

Minutes
Indiana University
University Faculty Council
DeVault Alumni Center
Kelley Dining Room
Bloomington Campus
October 13, 1998
1:30 – 3:30 P.M.

Members Present: Myles Brand, Henry Besch, Jr., Paul Blohm, Patrick Brantlinger, Thomas Broadie, Richard Carr, Karen Cobb, Luis Dávila, Michael Downs, Paul Eisenberg, John Findling, Michael Foos, Thomas Gieryn, Richard Heinz, Loren Henry, Steve Hollander, Sara Hook, Dolores Hoyt, Elizabeth Johnson, Paul Joray, Thomas Mawhinney, Joseph Miller, Theodore Miller, James Patterson, Rebecca Porter, Victor Riemenschneider, Timothy Rivard, Linda Rooda, Carl Rothe, Martin Spechler, Richard Vaden, Marion Wagner, George Walker, Jeffrey Watt, Gary Wiggins, David Zaret, Brad Preamble.

Alternates Present: Shirley Nusbaum & Susan Kahn for Gerald Bepko, Mary Pagliero Popp for Donald Cunningham, Joyce Krothe for Jan Keffer, Eric Schansberg for Guy Wall.

Members Absent Without Alternates: David Fulton, Kenneth Gros Louis, Emita Hill, Kenneth Perrin, Hilda Richards, F.C. Richardson, Michael Wartell, Carolyn Calloway-Thomas, Edwin Fineberg, Bernd Fischer, Paul Galanti, Michael Grossberg, Kathleen Warfel, Adam Dickey, Jacob Manaloor, Joseph Mercer, David Orensten.

Visitors: Dan Rives, Julie Knost, Dottie Frapwell, Lora Baldin, Walter

Wagor, James Baldwin, Bart NG, Laura Nehf, Karen Gable, Judy Palmer, Cuthbert Scott, John Dalphin, Mark Wilson, Cathy Ludlum Foos, Emanuel Mickel, Michael McRobbie, Michael Dunn, Mike Wright.

Agenda

1. *Presiding Officer's Business*
(President Myles Brand)
2. *Agenda Committee Business*
(Professors Theodore Miller and Rebecca Porter)
3. *Question/Comment Period*
(President Brand and Professors Miller and Porter)
4. *Report on Architecture for the 21st Century: An Information Technology Strategic Plan for Indiana University*
(Professor Michael Mc Robbie, Vice President for Information Technology)
5. *Report on Financing the 18-20 Plan*
(Professor Richard Heinz, Faculty Compensation and Fringe Benefits Committee and 18-20 Financing Committee)

AGENDA ITEM #1: PRESIDING OFFICER'S BUSINESS

BRAND: I don't have any particular issues to bring forward under

Presiding Officer's Business. We will have our first budget hearing for the budget proposal before the legislature this week to the state budget committee. And we'll start a long process which won't end until the final decision in April or early May. This is before the elections so the people we're talking to later this week may not be the people who are in office later. So it is an early event. We have a pamphlet out which we'll distribute, and if you want a copy just email me and I'll tell you what our official budget request is, and we'll make that public on Thursday as well. With that, I'll turn to the Agenda Committee business.

AGENDA ITEM #2: AGENDA COMMITTEE BUSINESS

T. MILLER: On this day where our focus, in part, will be on information technology, I thought that I would just tell you, perhaps you all recognized this when it happened, but the agenda that was sent out for this meeting was sent to all Indiana University faculty. It is the first such UFC agenda ever to be distributed that way. I'm assuming that this actually worked. I haven't heard that it didn't. I also have not heard cries of outrage from faculty who viewed this as being junk mail that they would just as soon not ever receive again. Only two people asked to be taken off the list so far. In any event, this is something that I hope will prove to be useful to us as we go along through the year in informing the faculty on all campuses what the issues are that are being discussed at the UFC.

I also want to call your attention to the University Faculty Council home page. The address for this is www.indiana.edu/~ufc/. On this site you will find all kinds of information about the University Faculty Council that, no doubt, will be of interest to you. The list of policies that were distributed at the first meeting are there, although Carl Rothe has encouraged us, if I understand it correctly, to reorganize ourselves a little bit so that the structure of our site is a little better. We're working on that, Carl.

ROTHE: It's worse in Indianapolis. You're doing well.

T. MILLER: The other thing about the UFC Web site that I would just point out to you is that from that site it is possible to link to most of the other campus faculty governance organizations. We do not have links to a couple of the campuses, but most of them now have links that are active. And I'm hoping that this will also prove to be of value to us as we go along.

PORTER: My role is to say that the University Faculty Council Agenda Committee has several projects that we talked about, but they're in the works. So we don't have anything else to bring to you today. And we decided that we wanted to spend the majority of our time talking on the two main agenda items. So we're going to be brief, and that concludes my part.

AGENDA ITEM #3: QUESTION/COMMENT PERIOD

BRAND: The next agenda item is question and comment period. Does anyone have a question or comment?

SPECHLER: In President Brand's excellent State of the University address, which had many good points, he talked about the heart of Indiana University being the College of Arts and Sciences. I'm not a member of that College, but I do very much agree with him about that. And there have been some disturbing news reports about the College of Arts and Sciences which also reflect trends in liberal arts elsewhere in the university. Now, I'd like to ask Ted and Becky whether they're referring to the Educational Policies Committee the situation of liberal arts in the university and the incursions that have been made and requests for recommendations to (inaudible), what I think and I take it President Brand thinks, is a serious

problem.

BRAND: One minor correction, Martin. I believe I said, and I certainly intended to say, that it's the arts and sciences that are the heart of the university, not to single out any particular campus. Although some campuses have more faculty involved in it than others. But I meant, not the College of Arts and Sciences, but the disciplines of arts and sciences.

SPECHLER: I'm glad for that correction; however, I would say, being a member of another school of liberal arts, that the College of Arts and Sciences has been the heart of Indiana University really since its founding. And what's happening there is very disturbing and harmful to the rest of the university.

T. MILLER: Well, I would say the answer to your question, Martin, is no. We have not referred anything to the Educational Policies Committee along those lines. Now, perhaps we should. But right now I'd say the answer to your question is no.

SPECHLER: Well, Ted, I can't conceal the fact that your answer is a little disappointing. I think it's a rather serious matter of educational policy of what our philosophy is and what undergraduate education means at Indiana University. I said at our meeting last time that my understanding was that the first two years at Indiana University were uncommitted for the typical undergraduate. That the undergraduate was to have a chance to look around, to take a lot of courses, particularly in areas that he or she had never experienced, and then to make an informed choice of a major either within the liberal arts or elsewhere. I thought that was the tradition at Indiana University, and I thought it was a wonderful tradition. And I think that tradition has been unconsciously eroded.

BRAND: Martin, as you probably know, each campus has been asked to

review its general education requirements, including the Bloomington campus. And the Bloomington campus is hard at work at it. On your campus, for example, the University College has already made a good start on that as well. And some of the small campuses have also. So, I think your concerns are shared by many. They are certainly shared by me about the role of general education and arts and sciences, in particular, in general education. So I believe that work has been started. Specifically for the College, I think we have to be careful not to insert the authority of the governance bodies on the Bloomington campus. And I believe the Bloomington campus governance bodies are looking at that issue.

