FACULTY SENATE MEETING  
March 5, 2003

I. Call to Order.

CHAIR ROBERT WILCOX – There are going to be a couple of presentations today that are going to take some time but I think they are important for the Senate to hear. So let’s go ahead and begin.

II. Correction and Approval of Minutes.

CHAIR WILCOX – You have before you the minutes of the February 5, 2003 meeting. Are there any corrections or additions to the minutes. If there are none, is there a motion for their approval? Second? All in favor signify by saying aye. Opposed. It is approved.

There are a number of things that have happened in the past month that I need to mention just to give you a sense of where we are going today – what you are going to hear a little bit about. This is an important meeting for us because in the past month there have been several rounds of budget cuts. You are going to hear about those. There has been a lot of progress on the value centered management implementation. We are going to have a presentation on that today from Rick Kelly. The research campus initiative has been announced – I think we will hear from the President some in that regard.

There has been a lot of legislative activity that potentially could affect the University and its employees. At the outset let me give you a report on one of those bills. I think most of you are up to speed on it. There was a lot of concern on campus about the at-will employment bill that is working its way through the legislature. It very quickly made it through the House. We got to it when it was in the Senate, expressed concerns about the impact that at-will employment could have on the tenure rights of faculty. There was no clear exemption for faculty. Our concern was that an exemption needed to be put in the bill. I will tell you that the University administration at USC was very helpful, far more helpful than the administration at some of the other colleges and universities in the state in taking an initiative and helping us out on that. Dr. Sorensen was personally involved, and we appreciate very much your effort as well. USC pretty much took the lead in dealing with the legislature. We got what we thought was the best language we could get politically. We had asked for language which simply exempted faculty of the universities from that bill. The main concern that we had articulated was tenure. We were able to get an agreement and the bill has now been amended on the floor of the Senate to included language that nothing in the bill shall affect the rights and policies regarding tenure of a university or college faculty, private or public. We would have preferred the broader exemption but we felt like under the situation that was what we could get. We had initially gotten nowhere in committee. We had the prospect of a floor fight, winner take all, and I’ll tell you I am not sure we would have won the floor fight, winner take all. We felt like we could get this and it addressed the majority of our concerns. It certainly does a lot to tell us that the institution of tenure is not directly
challenged by this bill. So I think we have made substantial progress in that regard. There is other legislation over there that would affect the ability to use the TERI plan. There is legislation that would affect any number of university interests including a proposal to create a Board of Regents for universities and colleges. So there is a lot of stuff that is still being followed. We were directly taking the point on the one thing dealing with tenure issues. To bring you up to speed where that is – that bill will go back for final reading in the Senate next week and then it will have to go back to the House for concurrence with the amendments.

I appreciate very much the efforts that many of you made in that regard. It was amazing the difference in about 3 days of being over there before the faculty had called and being over there after they had heard from a number of you. The final word as we left was, “Will you please tell your colleagues to stop calling us.” That is the best thing that you can hear. It means that they were being inundated and they listened. So thank you very much on that.

III. Reports of Committees.

a. Faculty Senate Steering Committee, Professor Sarah Wise, Secretary:

PROFESSOR WISE (Retailing) – No report.

CHAIR WILCOX – One mention that next month at the April meeting will be the nominations of committee members. You will be given the slate of nominees from the Steering Committee so look in the agenda page that comes out beforehand. If you wish to make additional nominations, you may do so at the meeting next month. Nominations will be closed at the end of that meeting. So please understand that you need to have asked somebody before you come here and be ready to nominate them if you wish to do so at that meeting. If any positions are unopposed, they will be elected then by the end of that meeting.

b. Committee on Curricula and Course, Professor Gary Blanpied, Chair:

PROFESSOR BLANPIED – The committee moves on pages 17 through 27 different items but with the exception of roman numeral three section A. which we would like to withdraw on page 23. So we move roman numeral one in the College of Education.

CHAIR WILCOX – The committee has moved roman numeral one, the College of Education, changes in the Department of Instruction and Teacher Education and Department of Physical Education curricula changes and the deletion of a course. Is there discussion? If there is none, are you ready for a vote? All in favor signify by saying aye. Opposed. Roman numeral one is approved.

PROFESSOR BLANPIED – Roman numeral two in the College of Engineering sections A and B.
CHAIR WILCOX – In the College of Engineering roman numeral two has been moved by the committee new courses in two departments of that college. Is there discussion? All in favor signify by saying aye. Opposed. It is approved.

PROFESSOR BLANPIED – Roman numeral three College of Liberal Arts we move sections B and C page 24.

CHAIR WILCOX – Roman numeral three. They have withdrawn section A and they have moved sections B and C new courses in the Department of Geography and the Linguistics Program. Any discussion? All in favor signify by saying aye. Opposed. They are approved.

PROFESSOR BLANPIED – Roman numeral four in the College of Mass Communications and Information Studies.

CHAIR WILCOX – Some changes in courses in the School of Journalism and Mass Communications under roman numeral four have been moved by the committee. Discussion? All in favor signify by saying aye. Opposed. They stand approved.

PROFESSOR BLANPIED – Roman numeral five in the College of Science and Mathematics sections A and B.

CHAIR WILCOX – College of Science and Mathematics roman numeral five new courses and some changes in corequisites, prerequisites, credit hours, descriptions in various courses in Biology under section A. And, a new course in the Department of Mathematics under section B. Discussion? All in favor signify by saying aye. Opposed. It is approved. I notice there is no roman numeral six so we are in good shape there.

PROFESSOR BLANPIED – Roman numeral seven is for the Senate’s information – if there are no objections.

CHAIR WILCOX – Roman numeral seven is presented to you for information only. Experimental courses in the Department of Geological Sciences. Is there any commentary on that for the benefit of the committee? There is no action that needs to be taken. Thank you. That is record time.

c. Faculty Advisory Committee, Professor Betty Glad, Chair:

PROFESSOR GLAD (GINT) – There are just a couple of short things to report. The Faculty Advisory Committee has worked with the Dean of the Graduate School and he is going to be presenting to the General Faculty meeting a proposal for revising the description of faculty membership in the Graduate School and provisions for evaluating that membership along the way. So that will come before the General Faculty meeting. If you want to talk about it, come to that meeting.
Secondly, I want to solicit your opinions on something and that is we have before us a proposal to consider moving to two 75 minute sessions per week for teaching. What has happened is that some colleges have been doing that on their own and they are running into problems with those who are on the three 50 minute sessions and we have got to get on the same page. So please give me your feedback on this. What you think some of the problems are if we moved to it or do not move it. I am Betty Glad in the Department of GINT. Send me mail or you can e-mail me at: Glad@gwm.sc.edu Thank you.

PROFESSOR NANCY LANE (Languages, Literatures & Cultures) – I am asking for clarification of what you are seeking input about.

CHAIR WILCOX – Right now you have a Monday/Wednesday/Friday schedule and a Tuesday/Thursday schedule. What is happening is that people are scheduling longer classes on just Monday/Wednesday and that is losing two blocks and messing up the registration. So what the committee is being asked to do is to consider whether we should just go to 75 minute class schedule where some people teach Monday/Wednesday and some Tuesday/Friday whatever? Or should we keep a 50 minute block in there and maybe enforce it more strongly? We are looking for input from the broader faculty as to your thoughts because I think there are academic issues there and a lot practical issues. Any input you can give to Betty for the committee’s benefit would be very helpful.

PROFESSOR GLAD – The Honors College reports some people have had problems with this. Some colleges are going in this direction, others are not. It creates scheduling problems for the students.

CHAIR WILCOX – Thank you Betty.

d. Faculty Welfare Committee, Professor Peter Graham, Chair:

PROFESSOR GRAHAM (Sport & Entertainment Management) – No report.

e. Faculty Budget Committee, Professor al Leitch, Chair:

CHAIR WILCOX – He is going to tell you about budget cuts. He is the designated bad guy.

