must be devoted to teaching and research and the infrastructure which supports teaching and research. We must also have flexible resources available to respond to the intellectually risky ventures in teaching and research that have made our University great. Higher education at Michigan is about new ideas, about intellectual risk-taking, about outstanding faculty and students.

On the other hand, we need careful evaluation of programs which have out-lived their usefulness, accomplished their purpose, or not led to success. We must be tough-minded as we are with tenure decisions. The consequences are the same.

The future as well as the present depends on putting our limited resources to their best uses. We can and we must do so. And we must begin now.

Tentler asked if the PACE membership could be announced. The Provost replied the names would be published in the next Record.

Anderson inquired about the meaning of unproductive regulations. The Provost gave as an example OSHA regulations. None have had bad purposes, but the University needs to rethink its responses and look for effective ways to deal with them.

### ADJOURNMENT

The meeting adjourned at 4:40 p.m.

Respectfully submitted,



Jean L. Loup

Senate Secretary, Pro tempore