T. MILLER: Well, Martin, if the question is about general education, then I'll give you a different answer. I didn't interpret your question quite in those terms. Next week at the Bloomington Faculty Council meeting, Chancellor Gros Louis is going to make a speech about general education. He is going to make public a proposal for reform of the general education program on the Bloomington campus. That proposal will certainly be referred to the Educational Policies Committee for discussion. It is unclear to me at this time whether the BFC itself will vote on this proposal. I'm not sure whether it would be useful for the BFC to vote on this. But these proposals will certainly be sent off to the various schools and degree-granting units for their consideration, hopefully, to adopt what would be a new program of general education on the Bloomington campus.

BRAND: Any other comments or questions? Hearing and seeing none let us go on to the first main item of our agenda and that is the *Architecture for the 21st Century and Information Technology Strategic Plan for Indiana University*. And let me call on Vice President and professor Michael Mc Robbie to start the discussion.

**AGENDA ITEM #4: REPORT ON ARCHITECTURE FOR THE 21ST CENTURY:
AN INFORMATION TECHNOLOGY STRATEGIC PLAN FOR INDIANA
UNIVERSITY**

McROBBIE: How we're going to do this presentation is myself and Professor Mike Dunn, who was the chair of the committee who actually put together the Strategic Plan, are going to do this in half and half. I am going to speak, and I believe quite a few of you have heard some version of this before, and then Mike is going to take up the detailed recommendations and speak to those. Let me stress at the outset that as far as information technology is concerned, we work from certain premises and assumptions that I believe most people would share with us, that information technology is becoming fundamental to the teaching, learning, and scholarship missions of our universities. And that there are a whole variety of ways for transforming the way universities do business. And process, theoretically, alters the whole teaching and learning process of universities. And lastly, it is an essential tool for nearly all faculty, staff and students, and universities as well.

I've been in this position nearly two years and following the brief that President Brand has given me, I've been endeavoring to carry out some significant reforms of the information technology infrastructure of the university and also trying to build on various ways which I'll come to in a minute. Internally, a number of things are being done. We carried out a major reorganization of information technology and created the new university information technology services organization just over a year ago as well. We reviewed and reprioritized expenditures in a number of ways. There has been a substantial amount of work being done behind the scenes as a way to significantly improve the security of the university's information assets. We also carried out a restructuring and putting in place a new advisory committee structure to advise on information technology related matters across the university. And this culminated in the development of

the university Information Technology Strategic Plan earlier this year.

If I could just speak very briefly to some external accomplishments, and these are obviously of a whole different variety of areas. Firstly, last year there was the acquisition of a major (inaudible) highly funded (inaudible) for the SCAMP project. This is one of the most powerful computers at any university in this country at the moment. We established some major virtual reality (inaudible) at both the Bloomington and IUPUI campuses. The agreement with Microsoft, obviously, is worth (inaudible) that as of about today nearly 90,000 copies of Microsoft software have been distributed to faculty, staff, and students across the whole university. If you value that at shop prices the total value of that is about \$40 million dollars, which is considerably in excess of the total \$6 million cost of the whole agreement for four years. I think one aspect of Mr Gates' lecture yesterday was that it was very warmly received and I guess this is an implication of the fact that the agreement itself is being fairly well received.

I stress again, I'm sure that you all notice, but I stress again the agreement continues to be nonexclusive. We hope to be announcing soon a four-year agreement with another software vendor to continue the provision of the very advantageous terms of some other software that is very popular as well. We installed earlier this year a connection to a very high-speed (inaudible) network system the (inaudible) high-speed network that will be one of the fundamental pieces of infrastructure for new high-performance applications in the future. In conjunction with that and building upon it, we received additional funding from the state government that enabled us to become the network operation center for the (inaudible), where we bid out such competitors as IBM, AT&T, and Lucent, for that particular price. We're also establishing jointly with Purdue (inaudible) that is a point of (inaudible) traffic, of high-performance traffic within the state that can then go onto the high-performance network as well. We also received a \$10 million SF grant for high performance connection to the Asian-Pacific region. And we just carried out in the last two days the final phase of a

major series of modem upgrades which has addressed the long festering modem problem, particularly on the Bloomington campus, but we also experienced the same problem on the IUPUI campus about three or four weeks ago. Our figures show us, hopefully, most people should not receive any busy signals. There now seems to be adequate modem capacity to handle people's needs. I stress that this is only a temporary fix. I don't think this is ultimately a long-term solution. But for the moment, I think the terrible difficulties with adequate modem access for people off campus has been solved for the time being as well. And, of course, as I mentioned earlier, the lecture by Mr. Gates yesterday is obviously something to be very pleased with.

If I could just now briefly overview the strategic plan. It is, I believe, the most comprehensive information technology plan that has ever been put together at the university. It is university-wide in scope, (inaudible) takes five years. It takes ten recommendations (inaudible) proposed actions, I'm sure many people have read through it, and its goal is fundamentally to advance the university's leadership position on public universities through the implication and use of information technology. Now, in putting this plan together we started with the process very late last year or basically the beginning of this year. And the plan was put together in a very brisk time frame of five months. It was overseen by the University Information Technology Committee, that Professor Mike Dunn chairs, and it used input from various specialized task forces that correspond to divisions in the university information technology services. It involved input from the campus computing directors who represent the information technology organizations on the regional campuses, it involved input from the IUB and IUPUI campus IT councils. The entire faculty, staff, and student body were solicited in various ways for input into this and a significant amount was received. And UITS staff provided input into this process as well. So the whole process involved well over a 100, probably close to 200, people in putting this plan together.

If I could just make two comments, and then I'm going to turn it over to Professor Dunn. Firstly, the plan itself is not just a plan about the possible allocation of additional resources for technology from the state. It is meant to be much more comprehensive and far reaching. That is, it is meant to be a plan for the whole university and, hopefully, will be embraced (inaudible) throughout the university. To be successful it can't just rely on the significant amount of funding from one source. Obviously rely, and very importantly, involve the whole university community, the schools, the departments, faculty, staff, and students as well, if it's to be successful.

Secondly, as I said in the beginning of the strategic plan and repeated a number of times throughout it, the information technology is not an end in itself. It is a tool. And although one can occasionally get focused and sidetracked on a lot of the purely technological issues, at the end of the day it is how the tool is used that is critical. I will turn it over now to Professor Dunn to finish the presentation.

DUNN: Welcome to the second half of the Michael and Mike show. He's Michael, I'm Mike. I want to tell you a little bit about this plan. We're well aware that many of you have heard this in a previous Faculty Council meeting on your campus and that we should keep this as brief as possible. I'll just say a little bit about what is on each transparency. Don't worry; I'm going to go through the remaining half dozen or so, sort of like an airplane identification test, just so you can see the topic and moving on.

Here are the major themes. We tried to cut a middle course here. I must say I'm certainly not one of those people who believes in cyber everything. I don't believe in the cyber university. There will be a real place for universities, as attractive as the one that we have in Bloomington, as attractive as the one in IUPUI is beginning to be, a truly urban university.

And I don't have the pleasure of visiting all the smaller campuses, but we certainly have a need in our communities for ways that IU can reach out and "touch someone" which isn't simply sort of web based or technology based. So although I believe that this transformation has limits, I also believe it is quite profound. And that was certainly an assumption of our committee. We thought that access to information, computing, and communication was one of the most serious issues. If we're going to have faculty and staff and students committed to using computers, they have to be able to get access off campus. It's sort of unrealistic to take a moral stance and say people should use their offices or students should go to clusters. The truth of the matter is that a lot of faculty prepare their courses or even do their research late at night or in the middle of the night, as certainly do students. You heard about the improvement of the modem pool. As Michael said, that's a short-term solution at best. And what we were proposing in the plan is a way being found to solve this problem, perhaps by working with third party vendors, because it's very difficult to solve the problem on one's own. Indianapolis is probably a better place than Bloomington, for example, in terms of what people might be doing with the infrastructure of the city. But we need to solve the problem for Bloomington too.