PROFESSOR LEITCH (Moore School of Business) – First let me review the budget cuts that have taken place this last year. There were two cuts. The first cut was around 5% and that was for approximately $7.8 million. Of that amount, the University General Fund was able to absorb around 39% and each academic unit absorbed 2.5% across the board cut. Recently we have had a second cut. The second cut was for 3.73% and for approximately $5.6 million. The University General Fund was able to absorb about half of that and the rest was distributed as follows:
-Distance Education and Instructional Support: held harmless (That means the cut was zero)
-Information and Technology: held harmless
-Law School: held harmless
-Mass Communications and Information Studies: held harmless
-Serials part of the Library: held harmless (The library sustained a cut but the serials part was held harmless.)
-Preston Hall: held harmless
-Honors College: held harmless
-Trio Program: held harmless

-Moore School of Business: 1.5% cut
-Engineering: 1.5% cut
-Liberal Arts: 1.5% cut
-Science and Math: 1.5% cut

Everybody else had a 2.5% cut with the exception of the Faculty Senate Office which was a little bit higher. The Library had about 1.46% cut but that was not the Serials.

Also we have another problem coming up and you have read about this in the paper. Next fall we are going to have somewhere around a 9.88% cut. So that is where we are right now. In terms of our committee activities in dealing with these cuts, let me report a couple of things. First of all, we have been consulted on the size of the freshman class for next fall. We met with Dennis Pruitt, Jerry Odom, and Rick Kelly and reviewed the issues involved and made a recommendation. It so happened that our recommendation, along with that of many others, I am sure, was accepted. We have recommended over the years that I have been on the committee that budget cuts not be across the board. The first cut we had this year was across the board, but the second one was not. We feel strongly that the University should prioritize these cuts and it seems like they are doing that. Many possible ways of generating revenue and cuts have been discussed in our budget meetings. As David said during the last meeting, everything is on the table. For example, charging tuition based on credit hours and reducing the number of centers and institutes that have outlived their usefulness have been discussed. According to what we hear, the deans are making some progress on this latter issue. Over the next several weeks we as a committee will be meeting with the deans of several of the larger units on campus. The purpose for meeting with these deans is to discuss their strategy on how they are going to deal with the looming 9.88% cut next fall. In summary, we on the budget committee will be involved and consulted as the University tries to deal with these cuts. Our role will be to advise the Provost and represent the faculty position as best we can during these deliberations. Any questions?

PROFESSOR LANE – Has it been suggested that administrative salaries be cut? Is that on the table?

PROFESSOR LEITCH – Recently, it has not been discussed.
PRESIDENT SORENSEN – Reducing the number of administrators is on the table. In fact, I reduced the number of administrators in the President’s Office my first day here.

PROFESSOR LEITCH – One thing we have discussed and we are talking about in the committee is faculty/staff ratios. We are making progress in studying this issue and I’ll probably report on it next time. We have been looking at a number of faculty who really are administrators because they do a lot of administrative work and we have looked at the number of high paid staff members. So we are looking into this issue.

PROFESSOR DUANE YOCH (Biology) – How about the Athletic Department? Is its budget on the table?

PROFESSOR LEITCH – Yes. One of the things that we are going to start to talk about is possibly adding an additional fee to tickets to help support academic activities. That is something that is new on the table.

PRESIDENT SORENSEN – There is a net transfer of wealth from the Athletic Department to Academic Affairs in the University. It will remain the case.

PROFESSOR LANE – Another question: this year for the first time in my knowledge letters granting sabbatical leaves for next year had a paragraph stipulating that those leaves could be revoked in case of budgetary constraints. What input did the Faculty Budget Committee have in that?

PROFESSOR LEITCH – We have talked about that possibility.

PROFESSOR LANE – But that didn’t come from the Faculty Budget Committee?

PROFESSOR LEITCH – No.

CHAIR WILCOX – It was discussed in there.

PROFESSOR LEITCH – It was discussed in our meetings but I am not sure who brought it to the table.

CHAIR WILCOX – One of the aspects of the discussion, I think, at those meetings was that, in terms of painful or less painful remedies, that might be one if you were able to avoid hiring visitors and things because of canceling sabbaticals--that may be one way of saving some money in a relatively less painful way than some of the other alternatives. It has been discussed as one that had some favor in that regard.

PROFESSOR RUTH RILEY (Medicine) – Just for clarification when you were reporting on how the latest round of cuts where split out to the different schools, you may want to clarify that, I believe, the School of Medicine took the full cut on that.

PROFESSOR LEITCH – 2.5%.
PROFESSOR RILEY – No, I don’t believe so. I believe it was the full cut.

PROFESSOR LEITCH – I thought that every unit I didn’t mention was 2.5%.

CHAIR WILCOX – I think the Faculty Senate was the only one that was 3.7%. Which was fine and we can certainly handle that.

PROFESSOR LEITCH – There was a reason for that if you want to know.

CHAIR WILCOX – No. That is fine.

PROFESSOR RILEY – You may want to check the records.

PROFESSOR ELDON WEDLOCK (Law) – Has the subject of furloughs come up as it has at South Carolina State?

PROFESSOR LEITCH – That issue has come up and I can say personally as a committee we don’t like that idea.

PROFESSOR WEDLOCK – This is a follow-up on President Sorensen’s idea that administrative jobs are on the table. Maybe administrative furloughs?

PRESIDENT SORESEN – We are happy to take administrative furloughs. The state law stipulates that if you have furloughs, everybody needs to have furloughs including the football coach and the president. And, if you all want to do that, we are happy to do so.

PROFESSOR WEDLOCK – No, I just asked whether it came up.

CHAIR WILCOX – There have been two aspects of furloughs that have been discussed that are problematic. One of them is simply the morale hit. It is basically a pay cut. It is a pretty substantial morale hit. The other is the reality that it is a one time fix and these are recurring cuts. So, unless you have a furlough every year or you are going to get out of the situation rather quickly, a furlough doesn’t necessarily solve your problem. It may just defer it a little bit.

PROFESSOR LEITCH – It is not a very good idea for a long term cut.

CHAIR WILCOX – The advice the Provost has gotten from the committee has been that is not one that the committee favors. Other questions for Professor Leitch? Thank you sir.

f. Other Committees: No further reports.

IV. Report of Secretary.

None
V. New Business.
None.

VI. Reports of Officers.

PRESIDENT ANDREW SORENSEN – First of all I want to thank Professor Wilcox for the wonderful role that he played in lobbying with respect to the at-will employment bill that he discussed earlier. I want to thank all of you faculty who chimed in and exerted your support. I had a number of conversations with elected and appointed officials and heads of influential agencies in the state. The best way to summarize those conversations would be that I used short declarative sentences. I am immensely indebted to you Professor Wilcox for the effectiveness with which you organized that activity. It was terribly important to me in terms of being effective that we were firm but diplomatic and sensitive to tactics that are more successful than those that are less successful. And the way in which it was handled was superb.

I thank you for the opportunity to be with you today. When I became President of the University of Alabama in 1996 I referred to myself as the “president of a state supported university.” After several draconian budget cuts there, which equipped me for what I am dealing with now, I began describing myself as the “president of a state assisted university.” Now that I have been here at the University of South Carolina for eight months, I described myself having survived cuts for the system of $41 million this year and another $20 million for next year, as the “president of a state located university.” Dr. Katharine Lyall President of the University of Wisconsin systems has captured my situation wonderfully. She observes: “State government like the public has been confused about what it wants from our institutions. They want high access – low tuition, top quality – and no tax increases to pay for it. We have to get real about what realistically can be accomplished with the dollars we have.” Sounds to me very much like Dr. Lyall could move to the State of South Carolina without missing a beat. Many of us have observed that our institutions of higher education that are in the public domain are becoming increasingly privatized. By that I mean not only are we becoming more like private colleges and universities in our sources of funding, there is no question that we are involuntarily relying less and less on state appropriations while at the same time becoming more dependent on other sources of revenue such as philanthropy, tuition, research grants, and contracts. But it also means that we are increasingly privatizing many functions we perform such as out sourcing food services, bookstores, medical and other insurance, legal expertise and the maintenance of computing equipment, and the list goes on and on.

Mark Yudof, president of the University Texas System calls this phenomenon of merging historically private and public university modus operandi the hybridization of our institutions. We simply cannot continue sustaining cuts of the magnitude we recently have and at the same time completely fulfill our mission. The Board of Trustees of the University of South Carolina hired me with the explicit mandate to lead the enhancement of this institution’s academic reputation. An absolutely essential element of this is to
achieve this goal and pursue aggressively alternative sources of funding. Our recently announced research campus is just one example of how we will do that.

I am going to describe the research campus to you briefly. We propose to construct two buildings with 100% private monies, with zero state dollars, zero University of South Carolina dollars for facilities in which our faculty can conduct research and have offices. The way we will do this is as follows: Let’s take a hypothetical example – there is no such firm – Georgia Pharmaceuticals. So I go to their corporate headquarters in Atlanta, and I say, “Have I got a deal for you. We need a 100,000 square foot building, built on our campus, on our property and I want you to pay for 100% of the site preparation, architect’s fees, and the construction of the building. We are proposing an eight-story building that will have roughly 50% of each floor dedicated to Georgia Pharmaceuticals employees, researchers, and staff. And, 50% to the University of South Carolina research faculty and staff.” And obviously this doesn’t need to be precisely that way, but allow me the privilege of going through the example. They will collaborate to research projects, paying special attention to be sensitive to intellectual property and preserving the integrity of the University and of the faculty and the graduate students and staff who are working there. We will do this on each of the eight floors. For the 50% of the building that we occupy, we will pay the going rate for leasing office space in downtown Columbia. Let’s call it $20 per square foot, per year. The monies for paying those leases will come exclusively out of the indirect cost recoveries of the grants that are done there our current grant rate for the NIH funded research is 43%? 44%! What is one percent among friends?

PROVOST ODOM – The total indirect cost recovery on $11 million is about seven million dollars.

PRESIDENT SORENSEN – Okay. Also the same deal is with Georgia Pharmaceuticals if we are working collaboratively with them, then we set up patent and licensing and royalty deals so that we get monies from them. But at any rate we pay the going rate on the leases and again not a dollar of the lease payments comes out of A Funds or University of South Carolina budget. It all comes from external sources.

At the end of the lease period -- let’s say it is 30 years, Georgia Pharmaceuticals deeds the building to us. We own the building, it is on our land, and we own everything in the building. Then we say to Georgia Pharmaceuticals, “This has been a wonderful relationship and we want to continue working with you.” Let’s say 30 years from now that the lease is $50 per square foot per year. “You pay us $50 per square foot per year for the 50,000 square feet that you are in.” So we not only have a free building, now we are being paid. We pay no more leases and they pay us for the space that they use in the building. I have done a number of these deals, and I’ll tell you about some of the impediments to doing this sort of deal in a moment. Steve if you’d come up here and get me booted up I’d appreciate it. Thank you, sir.

I am going to present to you what I presented to the Board of Trustees this past weekend. We engaged Craig Davis Associates, shortly after I came here in July 2002, to
assess our research related growth plans and initiatives, to recommend organizational focus and direction, and to assist us with the financial structure for this growth. We then began to form collaborative agreements with the City of Columbia, Lexington County Council, the Richland County Council, and the private sector to outline and implement what was originally a 20-year road map and plan. I would like to see this done in 10 years and not in 20 years. I want to give a brief encomium to Bob Coble, Mayor of Columbia, and the City Council who have been remarkably supportive of this. The cost for hiring Craig Davis Associates was $150,000. The Columbia City Council put up $50,000 immediately and the Greater Midlands Business Council put up the remaining $100,000. Again, there is not one penny of the University money in the $150,000. I am a member of the Greater Midlands Business Council, and seeing the support from the CEO’s of business in the Midlands was most heartening.

Recently Dick Levin, who is the President of Yale University, outlined a proposal for a $1 billion campaign to build research facilities at Yale University over a 10-year period. What I am announcing here is a $1 billion dollar plan, 5 million square feet at an estimated cost of $200 per square foot. I want this done within a 10-year period. Wouldn’t it be phenomenal if we could have a project of precisely the same magnitude that Yale has here in South Carolina? I sincerely believe that it is possible to do that. I am going to present at the conclusion of this presentation the first 420,000 square feet of the 5 million square feet – the first $56.5 million – which we have all lined up. In order to do this, we need to work very closely with the South Carolina State Legislature and the Office of the Governor on these initiatives. The Governor has designated Bob Faith, Secretary of the Department of Commerce to work with me on this and we have had very positive and fruitful discussions regarding this project. I trust that the Governor will be as well. We will be developing a program to create facility densification (That is a term that developers use to mean putting a lot of buildings on space that you already have. Not on the Horseshoe, we are going to preserve the Horseshoe so we won’t build in the middle of that, on property owned by the University and our foundations.

Now, how are we going to implement the vision? First of all, we are going to create a 501(c)(3) non-profit corporation to coordinate with the City of Columbia, the Lexington County Council, the Richland County Council, the State of South Carolina, and the private sector. I’ve got our lawyers drafting the papers for this non-for-profit corporation. It is essential to have all of the entities represented. Then we will hire somebody who will be the director of this 501(c)(3) corporation and she or he will report directly to me to make sure they are minding all of the collaboration and coordination among these entities with respect to the research campus. A huge amount of that person’s time will be spent putting out rumors and responding to allegations. This entity will lead a continuous effort to communicate effectively the roles, goals, and objectives and status reports with all participating parties including this group. So Rob, as soon as we select a person to be the head of that, I would hope that you all would invite that person to come here episodically to give reports on how we are doing. We need intense communications with and the support of our faculty, as well as, the State of South Carolina Legislature and the Government.
First of all, I want you to know that I didn’t come up with this idea. Our 1994 Masterplan developed that. Nearly ten years ago a group of faculty members and administrators came up with this Masterplan. I am very grateful to them because what I am doing is building on the proposal that they made, as my children would say, a very long time ago. I am very grateful to them to have established a foundation for an urban research campus. We already have existing transportation and infrastructure, although I think it could stand dramatic improvement. To those of you who have expertise in this field, I invite you to help me to figure out how to improve it, because it certainly needs improving. We have close proximity of the campus to downtown, close proximity to cultural and athletic events. Of course, at the time this plan was presented, they didn’t realize that the Carolina Center would be in place, even though the Koger Center for Performing Arts had been constructed by then. Let’s compare now what we plan to do with what North Carolina State University plans to do with its Centennial Campus and we have modeled this after that. You see that we are proposing 16% of our building space be dedicated to research wet labs and they have 12%. We are proposing 24% for support in office staff and they propose 21%. For various university institutional functions we are proposing 25% and they much more at 34%. And, we are also proposing residential facilities for the people who work there – the graduate students, faculty, people from Georgia Pharmaceuticals – we are going to construct housing in this area. It is important to me that there be a wide range of housing and I would like to see some affordable housing for people with low incomes in this area as well. Then also I suggested, delicately I trust, that there be bicycle paths, because right now at 5:30 in the morning I ride down Lincoln street past the Carolina Center and it would be more romantic if I could be riding down a bike path at that time. And, then 10% for service retail.

Now let’s go through the initial phase of what we are proposing. The first project is conversion of the Carolina Plaza to a Public Health Research Facility. The project cost is $2.92 million. It takes nearly 134,000 square feet. We estimate that we will start in the spring of 2004. The only reason we cannot start earlier is because we have got to move people out of there so we can refurbish the space and then move people in. Thus we play games of musical chairs in such moves. 100% of the money is in hand.