The other important theme that emerged was life cycle funding. I think many of you have computers supplied to you by your departments. The technological currency of a computer is anywhere from 9 to 18 months. The functional use is anywhere from maybe three to five years. In many instances, we're not keeping up. We know that there are parts of the university where only, say, one-fourth of the people have Pentium type machines or the equivalent. So those are some of the main themes.

I want to just show you the ten recommendations. Again, many of you have seen these before. But it gives you some idea of the breadth. The sound fiscal planning, the access to network resources, I've already talked

about. One that is of particular interest, I would think, to the Faculty Councils is the issue of faculty and staff engagement. And, perhaps, the most controversial element there is that we need some recognition in merit reviews, whether it is for salary, tenure, or promotion, of the creative use and application of information technology. I don't say the mere use, but where people have actually spent a lot of time and talent and thought, there should at least be some recognition of that effort in various merit reviews. Teaching and learning, research, university information systems, telecommunications convergence, I think more or less, speak for themselves.

You can quickly guess what some of the issues are there. Student computing, I mentioned. Digital libraries, that's one of the places along with research where we have contact entering into the system. Of course, universities are traditionally the providers and the maintainers of content. Security, as Michael says, it doesn't get headline news. In fact, you don't want it to. But it's still a very important issue. I'm not going to take the time, since we did promise to keep this to about fifteen minutes, to go through these. But, obviously, we need to plan for sound fiscal planning. And access to network resources, I made the point that we need access from office, at home, etc. And there are clinical settings too. It is getting more like the airplane identification test, isn't it? This is the one I talked about that I think is of most interest to this body which is Institutional Commitment: Faculty and Staff Engagement. Faculty are notoriously poor at "being trained." And yet there are many things many of us could benefit in knowing about how to use the very things we are probably using today. And the challenge would be to have some way to provide faculty with the kind of help they might need, the kind of incentives they might need, and so on, to engage in the use of information technology in their teaching and research. I remember when the present Bloomington campus phone system was put in some time ago. Someone optimistically told me, "Oh, don't worry, we're going to have training for faculty." I certainly didn't participate in any training session. I suspect no one else did either. This is also, as faculty members, something we should all be interested in.

We need to be more involved in using computers and teaching and learning.

And there is this idea now of distributed education which is a very interesting idea. It's very different than distant education. Distributed education can occur on a single campus, but it means essentially that students have access to you not just during your office hours and not just during the class, but at, basically, any time over the computer, and have access not just to you but to various materials that might be relevant to your course. A web page would be a very simple model of this. And all I'm going to say is we have topics as well on research and university information systems (the present student information system is growing increasingly obsolete, it needs to be updated); telecommunications, some recommendations there; student computing; digital libraries; and security.

I do want to end, I'm sure you want me to end too, with an overview of the consultation process and the implementation process. As Michael mentioned, we had 100 to 200 faculty, staff, and students involved in the creation of the plan this past year, with the Information Technology Committee and four task forces. What we planned this year and what we're doing right now is consulting with a wide variety of groups. There are about 50 meetings planned in all. They're with faculty, such as yourself, they're with deans, they're with students, and so on. We're gathering comments on the plan, and advice as to priorities is particularly sought. The task forces and the Information Technology Committee will meet near the end of this process to try to digest all of that and perhaps make their own recommendations to Vice President Mc Robbie. And I think, surely, is something that they'll want to do. Incidentally, there is the new address for email if you want to send your comments. They will be read.

And I thought I'd talk just a little bit about implementation, just a minute or two, since it's on everybody's mind. Basically, I think the question you probably have, I certainly would have if I were sitting in your places, is

where is the money coming from? Hope it's not my department. What is going on here is you've got to remember that implementation can just sort of reutilize existing resources in a way that is more focused. And that basically means that we'll involve many continued ongoing activities, but hopefully improved, reshaping or refining other activities, and starting new initiatives and programs. That last, of course, requires funds unless it can be generated by internal allocation. The sorts of things we're talking about can't be in all instances, surely. It's worth noting that the state has provided in a temporary way money for information technology — 1 percent for last year, 2 percent for this current year. And it's my understanding, Myles correct me if I'm wrong, that this is going to be an ongoing effort to try to get the state to build that into the budget. That is a fair amount of money. A fair amount can be accomplished with that. It's on the order of \$14 million dollars or so. We also hope, of course, to get internal and external partnerships (one can think about the talk yesterday and dream), but surely there are ways of getting money from the outside. One thing I would like to stress is that the plan is a plan, as Michael said, not just for university information technology services as a bureaucratic unit, but it's for the university as a whole. And it invites schools and departments to create their own information technology plans. In that process, we're hopeful that schools and departments will become committed and engage in the plan, perhaps with funds they already are spending but maybe not spending quite the right way or something like that. And this will help reinforce the plan. Of course, the office of (inaudible) as well, that is they may decide that they have funding problems and they can't help. I just want to stress that the full implementation of the plan isn't in the hands of university information technology services. It's going to be decisions by deans, by department chairs, and so on, that tell us ultimately how fully the plan integrates within Indiana University. I think I'll stop there. Remember, I'm Mike, he's Michael when you ask questions.

MAWHINNEY: I'd like to know what the email address was. You said any questions or comments could be funneled through there.

DUNN: I believe it's itplan@indiana.edu.

SPECHLER: Well, this plan reminds me of the gorilla that swallowed Cleveland. It's a very good gorilla, but Cleveland isn't so bad either. And my question has to do with the relative weight of information technology which we all by now use and appreciate. Don't get me wrong. And the broader technology uses of the university, for example, electron microscopes for the teaching of biology, is a very important matter. Now, if I'm not wrong, the superset allocated by the legislature was for technology, not necessarily for information technology. I'm aware that information technology is a very important part of that. But I'd like to know whether the university is committed to spend some of this technology fund for the noninformational technology such as electron microscopes for the teaching of biology.

McROBBIE: My understanding is that 2 percent is precisely for information technology, and that sometimes the word technology is obviously used as (inaudible).

BRAND: Mike, let me try that as well. The legislature allocated incremental funds for information technology. And the continuation of that request is for information technology. In addition, we are requesting funds for information and scientific infrastructure in this coming biennium which includes electron microscopes and a lot of other things as well.

SPECHLER: Is the same thing true, President Brand, of the technology fund which is (inaudible) from the student?

BRAND: The student technology fund is to be used by students for

information technology. And, indeed, that is what it is used for.

SPECHLER: That's good news that there will be money for this other important aspect of technology.

BRAND: Martin, a request and an argument and a high priority — let's not spend it yet.

ROODA: I'm Linda Rooda from the Northwest campus, and as you know that is a nonresidential campus. And this reality places heavy demands on our limited (inaudible), laboratory space, and also demands for long distance dial-in rates. And my colleague reminds me that sometime back there was an initiative for a state-wide local dial-in network. Can you shed any light on that or give us any update or information about that?

McROBBIE: Well, what we're looking at at the moment is putting together a (inaudible) request for information to the carriers and vendors. We want to test the market to see whether the market is going to offer dial-in services at cheaper, more effective rates (inaudible). But in particular, we're looking at a service that would provide local dial-tone costs from campus to campus. (Inaudible). I'll have to check, but I'm pretty certain that on your campus at the moment you have dial-in mode of service. And that's a local service. You don't have to dial in to one of the larger campuses. I take it your point is when you're outside the (inaudible) it is going to cost you more. So that's certainly something we're looking at. I think the (inaudible) environment is improving over time, there is significant new competition moving into this area. Ameritech has been pretty much the (inaudible) until recently we have seen quite (inaudible) competition just starting to emerge to Ameritech from a number of other carriers.

HOYT: Two things that came up at the Faculty Council presentation were

the concerns about the future spending patterns, I think relating to something that was said here too, about the commuter campuses and the reliance that we have (inaudible) and try to introduce more technology. At the same time, not having very good responses and modem pools etc. for people to dial in on commuter campuses, particularly where there are so many things that aren't hard wired. And it was brought out that the numbers were just surprising. It said there were 1300 access points to the modem pool in Bloomington and 400 in Indianapolis at a time when you've got a considerable student body, around 28,000, and most people dialing in from different ways. So it was sort of a shock. I know you may consider that a (inaudible), and that you can never have too many modems. But I hope the distribution for that on other campuses won't be placed on past practices but will look at what the needs are statewide and try to address that.

McROBBIE: Well, there's a series of different points in your question. One of them has to do with what's the right percentage of modems in a population. The (inaudible) provide commercial dial-up services with a ratio of about 15/1. So if you look at the number of actual accounts we have, say on the Bloomington campus and the IUPUI campus, then the ratios we have are about right. They're probably not exactly the 15/1 ratio, but they're in that vicinity right now. At the moment, based on our statistics, neither pool is oversubscribed.

Is this a good business to ultimately be in? (I'm using business in sort of a general sense). It's an area that advantages those people who can buy PRIs, that is the basic lines that you use for this on a bulk basis; it's advantages to people who can buy lots of modem banks on a bulk basis. The advantage is the people who are (inaudible) just for the spaces. And an advantage is carriers or people with close relationships with carriers can trunk information from certain points to other points at very advantageous rates. So at some point, and I don't think we are quite there, but at some

point it becomes significantly more economical to actually consider outsourcing this kind of service. There are some things we outsource and there are some things we don't. This is a service which may sooner or later make sense to look at outsourcing. There is a whole range of different alternatives here. Another alternative is to provide a certain base level of level of connectivity which might be relatively congested, but beyond that one actually has to provide some funding to get a more significant level of connectivity. This is going to happen anyway whether people want higher speed (inaudible). At the moment you incorporate telephone and modem connections. There is simply no way without significant taxes on the university, I don't think anybody is prepared to stand for that, to provide higher standard modem service or even technologies beyond that to provide high-speed modem services. So the only way that those services are going to be introduced to the university and across campuses in the long run, or even in the short run, is through a partnership with one of the carriers or one of the vendors. But we can see those kinds of services starting to happen now. There are some universities that already have partnerships with vendors nationally who are providing those kinds of services for a charge. (Inaudible).

BRAND: Michael, are you then suggesting that over time the use of information technology can no longer remain as a free good?

McROBBIE: I think that is certainly true of certain aspects of information technology, that you can provide them as a free good up to a point, but as the amount of services keep increasing you basically have two fundamental choices: you're either start charging for it or you have to increase taxes. It is as simple as that.

DUNN: It seems to me that it's clear in the long run, quoting Bill Gates essentially from yesterday, that the information technology you have in your home, the PC, as he liked to refer to it even though it could be

connected to your television, is going to be so ubiquitous that people will assume they pay for that just as we now assume we pay for telephones. It's the period in between now and then that is very tricky.

T. MILLER: Could I follow up on that? One of the points that concerns me about this particular discussion about outsourcing connectivity has to do with some licensing questions. And we now have in our libraries, for example, resources that are accessible to people whose computers are connected to the IU network. If I come in from America Online, I don't have access to those materials. Is that an issue that we can get past?

McROBBIE: That can be solved easily. That's just a simple technical issue.

T. MILLER: If these resources were opened up to anybody on the Internet, (inaudible).

McROBBIE: But you have to have a valid IU account of some kind. It has to be authenticated through some mechanism — through passwords and user names, and so on — to get into those resources.

ROTHER: But it's not there yet.

McROBBIE: Depending on what the resources are?

ROTHER: Could that outsourcing come into IU simply with the proper (inaudible).

[Tape break; some words were lost.]

J. MILLER: How are we going to measure how well we're achieving these objectives, the performance standards? The university's already spending a

great deal and plans to spend a great deal more. But our choice is, as Mr. Gates tells us, is going to increase exponentially over the next several decades, several years, so it seems to me that there should be in any strategic plan, but especially this one, a mechanism, a set of carefully defined procedures for evaluating performance.

DUNN: Actually, we do call for an assessment. And you're absolutely right, it is an important thing to do. There was just a little footnote there that the planning committee made, and it essentially was this: where things are rapidly changing, you don't want to be so conservative that you're only basing assessment on things that are already in place, and you're only doing the things that tried and true. So we sort of said assessment has to be (inaudible) with some bold initiatives once in a while. But you're absolutely right. One wants even a record of whether one's bold initiatives have been, by and large, worth making.

SPECHLER: Another thing that appears to be missing from the plan, and maybe even more urgent than Joe's suggestion, is a sense of temporal priority in these many actions. Ordinarily, the university's temporal priority, what we do first, what we do second, is determined by urgency, political pressure, and cost. But in the technology area what we want to avoid is investing too heavily in an obsolete or obsolescent technology which will need to be replaced in the foreseeable future — foreseeable by you but not by us — which appears to be a crucial role for the information technology people. I'd like to urge you to work a little bit more on the temporal priority for these many and somewhat costly measures to avoid waste over the next 10 or 20 years.

McROBBIE: In the process of putting that plan together, the two areas that really emerged sort of naturally as the highest priorities, in a relatively loose sense, among most of the people involved in the process was the access question and the other was the question of life-cycle funding for

information technology. Now, the whole point of this process that we are engaged in now is that we're seeking your comments as to what you think the priorities are. It may be that collectively around the room you want to tell me that access is, in fact, as completely unimportant to you and every single penny in information technology should go into one giant super computer. But I really would be most grateful for people's comments as to what they think the key priorities are here. We're about halfway through this process. We are finding, roughly, people's comments on those couple of major priorities, and then people will pick up some of the other areas as being extremely important to them as well.

On the question of obsolescence, this is sort of a fundamental problem. (Inaudible). And one of the questions that I always like to ask somebody in his position, which I asked (inaudible), how long is this rate of change going to continue? Because ultimately, it is the rate of change that is really driving everything. And Gates' himself says that they can at least see out six years, that the rate of change will at least continue that long. After that it becomes a question of solving some engineering problems that (inaudible). Now, other people will tell you that (inaudible) those engineering questions as well. What that means is that you have to avoid falling into the trap of avoiding investment now because something bigger is going to come along. You know scientifically or most certainly that something better is going to come along. But if you don't

invest now, the problem that you're going to have is that you're not going to be competitive against those people who are investing now.

HOYT: We need to recognize that the students do have use of public computers also in the libraries as well as the student clusters and, as was mentioned, the residence halls, but some may fall into one of the etc. But just to realize, that's another group that needs to be kept parallel, on the same level of other things going on, so students can move from one

environment to the other and have some commonality.

JORAY: This may be beyond the committee's scope and task, but one of the things that concerns me, I'm from the South Bend campus, is that we're spending a lot of money and a lot of time and a lot of effort that I think on our campus is going to give more access and better help to the students who already have all the advantages. And it's going to give them more of an advantage relative to the students on our campus that already have a lot of disadvantages – poverty, less access to transportation, and those types of things. When you have on campus students, you saw that by locating (inaudible) facilities. But what do we do on our campus? It really does concern me to sit here and listen to this, because we're talking about a lot of funds. And it will probably exacerbate to some extent the advantages that (inaudible).