The next project is the construction of a new Public Health Research Facility. I will show you precisely where that is going to be built. It will cost $23.58 million, and again 100% of that money is in hand. Ground breaking will be this November, the Lord willing and the creek don’t rise.

We will construct the first research facility on what is very charmingly called Hardee’s block. For your information, it is bounded on the west by Assembly, on the east by Main, on the north by Blossom, and on the south by Wheat. Did I do alright, Jerry?

PROVOST ODOM – I am not sure about Assembly. Did you say Assembly on the west?

PRESIDENT SORENSEN – Yes.
PROVOST ODOM – You got it right.

PRESIDENT SORENSEN – I got a grade of A - from my Provost.

Then we are going to build another 100,000 square foot building. We will break ground on that in the Spring 2004. 100% of the money for those two buildings will come from private investors, not one dollar of State of South Carolina bonds or of USC A Funds. I’ve got people who want to invest, people who want to do more than that. But we are going to take baby steps to get the first phase done, and then we can move onto the next phase.

Now let’s look at the proposed refurbished and new buildings, a total of $56.5 million with 420,000 square feet of space. We will have ground breaking and/or start on all that construction within 12 months.

In the lower right quadrant of this map is the existing Carolina Plaza building where the refurbishment will occur. We will then add the orangey color structure that will be the new Public Health Building. Here is an architect’s rendering of the exterior of that building, and 100% of that money is in hand. It may look slightly different than that depending on the reaction of our architectural review committee of the Board of Trustees. Then, this is the Hardee’s block, across from the Strom Thurmond Wellness and Fitness Center. The first building will be in that upper left quadrant across the corner from the honeycomb towers - a 100,000 to 125,000 square feet structure. We will then put another one on that corner – 75,000 to 100,000 square feet. Then we have a potential residential facility for faculty, staff, and graduate students. As that area develops, we think it will be quite attractive, with the ability to walk to the Carolina Center, to the Koger Center, to offices, and to the retail facilities that will be developed as this area expands.

Where do we go from here? The first step is to create the new research campus non-profit entity, the one I referred to you as a 501(c)(3), and begin execution of the initial phase on the research campus plan. Before I move on to talk about regulatory relief that will be required from the Legislature to make this happen, I will be happy to answer any questions about any these slides.

PROFESSOR JERALD WALLULIS (Philosophy) – You emphasize that there will be no public cost or university cost for the buildings for construction. How will the maintenance expenses work out for these buildings, and also over a time period, will there be budgeting for deferred maintenance? I think that is a general problem on this campus. The building I reside in is more than 30 years old and it may not be such an asset, at least in the opinion of its occupants.

PRESIDENT SORENSEN – Yes, I understand. The home I am moving into is 150 years old, so I am familiar with this issue of deferred maintenance. Both are very good questions. With respect to the maintenance, whatever we pay for our space, say $20 per square foot per year, will include maintenance of our space. Then they will be
responsible for their own maintenance. They may turn around and say to us, “We will pay you to maintain your own space and we will pay you to maintain our space.” That is something that I would be interested in exploring. With respect to maintenance, there will be what is typically called a sinking fund for deferred maintenance. We must definitely do that. We must save money for that and then also I plan to be intimately involved (when I say that I am going to be involved, that means Rick Kelly is going to do all the grunt work) in the construction, because I want to make sure that we have absolutely first class quality material so that it is not built shoddily.

PROFESSOR WALLULIS – I have a third question concerning the implications of this ambitious building plan for parking? As far as I know, parking is not exactly a plentiful resource right now.

PRESIDENT SORENSEN – When I approach Georgia Pharmaceuticals, I am going to say, “For the privilege of working in this scintillating and intellectually stimulating environment, you have the opportunity to help provide a bond for us to construct additional parking facilities.” Costs for a parking garage are roughly $1 million per 100 cars. So if I can persuade them to help finance a $10 million bond, we could build a parking space for 1,000 cars. We have land on which that can be done so I am hopeful that I will make a deal like that. Occasionally, I go over to the Student Russell House and sit down at a table, inviting students to have lunch with me. The first thing they talk with me about every time that I have one of those meetings is parking, and the last thing they talk with me about is parking. Of course, I tell them I have the privilege of living in a neighborhood that is three-tenths of a mile from my office. There are four students who live in the building next to me (owned by an absentee landlord). That gives me some wonderful experience. These four students have four automobiles. Every morning each of them drives his or her car to class – three-tenths of a mile. Then they tell me that when they get to class that some of their classes are three-tenths of a mile away from where they parked so they get into their cars and drive over to where those classes are. I think we should have an education program pointing out that walking is beneficial to your health. Parenthetically, I think all of you are helping me with the American Heart Association Heart Walk on March 22nd we are going to be out walking. I try to tell these young people about the benefit of walking. We do have a parking problem, and we need to work with our students to deal with that. Other questions?

PROFESSOR BRIAN HELMUTH (Biology) – What role do you expect faculty who conduct basic research to play in this and if there is a role, what incentive is there going to be for industry to fund basic research?

PRESIDENT SORENSEN – First of all, you’ve got the intellectual horsepower they want. So your involvement it is absolutely critical. I am not going to sit there and decide where the labs are going to be, what floors various researchers are going to be on, where windows are going to be, or what kind of equipment they are going to have. You need to be intimately involved with them in absolutely every phase from beginning to end. We can’t do it without you because you are going to do the science. So you need to decide how you want the building to be configured to do the science you do.
PROFESSOR HELMUTH – I am more curious as to if someone is conducting research who does not have deliverable in sight. Traditionally, that is the purview that universities have and often industry does not invest in that until it is just at the point it is ready to be marketable. So for someone who does not have a deliverable….

PRESIDENT SORENSEN – My guess is that more of the people who are interested in the prospect of imminent commercialization will be in that facility. But when they move out of their existing space, then you can move there unless you prefer to be someplace else.

PROFESSOR BETTY GLAD (GINT) – Have you had any economists involved in this doing some forecasting in terms of demand for office space?

PRESIDENT SORENSEN – No, but I have been told by several bankers that there is a surplus of office space in downtown Columbia. They ask me if I would be interested in our faculty moving into their space. I say, “Absolutely. Here’s the deal. You give me the land that the building is on and you retrofit 100% of the interior exactly to the specifications of our faculty (people like Professor Helmuth). Then I’ll pay you $20 a square foot for the lease. Because your building is old the lease may be 10 or 20 years instead of 30 years. At the end of the ten years, you give me the building and the land it is on.” What do you think they say when I propose that? “Thank you very much I am not interested in the deal.” If you find anybody who wants to do that with an existing building I would be delighted to talk to them. Retrofit it precisely to our qualifications, give us the land, the building, and the land that the building is on at the end of a short lease.

PROFESSOR WILLIAM TERWILLIGER (Music) – We have a great concern about what is going to happen to the string project which is a national model as well as the band hall which would be obviously torn down to make room for these other buildings. Has there been any discussion about what will happen?

PRESIDENT SORENSEN – There has been. I am not at liberty to discuss it because the people who are in the space where you might wind up won’t be very happy when they are told that. That is why we don’t talk about those things in public until we are ready to execute it, as it is a domino effect. People in the space we have in mind are going to have to move some place else. I am hoping that I will get a building donated to accommodate those who are currently occupying the space we may give to the band. If my plan succeeds, then you will be much closer to me than you are where you are now. Then when I play with the marching band I won’t have to march so far for practice.

PROFESSOR LANE – How does the Carolina Coliseum fit into this picture?

PRESIDENT SORENSEN – I am going to wait until our deal with the Columbia Inferno terminates, and then we will decide what to do. Right now I need to make sure that we
honor our commitment to the Columbia Inferno. After that commitment is terminated then we can explore other possibilities.

PROFESSOR KATHRINE REYNOLDS (Education) – Is there any plan to also raise some private funding for some of the really old, falling down, terribly unhealthy buildings on campus?

PRESIDENT SORENSEN – We don’t have any decrepit buildings. Surely you jest.

PROFESSOR REYNOLDS – Come on over to Wardlaw and I’ll show you.

PRESIDENT SORENSEN – I believe you. I have been there.

PROFESSOR REYNOLDS – To do something about those buildings that it probably doesn’t sound like would be taken down as people would still be in them.

PRESIDENT SORENSEN – I agree with you that many of our facilities are in disastrous shape. I am on the road constantly trying to raise money for deferral maintenance. I was in Beaufort, SC raising money last night and I am going to Lancaster, SC tonight. I am going to Myrtle Beach, SC tomorrow. Wherever there is money I go to ask for it. My father was a Presbyterian minister and our livelihood depended on how much was put in the plate every Sunday, so I am very comfortable with passing the plate. I did it in Beaufort last night and I’ll do it in Lancaster tonight and do it in Myrtle Beach tomorrow night. So I am out trying to raise money all the time. If your dean has a project for raising the money, and the dean gets the money in hand - I tell all the deans I am willing to go with you anywhere, anytime, under any circumstances. I’ll even pay for the dinner to raise money. So I am being very aggressive about it.

PROFESSOR WEDLOCK – Two things one minor and one a little more major, but first I would like to thank you for presenting this vision for the University. The minor question is what is going on where Hardee’s is? When you put the map up there you had the three building around there but that particular corner directly catty corner across from the Coliseum didn’t have anything on it. Is there any plan for that?

PRESIDENT SORENSEN – I’ll call on Mr. Kelly.

RICK KELLY (Chief Financial Officer) – I think one of the things that we have tried to establish of the vision of the plan, is that there is no definite definition of what villages will look like. We believe that this is a signature corner for this University as the wellness center has been developed. So, you see that part left open unknown right now how the development could happen in there that could provide the signature that we want and accommodate the buildings that we need.

PROFESSOR WEDLOCK – Yes, that is the answer I was hoping for.
PRESIDENT SORENSEN – We are lucky. You know Professor Wedlock is the chair of the Grievance Committee and I have to get along with him.

PROFESSOR WEDLOCK – The other question sort of has to do with basic research. All this involvement with privatization of our funding and resources carries costs for academic freedom because usually private entities will want to control the information that is developed with their assistance in ways that may not be compatible with free publication and the sharing of information freely that universities have traditionally held to. Are you planning on putting in some kinds of reservations of that nature that would allow publication of results?

PRESIDENT SORENSEN – Absolutely. First of all, if you will read my vision statement, which is on my website, I stated we must be absolutely certain that we maintain the integrity of the academy and not allow the financial tail to wag the academic dog. I have had a lot of experience with this issue. When I talk to Georgia Pharmaceutical, we are going to make very clear all the rules about intellectual property up front, before I sign the contract. Because it is too late after you get them in the building to start negotiating these matters. For example, when I was at Johns Hopkins, a pharmaceutical company wanted to do a deal with us saying that when your faculty and graduate students are working on our projects, giving papers at scientific conferences, they will only do so with our explicit permission. You can’t tolerate that. So you have to have all that negotiated ahead of time. I’ll be having a lawyer help me on that. Other questions?

Just a few concluding remarks – as I have lived through a series of sustained budget cuts during nearly half of the 13 years I have served as a provost or a university president, I have been faced with three alternatives:

A. Gnash my teeth and whine about the unfairness visited upon me and then like Prometheus lash out at the gods who are responsible for my fate. Most particularly the elected officials with whom I deal.

B. Spend inordinate amounts of time lobbying legislators and cajoling and wheeling them for more money.

C. Exercising creativity in searching for alternative sources of revenue.

I have chosen a combination of B and C and a resolute refusal to do A - whining and bathing in self pity. My recent announcement of creation of this research campus is just one of several ways we are pursing option C – creatively searching for alternative sources of revenue. Those of us in the public sector have come increasingly look like and function like and sound like those in the private sector. Most of my fellow public universities have been working assiduously in developing strategies to deal with this dramatic shift in financial support. But our task in incredibly difficult given the political pressure and regulations imposed upon us. In the words of a recent article in the Chronicle of Higher Education, “Despite the shrinking state role in public higher
education, college officials say they are still expected to appear before legislative committees, deal with meddling politicians and follow strict state regulations. That paradox has some wondering if they would be better off with greater control over their own affairs even at the cost of less state money.” Graham Spanier, who is President of Penn State University, recently told me that state appropriations count for a mere 13% of his budget as opposed to about 33% of ours. 13%! And, John Casteen invited me to be his house guest during the weekend of our one sided lost to the University of Virginia football team. He informed me that their overall state support is in single digits, less than 10% of the UVA budget. Their Law School and Graduate School of Business have embarked on programs that they are publicly announcing to be completely independent of the state legislature in spite of the fact they are an integral part of the university.

Last Monday I offered a bold suggestion to the presidents of South Carolina’s independent colleges and universities who asked me to come down and harangue them at their annual retreat. Tomorrow I’ve been asked to speak to our South Carolina State Commission on Higher Education and I am going to present the same suggestion to them. Instead of our respective presidents always meeting in separate organizations, the independent colleges and universities meet over here, the public colleges and universities meet over here – we never meet together, never talk to each other about what we are doing. Thus we operate in complete isolation from one another. Then with the Commission on Higher Education, we’ve got the public 4-year universities meet, the 3 presidents of the 3 research universities meet and the presidents of the technical colleges meet and we never meet together. My proposal to each of those groups is to let us have a small group (with an emphasis on small) with representatives from each of those sectors (private and public – research 4-year, 2-year) come together and talk about ways that we can learn from one another and ways that we can operate more effectively together. All of us face monumental tasks and in several respects our near term prospects do not appear promising. But I truly believe that if we find ways to work together, we shall accomplish far more than if we work independently of one another and in splendid isolation from each other. Thank you.

CHAIR WILCOX – I am going to ask the Provost if he has a quick report to make because we have one more very important presentation that is going to take a few minutes.

PROVOST JEROME ODOM – I really have no report other than I’ll be happy to answer any questions.

PROFESSOR LANE – With regard to the formerly mentioned withdrawal of sabbatical leaves (since you sign the letter) is it in the Provost’s Office that such decisions would be made and if so, when?

PROVOST ODOM – Well Nancy, it is going to depend upon what the budget cut is that we start next year with. Al mentioned 9.88% and I think that is a lower limit. It could be much more than that. This actually came from a discussion in the Budget Committee and the discussion was should we not have the sabbaticals this year? I don’t want to do that.
I think they are very valuable to the faculty and so we did it but at the same time knowing the uncertainty that we face going into next fiscal year we thought that just in case we would give ourselves an out. It would take a very dramatic increase in a budget cut for us to want to do something like that.

PROFESSOR LANE – So are you saying it would be announced in July?

PROVOST ODOM – Yes.

PROFESSOR RILEY – Just to clarify my earlier question, the Medical School did take the full 3.73% cut?

PROVOST ODOM – Yes, you are correct.

PRESIDENT SORENSEN – The Medical School has a very different funding formula from any other entity. Provost Odom and I have offered Dean Faulkner the opportunity to be treated exactly like every other entity. If you would want to persuade him to do that, we would be delighted to accommodate you. We would be absolutely delighted to do so.

PROFESSOR RILEY – That question was certainly not meant to antagonize you in any way.

PRESIDENT SORENSEN – Well you are getting close.

PROFESSOR RILEY – I just wanted it for the record.

PRESIDENT SORENSEN – Well, I want it to be in the record that I have offered you that opportunity.

PROFESSOR RILEY – Thank you.

PRESIDENT SORENSEN – You are very welcome.

CHAIR WILCOX – Other questions for the Provost or the President?