DUNN: I guess I'll take the first stab at that. I agree 100 percent. It's a serious problem. And technologically the rich get richer. But I think it probably is generally outside of the purview of my committee, but I would think that are some solutions that can be found. I know some universities are giving money for computers or computers themselves as far as scholarship programs. And that would help address, imperfectly, but certainly would help address that problem. And you're quite right. I taught at (inaudible) State. That was my first job. It was an urban university. Some of the best students I taught, I taught at night. They were taxi cab drivers and what not. They weren't hanging around the university. They were going home tired or they were going back to work. They can't hang around a computer cluster the way a residential student can. So it's a serious problem. And I hope that appropriate roots might try to address that through scholarships.

McROBBIE: I have a comment too. It's not just coincidental that the two areas I mentioned before have emerged as top priority because at the end

of the day (inaudible). Simply the question of having equipment that is at least roughly at something like the state of the art as opposed to equipment that is obsolete. It means that people can't run multi-software packages like their colleagues (inaudible).

Finally, another area is the accessibility of your information resources. The more accessible you can make your information resources at the institution larger, the support of libraries and student information systems, (inaudible), the more I think you can advantage people who are in disadvantaged situations. You can give them information that they can then make use of to improve their ability to succeed in their courses or make it easy for them to find the right match between their needs and the institution and so on. (Inaudible).

DUNN: I want to add one last thing. I think on the part of the disadvantage, there is some recognition of this issue and in many ways are trying to deal with it. I saw an encouraging statistic not long ago, which I found hard to believe, but the percentage of minority households that own computers is higher than the average. So that doesn't say the problem is solved, but it does show that there's an awareness of the importance of learning and keeping abreast of developments and information technology. And, yet, I would think that there might be a way a university could respond to some help.

P. BRANTLINGER: Yes. If I can just follow up on that question. One of the places where your report touches upon curricular matters and how classroom practices might change is on page 19 where you talk about basic skills. I was remembering as you were talking about inequities, resources, the advantage versus the disadvantage, this section of the report deals with basic skills courses, one of the many places, of course, in which your report has implications for curricular matters. I just want to point to two issues. I'm sure you're aware of them. We're all aware of the dangers of the kinds

of possible uses of technology to replace face-to-face teaching. But in the first paragraph under Basic Skills on page 19 it says, "There are now a number of computer-based commercial systems in use at other universities, which claim to have," I want to underline that, "which claim to have great success at efficiently solving this problem." I have no doubt that computer technologies can enhance the teaching of many subjects, including elementary language instruction, which is mentioned here, or elementary mathematics, which is mentioned here, or in my own discipline, English. I'm very skeptical about notions of technology replacing, whether it's distance education or in this report, replacing actual face-to-face classroom instruction. The other issue, of course, which is implicit here, or the other danger is precisely displacing those people who are now teaching basic skills courses on all of our campuses, that is either part-time instructors or associate instructors.

DUNN: You're right. We're aware of these problems, and I don't think there was anyone on the committee who thought that we could replace people with wired boxes. That's far from any standpoint that we had in mind. On the other hand, as you say, there are ways of enhancing what we already do. One can certainly match in the language labs, students having almost a one-on-one contact in terms of their understanding and their pronunciation and so on, which they'll never get in our wildest dreams with a professor teaching as many students as they do. I think the committee had in mind more of that kind of thing where computers had a use and where it could be proven they had a use. We can try it and see if it works or not. But certainly, you're quite right, Pat.

PORTER: An ongoing question has been, after we complete all this process of collecting information, how and who is going to be making the decision on expenditure of state dollars?

McROBBIE: As Mike indicated, we engage in a final review of the problems

towards the end of the year. And then I guess as far as the 2 percent funding is concerned, that is something I'll be talking to President Brand about based on my perception of the priorities as I pick them up through the numerous meetings, such as this, I have been to, and other discussions, and in the final discussions of the UITC.

PATTERSON: She sort of asked my question, but let me take it one step further. Just in terms of a model for allocating those dollars, how are you going to do that? Are you going to do it by objective? Or by school? Or just what? That sort of weighs a lot in what Becky was saying. As an example, my coming from the Business School here in Bloomington might really have quite different needs than Carl in some areas, but quite common needs in others. I was just wondering how allocations are going to be performed across units or across objectives?

McROBBIE: It will be based fundamentally on the perception of the priorities and recommendations of the Strategic Planning Committee. If the message we are picking up as we go from meeting to meeting is that the recommendation is universally acclaimed and see that as a top priority, then it obviously is going to get significantly more resources (inaudible). It will be a matter of trying to fit resources into priorities that will far outweigh (inaudible). Let me also stress the point that Mike made before, that obviously the 2 percent funding is going to be important in how it enables us to address some of these concerns. We will, to a certain extent, not have succeeded if all we succeed in doing is dispersing in a reasonably effective way the 2 percent of money. I think the whole idea of the plan is to have it embraced more broadly, and I'll be much worried about it (inaudible), but for it to be embraced more broadly and to become sort of a template that people can use to restructure their own thinking in information technology, whether it be individuals, or departments, or schools, within the university. There are strategic things that have developed there that if people are to pick these up and make those part of

the bedrock in their organization, it will both advantage them and advantage the university more generally.

PATTERSON: Following up on what Joseph Miller said, if we have objectives and the state wants to know what we've done with our 2 percent, we can say look, we did this and that and the other. And we have done good.

McROBBIE: Precisely. (Inaudible).

RIEMENSCHNEIDER: I have one other question concerning the Institutional Commitment: Faculty and Staff Engagement, and it says, "Ways must be found to move faculty and staff along the ever increasing learning curve associated with mastering and keeping up to date with the information technologies relevant to their work." I hope in the decision making that some consideration is given to the kinds of commitment this involves in making changes. If I think, over the years, the amount of time I've spent in learning new technologies and trying to help colleagues as we transform from one technology to another or change over to a different word processor system, I hope that when we're making these changes that this time commitment is taken into consideration. I think it does tie up a lot of faculty time.

DUNN: I agree 100 percent. I've been there, done that with respect to learning new word processors and whatsoever. That's why we think it's important in merit reviews — this time and energy and talent be taken into account where it's something that's non-routine. And the other thing I want to say is, notice the plan steps back from doing anything like requiring all faculty to use information technology. We want the creative use and application of information technology in the support of other activities, primarily for faculty members, teaching, and research. So this allows someone who, a quite famous person, has done some work on the

theory of computers, substantial work, but used the yellow pad and pencil to do all this work. This doesn't forbid that. This doesn't forbid people teaching romantic poetry out underneath a

tree. And some universities have gone rather extreme on this issue. We tried not to. There are a lot of options out there for the appropriate use of information technology.

BRAND: We'll have two more questions and then we'll stop.

ZARET: When you come back and tell the university and the state what was accomplished by this initiative in a few years, will you present it with an overhead projector? [Laughter].

McROBBIE: It's possible. (Inaudible).

DUNN: Besides, I asked him not to use PowerPoint, because I wouldn't know how to use it. [Laughter].

BRAND: Please, we need to move on. Is there a last question?

T. MILLER: Yes, I'd just like to remind all of you that one of the standing committees of the University Faculty Council is the Technology Policies Committee, chaired this year by Jim Patterson and Carl Rothe. And in addition to sending your comments to IT plan, I would encourage you also that if you have thoughts about the direction we're going in this area, please keep in touch with the Technology Policies Committee as well. One of the things that the committee will be doing this year is trying to look closely at the plan and provide an independent source of advice to the President and to Vice President Mc Robbie on these matters. So, please keep that committee in mind.