PRESIDENT SORENSEN – I just want to offer a word with respect to whatever the Budget Committee recommends – we need to make sure that the public of the State of South Carolina understands that the cuts are inflicting pain on us. Thus, we can’t do business as usual. We can’t say we are going to have raises, we are going to honor all sabbaticals, we are going to build new buildings with state money, we are going to keep 100% of our programs. We are going to be rolling out some cuts over the next 2, 3, 4 weeks. We can’t possibly say “business as usual” and maintain everything we’ve had in the past. If we do, they are going to say, “Well you obviously haven’t been tested to the extent of your limit.” So please bear that in mind as we discuss these recommendations. Thank you.
CHAIR WILCOX – Rick Kelly has volunteered and I have taken up his offer to present to you what the value centered management proposal looks like at this point. I think you will find it very helpful. We have copies of the slides here that we will give you because I think some of the numbers are going to be a bit small to look at. I think you will find it well worth – I know it is getting a little late – but it will be well worth us staying for.

RICK KELLY – You are now getting passed out the document that I will be speaking from and that will actually be on the overhead here. It will be easy enough to read the language because much of it will be in this format. When we get to the last two pages, which I think will probably shed the most light on it, there will be graphs and charts and spreadsheet of numbers that will be more difficult to read. We will try and dim the lights and see if that helps for reading it up here. It may be that you just want to look at it from the sheet that is before you.

Let me set the stage in two ways. One is the Board of Trustees adopted in April of last year the Strategic Direction Initiatives that establish the fact that we should employ valued centered management in our budgeting process. That is where we started. We started with the SDI study, the SDI recommendation, the President’s approval, and the Board of Trustees approval. That led to the establishment of the creation of a 26 person committee that included faculty, deans, and staff that have been working continuously since that time to develop what we now refer to as VCM. That is part one of the stage. Part two of the stage will be the next 6 or 7 slides that will lay out for you some of the basic principles and some of the basic doctrines which govern the guidance of what we ended up with.

There was a well of information to us not only from textbooks from which we adopted some of the language and some of the principles that we use but also from several other universities around the country that have employed Responsibility Centered Management or Value Centered Management for years. The one common thread in this whole process with all the universities that have adopted this is that this continues to be a work in progress. It is a methodology by which when you adopt it you continue to tweak it to meet the specific needs of your university. I think we will fall in that same category. As you will see today, I think we have a good place to jump off.

There are three basic principles that we want to suggest. One is that all costs and income attributable to each school or other academic unit should be assigned to that unit. If you teach and we charge you tuition, you should receive that tuition. That is one of the principles that we have. When we get to the service units being those that are non-academic units, if you have a service charge - if you print - if you sell printing, than that is a revenue that you should retain and you will see how that works in just a moment. But that is one of the principles that we go by. Appropriate incentives should exist for all academic units to increase income and reduce costs to further a clear set of academic priorities. Briefly when I met with you a couple three months ago, one of the analogies that I used in the process was our budgeting assigned money to service units. We assign money to telecommunications. Telecommunications then provided telephones for each
of your colleges or each of our units or our departments. If an office was going to be vacant, if we had a vacancy that was not going to be filled for over a year, the computer line/the telephone line stayed active in that office. Because as the department that that vacant office was in there was really no incentive for me to turn that phone off, to disconnect that line. That $20, $30, or $40 a month that was being charged to telecommunications didn’t have a reflection on my budget. And telecommunications really didn’t know that the office was vacant. They continued to pay for the line to be there and it was unused. Appropriate incentives need to be in place to help control costs. Appropriate incentives need to be in place to help produce additional revenues and I think you will see that more in a few minutes.

All costs of other units such as libraries and student counseling should be allocated to the academic units. There will be units in this process that provide services but do not have a revenue generating possibility. We need to protect those in this process because many of them are valuable to the continuation of education and research and those are the three principles which we go by.

Two key cautions because these are very important. Responsibility center budgeting does not produce any more money for an institution. We are not going to have more money July 1 just because this program is in place. The money is the money. We are going to have a better idea of where the money goes and how we use it and you are going to have a better idea of where it goes and how it is used but there will not be more money. Value centered management does not set academic priorities for an institution. Is it a tool that the leadership of this University can use, that you can use to help offer suggestions to the administration and the trustees can use to help decide the priorities? Absolutely! It in and of itself does not set any priorities. This information has been there it has just been hidden in the process by which we do things. This is just exposing the obvious or the reality of what goes on. It does not set priorities.

Progress to date - we have developed tuition allocation model. We know now how to move tuition money back and forth between colleges and how they are taught. Provide tuition revenue data for course ownerships we know how to do that. We have worked on that issue. Recommendations to adopt a credit hour basis for tuition - is one is one that is truly a work in progress. I will just only touch briefly on it because it is a conversation in and of itself for hours. Right now if you are a full time student at the University of South Carolina, you pay a fixed tuition. That amount of money is really geared at 12 credit hours per semester. If you take 15, you pay no more. If you take 18, you pay no more. If you take 27 and yes we have one person who is taking 27 hours, you pay no more. So that is something that we need to try to take into account as we move through this process. Paying by credit hour will allow us to move the money more directly as it is collected. There are some other things that it will address. We know and we have good documentation of the fact that many of our students have recognized the fact that they can sign up for 18 or 21 hours and go to those courses with the full idea of never taking more than 15 credit hours anyway. They go visit the class for the first week. They see which one of the 5 classes they are going to take and then they drop the other two. Within a period of time, they get a full refund but by that time that class assignment
has already been made, other people have been turned away because the classes were full, so that is another behavior that we are trying to address in this. So that is in and of itself another whole length of conversation but it is a process that we are working on.

Allocations of service costs to each unit - again I told you briefly about the telephones it is the same way with facilities and it the same way with many of our service units. The service unit gets the money and they provide you the service. In reality what we want to do is turn that ball upside down for lots of reasons. We want to give you the money and let you buy the service. You can control some of those costs. You can decide whether or not you want a room painted, or if you need a telephone in that room, or if you need 3 telephones in that room. On the other side of the equation, what I think it will do is it will make us the service providers much more accountable. Once we have to send you an invoice for what you are going to be paying for, we know that you are going to be expecting a certain level or a certain quality of service before you sign off on that payment. So we think that will also be of benefit to us.

There are as I said three groups of people this budget process will take into account. One will be the academic units and how there revenues are derived. Then there will be a subset of what we call service units. There are academic units and service units. In the service units there are two groups. There are a group of service providers that can charge you for what you get. If you fly in an airplane, you can be charged for that. If you use a telephone, you can be charged for that. There are groups inside of the service unit - this really is not a good formula for how to assess a charge - take payroll, take personnel. So some of those will have to have assessments to your budget. Assessments being in the form of a tax and you will see in just a minute the algorithms for how we get there. But let me step back and talk about the academic units quickly. The income received from its activities. Academic units will also receive an allocation of state funds from the higher administration. This money will be used to make every academic unit whole. So all of a sudden you are going to be taxed because we have a payroll department. All of a sudden you are going to be charged because you happen to buy printing or pay for telephones but we are going to give you that money. So you, the academic units, for the first year will be made whole. You’ve got your original budget, you’ve got the tax that you will charged for the services that don’t require service charges, and then you’ve got the amount of money that will be for the service charges.

Expenses - all direct expenses and a share of all support unit costs those will be identified in a minute. This is how we set up a budget. A budget must balance. I am very proud to sit here and tell you that after over $60 million of cuts this University has maintained a balanced budget. We do not and do not intend to let this University run in the red. That is not something that you would want and that is not something that we would want. So we build budgets based on balance sheets and balance sheets do balance. Expenditures will be the existing program budgets, as I said we will give you the service unit cost and we will give you the cost for the tax - or the pre-assessment. That will be your total revenue budget. Balanced against that will be your expenditure budget and your revenue budget will be non-recurring costs that is where your money will come
from, allocations from tuitions and a share of the state government appropriate to make you whole.