DUNN: If I could add one thing. Carl Rothe and Ted Miller, and maybe

others that I'm forgetting, are actually on the UITC committee. So you can obviously contact them and have some direct influence on at least two committee members.

BRAND: I should tell you so that we're all on the same track about that 2 percent funding. We received one-time monies this past biennium. The legislature has not yet put it in our base funding. In addition, for our quality improvement incremental request, there is IT money in it, as well as for scientific infrastructure. So the 2 percent is not yet in our base budget.

That needs to be negotiated through this legislative session. I'm highly optimistic about it, but it's not yet done. And, obviously, the ability to carry through with these initiatives in any kind of reasonable speed is going to depend upon incremental state funding. So I just want us all to be on the same track and keep our expectations realistic. Let me move on now to the next issue which is the report on financing the 18-20 Plan. Dan, are you going to do this? No. Okay, Dick Heinz is going to do it. You are going to use PowerPoint, is that right? [Laughter].

AGENDA ITEM #5: FINANCING THE 18-20 PLAN

HEINZ: You all should have received a copy of our report, and I hope you've read it. What I'll be doing is going through and talking about some of the highlights. 18-20, as you know, is an early retirement program that is no longer offered to new hires. As of January 1, 1989, if you were hired with Indiana University, you were not allowed to be on 18-20. The 18-20 Financing Committee was charged with coming up with a scheme to finance the 18-20 costs. And the one condition that was imposed on this is that we were not to change 18-20 itself. So we could not change the program, but we were to come up with a way to finance the program. When we did our calculations we looked at the two early retirement programs that are now in existence. There is 18-20, and there is another program called IUSERP. IUSERP is the early retirement program for those

hired after 1989. The cost of IUSERP is represented in the lower plot. And as you see, when we hire more and more faculty that cost is going up. And the cost of 18-20 is indicated in this upper plot. And the cost peaks up and then goes down to zero, of course, when the very last person who is on 18-20 leaves at 2031. And that person is a known person. I don't know who he or she is. But that person was hired just before the deadline at a young age, so that person will go out in 2031.

The red curve is a sum of the two yellow curves. The red curve represents the total early retirement costs that the university faces. We used a 5 percent projection into the future to talk about future dollars, 5 percent per year. We looked at other possible scenarios, 3 percent, 4 percent, no percent, but the basic idea behind the report doesn't change. So we thought for simplicity, we chose just the 5 percent projection into the future. And when you take 5 percent, you see that our worst year is about 2016 when we require \$106 million in that one year alone, just for early retirement. So this next plot contains the red curve. That is the same red curve that was in the previous plot. It's the total early retirement cost. The yellow curve is how much we're putting in the base budget to pay for these costs. So on the left here, which is 1999 (and in writing here we even told you the case in 1998), we had costs of around \$29 million. And those costs were paid for from the base budget. If we grow the base budget by 5 percent per year, that gives us the yellow curve that's growing up. But even so, the yellow curve is below the red curve. That means we have a deficit. And the amount of the deficit between now and the year 2021 is \$642 million dollars. That is the amount of the deficit. The total amount that we need to come up with going out to 2031 is \$2.4 billion dollars. This was a rather intimidating amount until I heard yesterday at the university lecture, (inaudible). [Laughter]. But for us, \$2.4 billion is a little more of a serious problem, so it took maybe seven months, in just a short time, to come up with some solutions that are presented in the report. Also, it isn't that easy to grow the base budget 5

percent per year. As it grows, we're talking about paying \$90 million dollars out of the base budget in the year 2022 and still having a \$640 million shortfall up until that time.

The committee was headed by Vice President Judy Palmer, who is here today. And she can help answer questions. There were three subcommittees, a Benefit subcommittee, which I chaired; a Budget subcommittee, chaired by Al Ruesink from Bloomington and Roger Keck from IUPUI; and a Long-Term Financing subcommittee chaired by Robert Klemkosky of Bloomington.

And now I'd like to share with you the four recommendations coming from the committee. These recommendations stem from all three subcommittees, and they're blended together in a way in which we have a plan now to finance all of 18-20. The first proposal is for new hires, say after July 1 of next year. Their retirement, not early retirement, but retirement percentage would drop to 10 percent. And there would be no early retirement. Right now if you were hired today as a faculty member, you would receive 12 percent for your retirement and another 2.4 percent during early retirement. That would add up to 14.4 percent, and the committee recommends that this be reduced to 10 percent and it all be for your regular retirement. This, of course, can be either TIAA-CREF or Fidelity. This allows resources that otherwise would have gone to the fringe benefits of new hires to be reallocated to help pay for the 18-20. And this reduction to 10 percent would apply to staff as well. There are some staff that get 11.25 percent, something like that, and they would be truncated down to 10 percent as well. So this is one of the proposals. And the rationale for this proposal comes from this chart where we show what other Big Ten universities are paying for the retirement of their employees. And if you look in the middle here, you see that there are five universities, all of which pay 16.2 percent. This chart happens to include Social Security which is 6.2 percent. So you see that five universities pay

exactly 10 percent into plain retirement. There are three universities that pay less, although two of them do not include Social Security, so it's a little confusing to compare. And then Minnesota and Purdue pay more. So when we chose 10 percent, we thought that we would be right in the midpoint of what the other Big Ten universities are offering. That means in recruiting, for example, we'd be on an equal footing with other Big Ten universities, and we can recruit with salaries that match the market with a retirement plan that now matches the market. If your retirement plan is too high, employees, or potential employees, will tend to discount the benefit of that, because they don't think they're ever going to retire. They're just looking at next year and looking at a salary. So we can maintain our competitiveness in salaries and not put money into some sort of retirement that perhaps isn't valued so highly by that prospective employee. And it is noteworthy that as of today only IU has an early retirement program, and if this proposal goes through, then we will not have it after next July 1 for new hires. However, your regular TIAA-CREF can be used for early retirement. You can take it the age of 55 or later. So, in effect, TIAA-CREF allows you to retire early if you would like to.

The next proposal we call the Retention Incentive Plan. This is a scheme whereby faculty who otherwise could retire under 18-20 are given an incentive not to retire. But not all faculty are given this incentive. Only those faculty who are making a good contribution to the university would be offered perhaps 20 percent of their salary as a supplemental salary to entice them to stay on working at the university as full-time faculty members. In addition, they would stay on the regular health care plan, which is a big advantage compared to the retiree's health care plan.

So to get this started, to mark you as one of these people the University would like to retain, your health is good (mental and physical, let's say), and you're doing a good job in the classroom and or in the laboratory or whatever, this is started by giving you \$5000 that would come from your

department into a research account which could be used for research, for travel, professional means, and any professional purpose. And then starting the next year when you're 65, you would be given approximately 20 percent as a supplemental compensation. This 20 percent would come from the 18-20 pool. If you're a good faculty member, we'd rather keep you on at 20 percent rather than let you go at 100 percent and replace you at a much higher level than the 20 percent. So we think of this proposal as a way of improving the overall quality of the faculty, because this will not be offered to anyone. It will be offered to those productive faculty members who are 64 or 65. And in addition, as we'll see in a minute, it greatly lowers the cost of 18-20.

We had to make some assumptions as to how effective this program would be in order to calculate the savings. So we just assumed that 40 percent of those reaching age 64 would be offered this incentive. That could be way off. Maybe in some departments it will 70 percent or 80 percent. There's no limit on how many can people get this. The only important thing is that those who are making a strong contribution get it. Then we assume that 80 percent of those getting the offer take it, which gives us 32 percent that will perhaps stay on. And then we assume that they don't stay on the whole 5 years, we're just saying that on the average they'll stay on for 2 ½ years. And this turns out to generate \$220 million over these next 30 years. It's a big savings. And this savings immediately is a reduction in the cost of 18-20. Because that's \$220 million that we don't have to pay out in 18-20 costs.

Our third recommendation is a 20 percent base budget reallocation. Departments that have someone go out and take 18-20 then will have to reallocate 20 percent of that person's salary into the 18-20 pool of money only for the duration of time that that person is on 18-20. And the rationale for this proposal is that if you have a full professor, say, who earns \$100,000 and retires, that you should be able to replace that full professor

with, say, an assistant professor at a much lower salary than the \$100,000. So if you retain \$80,000, in this example, you should have plenty of money to replace the person going on 18-20. And this turns out to generate about \$270 million through the year 2031. And this is a reallocation of funds, because this 18-20 is collecting funds from departments that are sending people out onto the retirement plan.

And our fourth proposal involves some financing. And it turns out it's quite hard to finance money externally. There are all sorts of implications on our bond ratings and so forth. So the first three proposals address so much of the problem that the amount of financing we need is quite minor. And we propose just to get it from the university reserves. That is, in effect, borrow from ourselves.

These four proposals are embodied in this next plot. This next plot is complicated, but it's quite concise and it's quite accurate. And if you understand this plot, then I would say you understand the report. The green line is the total cost now of 18-20 and IUSERP. The green line comes from the red line that was on the first plot, except now we've reduced that cost that was the red line by the amount of the retention incentive. Because, if we have an incentive to retain people who aren't going on 18-20, that lowers the cost of 18-20. For example, in our peak year, our worst year, 2016, we used to require \$106 million, and now we require \$93 million. So of the four proposals, the one proposal, the retention incentive, is in the green plot, lowering the cost. The yellow curve contains three components: 1) What is the base budget, which grows. Now, it doesn't grow 5 percent. We tinkered with that a little bit. We grew it a little bit more in the beginning years and a little bit less in the later years. The yellow curve has the base budget. 2) It has the savings from offering new hires 10 percent for their retirement. 3) And finally, it has this 20 percent base budget reallocation coming from departments for whom their faculty have gone onto 18-20.

So the yellow curve is the sum of the three components which I just went through. And you notice now the yellow curve is looking pretty close to the green curve, which is a good thing. The yellow curve is still a little bit underneath the green curve, and that's where this internal financing comes in. So we have to borrow a little bit from the university in these early years, allowing interest to be paid back to university reserves from the university itself. The worst debt we accumulate through this time frame is \$24 million, which is a small amount compared to the total university reserves. You notice the yellow curve looks like it's going to be shooting way above the green curve, and I'll have something to say about that in the end. I'll take questions at the end, but does anyone have a question about this plot?

T. MILLER: There is something that I guess I didn't hear the first time I heard this presentation. You said the green line is the total expenditures for 18-20 and IUSERP?

HEINZ: Yes.

T. MILLER: So does that mean that we're now proposing to fund the IUSERP program through these cuts and reallocations and so forth?

HEINZ: IUSERP has been funded all along as we go. Dan Rives did, essentially, all these calculations and at the very outset of our committee's work, he chose to add the two together. It seemed like a reasonable thing to do, because we have to pay for IUSERP. And they're both early retirement programs.

T. MILLER: But IUSERP is not going to be paid for out of the 18-20.

RIVES: Both retirement plans are funded by one pool or one tax to the departments. So whether it's 18-20 or IUSERP, there is still that \$2.4

billion over between now and 2031 that has to come from somewhere. And so what we're trying to do is finance early retirement plans for all, 18-20 and IUSERP. Now, 18-20 is the vast majority of the cost. IUSERP grows very slowly, but it's still there. It's still the cost of the institution.

T. MILLER: But IUSERP is supposed to be a funded program.

RIVES: It is funded from the participant's perspective, but funds have to come from departments. So every year we have to pay for it. And that's what we have to get from the departments every year.

HEINZ: Is there another question on this plot? I've been presenting this as a member of the Finance Committee. Michael Downs is here who is on the committee, Dottie Frapwell is on the committee, Dan Rives is on the committee, and as I said earlier, Vice President Palmer is on the committee, and she is here. These people are all here, and we can answer your questions. However, before we go to those questions, let me say that I'm also co-chair of our Faculty Council's Compensation and Benefits Committee and Bart NG is also co-chair. Our committee met this morning to talk about the report. Previously, the IUPUI Fringe Benefits Committee and the Bloomington Fringe Benefits Committee also met to talk about the report.

The committee that met this morning, our committee, has two issues that they would like to raise, two concerns. And one of the concerns has to do with this last plot where the funds that we have to pay for early retirement way overshoot the costs of early retirement in the year 2016. The report focuses almost exclusively on the problem of paying the 18-20 costs because that was the charge to our committee and that's what we focused on. But in the process of solving that problem of financing 18-20, we've generated this huge amount of funds that is going to start becoming available at 2016. And the question is, since our report didn't address that issue,

what is going to happen to that money? We're looking at it from another point of view, since Bart is a mathematics professor he said we didn't get any money externally to pay for early retirement, so we got it internally. We took it from somewhere, let's put it back. And he's concerned about the putting back part. And so that's one concern I'm relaying to you from the Fringe Benefits Committee. The other concern has to do with this 20 percent reallocation from departments when you have someone go onto 18-20. This isn't going to always work. There are some departments that are unable to replace someone, even though they have 80 percent of that person's money. Henry, what was the term we used?

BESCH: Salary compression.

HEINZ: Salary compression for older faculty. So we have some older faculty who are working at a much lower salary than they probably deserve. And when they retire, you can't replace them. So those are the two concerns. Now, the first concern we already raised within the 18-20 Financing Committee, so I know the answer to that and that is the university isn't going to stand by and apply some formula that appears in a report in some cold isolated way and say that's just the way it is, take it or leave it. We're not going to cripple departments that find themselves in that situation. There'll be human beings involved, and if you need an exception to the 20 percent, then you should be heard.

So let me finish my report. There's one other concern that I've raised about what happens to the windfall when it starts in 2016, when all this money starts pouring in from these savings programs. Maybe Vice President Palmer can answer that question, and then we can start having general questions.

PALMER: Professor Heinz is exactly right. Let's back up and think about mechanically what happens now. The funds that are used to pay for

18-20 are assessed through the pool tax or assessment tax flooding against every budget across the university. So right now your departments are reallocating fringe benefit costs. They are reallocated to pay for the employers share of health benefits, of life benefits, and retirement benefits. So those are expenses that are hitting your budgets right now. What this plan envisions is that in the year 2016 what will happen is that tax, assuming there are no other changes, and that's not likely to be the case in 2016, but assuming all conditions are the same, then that payroll tax would simply drop by that amount. And those funds would bring in (inaudible) each of your individual departments. It isn't as if we're collecting that (inaudible).

[Tape break; some words were lost.]

PALMER: So in response to the question, I think based upon conditions today, that money would remain in each individual department. And the observation was made that we aren't getting outside sources for this support. That's right up to the point that we have a blended resource base, and it has many different components. But no one is directly funding this particular program. We are doing that through our regular budget process which uses all revenues that accrue to the university, depending on the particular budget that is being assessed.