Paying for service units - there will be user fees, their will be taxes, and there will state government support. Again the example of the service fees will be the aircraft, printing, the use of the coliseum, credit cards, computer services, etc. This and the print may start getting small enough that you want to actually look at your handouts. This right here are the algorithms that are used to assess the tax or the assessment that will be used to determine how providers of service that have non revenue or non chargeability. Like payroll, legal services - they will all be established the percentage share of filled full time positions and you go right down the line. These are the algorithms that we used to get to the assessment amounts that you will be charged.

Examples of service unit costs supported by state government - the operation of the President’s Office, the Board of Trustees, the Internal Auditors. Those are some of the things that will be charged against the state government portion of dollars.

Building a service unit budget - again service units - existing expenditure budgets less existing revenues or transfers equals funding needs. Supported by revenue from net user fees - the amounts that you pay - or the pre-assessments for the academic units and the state government support.

Budget sources for units - this is where we might very well need you to go to your sheets. There are two spreadsheets that will be in your package. One spreadsheet will be what we call non-academics and the other spreadsheet will be what we call the service units. We will go through the service units first because that establishes the taxes, that establishes the assessment amounts, and then we will show you how those roll into the academic side. Take your column and go to the sum and take a line - go to the line B which is Business and Finance (which is my area). We have an existing program budget of $76.5 million. We have revenues of transfers and some of that is built into the fee waivers but we have transfers of $23 million out of that account. Leaving the funding needed for our budget to be $53.4 million. That is what we need to operate. That is what our approved budget is now and that is what we need to operate next year. Now we go to the other side of the ledger and we say, “Where will that money come from?” There are existing services charges that we have and there are some new charges that we can excess but the new service fees will amount to $1.79 million of the $53 million that we need. Pre-set assessments that will be the taxes or the amount of money from the algorithms that you saw, that will be attributed to us for the services that we provide, will give us another $25.3 million. Then we will take the balance of what we need in that category to make us whole - a $5.7 million from a state allocation. That is how all of these service units will work. Everybody in the service provider of the house will be made whole. State subsidy or state allocation, user fees, or a tax assessment - those are the amounts of money that make us whole. Now if you go down to the bottom of the sheet, you start seeing the numbers are starting to roll up on us. And, you see if you go to the pre-set assessments at $62.978 million that is the amount of money that we will need to collect through the tax or the assessment to your unit to operate our units. You will see here
(and the reason I point this out is because this number will balance with your academic side of the house on the next sheet) $10,779,000. That number represents the amount of money that the other campuses will have to pay for the same types of service that we provide to you that we provide to them. And, when I say the other campuses, that includes the medical school, that includes campuses outside of Columbia. That is the amount of money. Now interestingly enough though is when you look at this amount of money and you look at what we are collecting today for those same services it is about $3 million. So that balances out. In reality of what we would say is that the other campuses are not paying the amount of money that will be attributed to the services that are being provided to them. But we account for that we provide that money so that they do not have to come up with additional dollars to do there own.

I’ll go through the whole presentation and then I promise you I’ll answer any questions you have or we can go back to any of these charts, but it is good at this point to see both sides of the equation. It is also good for you to understand that if you saw some footnote numbers on the first sheet what units are recorded under the President’s Office, what units are actually recorded the Business and Finance Office, what units are actually recorded under the Academic Support. This is just a list of that for your information. This then is the academic side of the house. This one is one that I am just going to take a few extra minutes and explain to you exactly how it works. If you take the column by college, that line represents the existing budget that you have today. If you go to the first one which would be the College of Nursing, the current College of Nursing Budget, is slightly over $4 million - almost $4.1 million. In creating value centered management for next year that is where we start. The “Anticipated User Fees” column here is what we call user fees this is where Nursing buys a service. A service that can be charged - use of the airplane, telephones those kinds of things - we are working right now to determine exactly how much of $27.456 million that Nursing uses. We don’t have an absolute handle on how much Nursing uses versus how much Pharmacy uses versus how much any other unit would use. But what we do know is that there is $27,456,000 in that account. So when we determine what Nursing buys in service costs they will get their fair share so they can buy services. They’ll get their $4 million that they started with this year. They will get their expenditure amount of this $27. So the first two pieces of the pie - the got what they got this year - the got what services they bought last year - in that amount of money. The third amount remember pre-assessments, tax if you will, it is just another name for tax. It is an amount of money that currently is given to Payroll, to Human Resources, to Legal, to operate. And, we know right now based on the algorithms that I showed you early, that Nursing will be billed $1, 598,000 for those services. But we give them the money - the third piece of the pie. The got their original budget, they got their service budget, and now they got their tax. There is no more money, there is no new money, it is just reallocation the same money. It is putting the money in the hands of the unit. So for Nursing, which started this year with a $4.1 million budget to be whole, to be equal to next year, they need $5,697,000. That is what we intend to provide Nursing.

Now again this is a ledger, this is a balance sheet so you have to go to the other side to determine the proposed revenues for these budgets. What we know in Nursing’s
case is that through carry forwards and transfers and other services that they actually produce that they raise about a quarter of million a year - $246,000. So that is the first piece of the equation. What we know through tuition is how many people sit in their classes, how much tuition dollars we can collect and that is $1.88 million. You take those two numbers and you say okay we have a figure and we are working against a total budget need of $5,697,000. We have these two already accounted for and the difference is $3,568,000 and that comes in the form of state subsidy. That is the amount of money that we will put into their budget to make their budget whole the first year. Balancing out $5,697,000 to make them whole - identified $5,697,000 in revenue.

Now that is the process of making colleges whole so there should be an understanding by the deans and by the faculty and by the department chairs that this process is not intended to create a financial burden for you. This process provides the money so that we can understand. Now clearly it doesn’t set academic priorities. It does allow people to start looking at, deans are looking at this right now, and they are really starting to look at what kind of information does this provide me. Should we teach more, should we do more research? One of the interesting things is and it really plays in to this column over here - there is a third source of revenue there. There are several sources of revenue but there is a third source of revenue that we account for in the budgeting process. Those are tuitions, state dollars that are provided to us, and then there are the indirect costs, that Dr. Sorensen talked about a minute ago, which is represented right now in this column here. One of the interesting things when we first rolled this chart out we noticed is that if you take Public Health (which is the third line down) we know that tuition revenues are purported to be right around $2.3 million. In order to make their budget whole they need about twice again that amount of money in state support. So for every $1 they collect in tuition they need about $2 more in state subsidy to stay whole. You can go through here and pick out other colleges where that is reversed. Where for every $2 in tuition that you collect they only need $1 in state support to remain whole and it starts begging the question “What is going on?” You start looking at this category here and you start seeing where a lot of you that are faculty are either doing more or less research. So this becomes another piece of the pie - it becomes another piece of the equation that the deans, the provosts are looking at to understand how dollars are being used on our campus. So that is what that column on the right side is. It is actually 43% of the money that comes in from indirect costs that goes to the college. In Harris’ case in Public Health, you see he has one of the highest in research which probably means he would necessarily have less teaching time. That is my guess - I mean I just have to look at it from that perspective and that is what it tells me. As you roll these numbers up, you start seeing a balancing as coming into place. Right here when I backed out the tax a minute ago, I backed out the other campuses and got to the $52 million figure, here is where it balanced right here. Some other questions that have been asked to us by the President, the Provost, and the Trustees are there adequate state dollars to make this work this direction and the answer is yes. We know that we have about $153 million before the last cut of state revenues. So those monies again are equal to and can be plowed back into the process.
In April of 2002 this was presented to the Chairman and the Board of Trustees. Chairman Whittle made one comment that I think I started out by saying this document is a work in progress. It is a work in progress not to suggest that you can’t depend on it and rely on it for decisions but it will be tweaked every year as it better accommodates the needs of you and your colleges as we move forward in planning. That is somewhat of a quick version of VCM. I would welcome any opportunity to answer any questions that you may have. Bill Bragdon our Budget Director is here with me he can also help. There are members of the VCM committee that are here that can offer any comments that they would like as well but please let me answer any questions that you may have.

PROFESSOR WEDLOCK – This may be a stupid question but what is an IIT?

RICK KELLY – An inter institutional transfer.

BILL BRAGDON (Budget Director) – An inter institutional department transfer within the University.

PROFESSOR RILEY – Have there been any conversations about the indirect cost formula as it stands now and the percentage to be retained by units versus whatever the University central administration keeps?

RICK KELLY – Yes, there is all kind of conversation going on as to how we refer to cuts - we will reallocate the dollars that we have. Much like the President said a minute ago and I heard some of you ask him about how we would manage these cuts. It really is a process of VCM all the dollars are on the table for us to revisit the allocations of them. The first year we wanted to move into this process with the least disruption that we possible could to the academic units and the other departments on campus. I think as we move from the implementation of VCM and as it begins to become a tool in setting the direction of priorities of the University, those kinds of issues will certainly come back to the table from all perspectives.

PROFESSOR RILEY – Yes, that is an interesting question in terms of taking this kind of new model and budgeting how indirect costs are supposed to function.

RICK KELLY – Yes.

PROFESSOR JOHN MCDONALD (CRJU) – Has there been any discussion about increasing the direct cost rate for the University because I know that this University’s rates are much lower than a lot of other universities?

RICK KELLY – As I am sure you know, we go through a periodic audit where federal people (I don’t know exactly what you call them) they come into town and they assess our process for developing what our costs are. One of the reasons I that I am of – Jerry is not here right now – John you may recall this – when you establish you charge the government back for research space as a part of your indirect cost recovery they actually expect you to be doing research in that facility. When the investigators went through
they found gaps in what we were telling them. Whether we were charging a 100% of the space back to a research grant and it was only being used 50% for the research grant and maybe sleep the rest or used for academic purposes the other. They found some things that caused them to lead us to the roughly 44% of indirect cost recovery that we have now. But we have a two year cycle by which they will be back and we are actually approaching the beginning of the second year. So I know that Harris and Tony Boccanfuso and some of those guys have been working on some of the problems that were found in the past to help improve that.

PRESIDENT SORENSEN – It is my expectation that one of the serendipitous benefits of this plan that I rolled out to you is that we will have much more space dedicated to research.

    When I taught at Harvard Medical School our indirect cost recovery rate was 105%. The biggest increase in externally funded research at this University the first six months of this fiscal year was in the College of Liberal Arts. I want everybody here from Liberal Arts to hear that and tell Dean Stewart that I bragged about you all. So as we dedicate more energies and space to that research, when the federal auditors come to campus, I hope they will say, “Wow! More research is going on than in the past. We clearly have to raise the rate.”

PROFESSOR KATHRINE REYNOLDS (Education) – Has there been any discussion about getting the preset costs more exact than the actual kind of gross percentages? Because you look at this and you think well the Graduate School, well certainly the Law School doesn’t utilize the Graduate School as somebody else. The insurance on the facilities isn’t the same on every single facility. Is the any additional refinement to be done?

CHAIR WILCOX – I have raised that issue with the committee.

PROFESSOR REYNOLDS – Oh, thank you.

PRESIDENT SORENSEN – He has proposed to charge us for meeting here at the Law School Auditorium.

RICK KELLY - As a result of Rob asking me, I chose to ignore the question but now I am going to address it. One of the things I pointed out to Rob is that you are seeing rolled up numbers from several different algorithms. If your $1.5 million of assessment is a rolled up number and you do not use the Graduate School, if we peel that onion back and showed you what made up that $1.5 million there would be nothing in for the Graduate School. It would be the other things that had rolled up into that but I think you do raise a good point because of this was first way that we had to slice this loaf of bread. I think we will be going back and refining that. I know that one of the challenges that the President is going to use for the administrative side of the house is for us to begin reviewing our cost. What it cost us to do business. We are going to be bench marking this against the private sector. We are going to be bench marking against other
universities. Where our costs exceed or are out line he is going to expect us to make adjustments. So I think some of that will happen but again in dividing or slicing this loaf of bread this was the first mechanism that we had to get things in place to keep people whole. Then there will be refinements as we go. But I do believe, as I told Rob, if you peel back your onion and your assessments and you don’t use the Graduate School, there would not be an assessment in there for that.

PROFESSOR JOHN MCDERMOTT (Economics) – I had a question about these $27 million in anticipated user fees. If we are going to be charged for telephones and painting, who is going to set the price of painting a room and if no one, can we go to the private sector and shop for competitive bids?

RICK KELLY – Those are excellent questions. One of the things that we are going to have to do and this is part of why the $27 million dollars hasn’t been allocated back up into the charts, all of the people that charge money like myself to paint rooms we are going to have to come up with a cost associated with painting rooms. Now we can’t exceed the amount of money that we have had already so if our charges go through the roof (as it may happen in some cases) and somebody else can paint cheaper than I suspect the first question that is going to be asked by you, your department chairs and others to the Provost and President is: “Let us go outside because we can buy this stuff cheaper.” I ask you to be patient with us for a period of time because we stand to benefit by having painters and telephone companies and Indian Chiefs. When you all go out and buy your own services independently – first of all there is some quality control issues. What is quality to you may be different from me may be different from somebody else. So we do have a standard that we need to abide by. The second thing is there are conveniences because all though I think very few of you would be supportive of the fact that we do a great job in maintaining the campus, if there is an emergency we have the ability to respond. We can direct forces into a situation. If we start diluting it by saying I am going to have my own painters or I am going to have my own telephone services, or I am going to buy my own computers – that is going to erode the base of what we have right now. I ask you as I have asked the deans and the President, give our service units a period of time, a reasonable period of time, to get up to your level of expectation and at a reasonable cost. There will be those bench marks available. Once they don’t work then I think your request is legitimate. But I think we have to be careful not to cut the head off of the goose. It may not be a great goose but it is ours and let’s be sure before we do that. But yes, sir, we are going to do that.

PRESIDENT SORENSEN – I’d just like to expand on that a bit. What I want Rick to get in the business of is, Rick and his staff having to compete with people in the private sector. So what will happen is they have to be increasingly sensitive to your needs and what you want and they also need to please you. So the best advertisement is a satisfied customer. So if you are satisfied with the service, you will go back to them. Now here is the dilemma and that is why I am pleading with you to give him time, if you are going to bring outside contractors on the campus – they have to be bonded, they have to have liability insurance and so you are going to have to dedicate staff. If you don’t use his service, then you are going to have to hire somebody in your unit to make sure every
contractor does that and then execute contracts and all that kind of thing. So it is not a free good. So you can’t just look at what it costs to bring them in. I think that as we move into this and the deans and then obviously the faculty in consultation with the deans buy the services then you can decided the paint is peeling but really is not that bad. What would it cost to paint it? It would cost a $1,000 to paint that wall. The dean could say well I want to give a PhD student a $1,000 for a scholarship instead of painting the wall and that is a decision you could make.

RICK KELLY – Other questions?

CHAIR WILCOX – Rick, if I could just ask one thing to clarify this. Are these numbers that we are seeing up here the absolute final numbers or are these still numbers that are being tweaked some?

RICK KELLY – For the most part, with the exception of the tuition the numbers are pretty final. We have scrubbed the numbers on several different levels and occasions. The tuitions are still being refined because the different head counts and we are moving into the fall of 2002 to advance those numbers. But the other numbers are getting pretty close.

CHAIR WILCOX – I think the tuition numbers are actually a year old are they not?

RICK KELLY – Yes.

CHAIR WILCOX – So there is still some play in that. Any other questions for Mr. Kelly? I want to thank both the President and the Vice President of Finance for helping us with these two subjects.

VII. Announcements or Good of the Order.

None.

CHAIR WILCOX – There being none we will get back together in April. We stand adjourned.