SPECHLER: I have one or two serious criticisms, and then I'll get to a question about some alternatives that were passed over and possible merits of those alternatives. After talking to more than three dozen faculty members and colleagues on the Indianapolis campus, I am afraid I find this plan defective in one important matter — the Retention Incentive Plan. The Retention Incentive Plan neglects, oddly, incentives. It neglects the incentives of the administrator to offer this 20 percent, and more importantly, neglects the incentive to faculty members eligible for 18-20 to accept. You admit, quite honestly, to just making an assumption that

40 percent would be offered and of those 80 percent would take it. Of the 40 faculty members who I surveyed, only two would take it. And those two would stay on regardless of whether they were offered the 20 percent or not. The highly productive faculty members that you are hoping to keep on are not the ones that the administrators will have a financial incentive to offer it to. But even if they did, these are people who have alternatives in their lives at that time: other universities, consulting, books to write, and so on. I think it is quite dangerous to base one-third of this program on assumptions which I believe are fantastic. And I don't think it would be wrong to delay this part of the program until we have a sample survey, because we're relying one-third of the resources on this Retention Incentive Plan. If we approve the entire plan, very likely, in my opinion, within four or five years we will have quite a deficit. Just as the Hackett Plan of about ten years ago failed. That's why we're here today. This plan will also fail, because it's based on fantastic assumptions which will not bear empirical investigation. Now, if four or five years from now, everyone sees, and especially Dan Rives sees, that we're not making it, we will have to rely, I'm very much afraid, on emergency solutions such as hiring freezes or salary freezes or other sorts of things which in the short-run will be quite injurious to the university. Now, you've very honestly and openly discussed the plan, and you also did at IUPUI, which we appreciate.

One idea that I believe has not been adequately tested is a loan from the state's rainy day fund. I don't know whether the state legislature would approve help for a fund for a plan which was unfunded in the beginning, 30 years ago. I don't know. I have a feeling that there would be opposition. But what I do know is that it has never been tried. We have never asked the legislature for help in this area, of funding 18-20, with the justification that all these years we underpaid our professors but tried to keep them. This was the original intent of plan. The original intent of 18-20 was to create an incentive to keep our most productive people in

their (inaudible) and also to attract people from the outside when we couldn't pay competitive salaries, during the hot years of the 1960s and early 70s. Now we should honestly and openly go to the legislature and say, we goofed, we didn't fund this thing just as you didn't fund the public school teachers. [Laughter]. But I'm talking of a loan. We have money surplus for a loan, and I'm sure that our financial officers are bright enough to arrange a deal on this. Now, I'm not sure that this will succeed. I think the chances are less than 50/50. But I know it hasn't been tried. And there are other possible things. The point is, the plan is deficient. Four or five years from now, you'll see that it is deficient. And then we will have to find short-term alternatives, and they will not be pleasant for any of us.

HEINZ: I will share the answer with others. I don't want to respond to this rainy-day fund, because I'm ignorant about the fund. I was not on that subcommittee, and I don't have the expertise to answer on that. But one point you made which I think is misleading is although there are three ways for generating money, so that this retention incentive is one of three, they generate vastly different sums of money. The one where we lower the retirement payment to new hires to 10 percent generates \$890 million dollars. The one that you're referring to generates \$220 million dollars. And the 20 percent base budget reallocation generates \$270 million dollars. So of the three, yours is the smallest that we're referring to. It's not one-third. It's more like one-sixth or one-eighth of the total.

SPECHLER: But, Dick, that's in the out years. If you look at years that I'm talking about, ones that you and I will see, it's more than one-third. Take the year 2002. The retention plan generates \$4.2 million. The budget allocation less than \$2 million. And the 10 percent plan \$2.7 million. So you're referring to the large figures in 2028. Well, I'll meet you in 2028.

HEINZ: To the extent that we borrow from our reserves, we can shift some of that money in effect forward.

SPECHLER: Now you're talking.

HEINZ: The 20 percent, is that enough? Well, to tell you the truth, that wasn't just some arbitrary figure. It's based on an approximate value of your social security. So we put ourselves in the situation of a faculty member who would take 18-20 plus social security or 18-20 plus the 20 percent. Now, it turns out that your health care is a big factor.

Especially if you have a spouse, and especially if you or your spouse is quite ill, say. So the health care benefit is not made up explicitly in the report, but it is really there. There's another incentive to stay on that we didn't mention. There are a lot of researchers who find themselves in a bind. They have this huge grant, they're 64, they get summer salary off the grant. They can't take 18-20 very easily and keep their summer salary, because their summer salary says it's from Indiana University. So what these faculty members tend to do is to try to move their grant to another university. And we lose all that overhead. For those faculty members, they can see, now hey — here's another option for me. I keep my salary; I keep my summer salary; I stay on the health care, which I think is quite generous here; plus I get the 20 percent supplemental bonus. When you add them all together, it's going to get his or her attention. It may not be enough. Also, the 20 percent doesn't have to be fixed at 20 percent. It can vary within a department, or we can change the 20 percent and make it 25 percent. And also the plan doesn't mean that this is exactly how it is going to be for the next 30 years. The whole idea is to start on this plan, keep a close look at it: How did it do the first year? Did anybody take it? Are we failing? Now, you're predicting we'll fail in four years. It could be that we would fail in four years with this plan. But we're not going to wait four years. If the plan goes ahead, we're going to wait no years. People are going to be on top of this monitoring it. Also, I should

tell you that we don't approve or reject the plan. I think, basically, this is going to be going to the Board of Trustees as a report. Now what this Faculty Council can do is express concerns, something that they would like to see changed. And those concerns will be relayed on to the Board of Trustees. So we don't accept or reject the report, but we recommend changes.

Before we take a new question, there's one of your questions I didn't answer. The one about this rainy-day fund.

BRAND: Let me try and answer that. Martin, we really did go through those kinds of issues before we even formed the committee. The state right now has pension funds that it's not paying. To ask the state to pay \$250 million dollars of our liability is a pipe dream. It just won't happen. And to the extent that they would provide any money whatsoever, it will come out of other monies we have. They would never do it incrementally. And so, we will be using up all our incremental funding, of course, including cost of living to pay for that. So that's not a good strategy. Is there any cost in asking? Yes, there's a very serious cost in asking because what we say to the state is that we can't manage our affairs. And there's a very serious cost in even asking. So that option was very seriously considered. And it was decided after careful attention that it just won't do. But it was considered, along with lots of other options that you didn't name that were more creative even than that. We were thinking of alternatives that wouldn't normally be thought up in a university setting, but may, for example, be thought up in a business setting, such as outside financing, selling annuities to an outside company to come in and pay for us. We went through all of that. This self-financing the problem turned out to be the least expensive of the options rather than pay interest on it during a period of time to an outside private company. So, the fact of the matter is, we did go through all of those options, and we have a serious problem that we have to address. We should be very pleased with the committee's

results. I think it was an innovative solution. They didn't look for a magic bullet to solve it all, but put together a series of steps. The committee does realize, quite properly so, that we have to monitor this very closely. It would be surprising if there were no adjustments that had to be made. It's not that kind of plan. Human behavior is very difficult to predict, as is the stock market. Now, that's not irrelevant, because whether people take this 20 percent or not is going to depend upon what the rest of their portfolios look like, and for many of us who are invested through TIAA-CREF into the stock market, that's going to be a factor. So there are lots of factors that we can't predict. And we will have to monitor this very closely. This is the best thinking that there is, in realistic terms, of what is possible. Attaching the state's rainy-day fund I honestly do not believe is a realistic option for us.

HEINZ: The stock market also comes into play in calculating your 18-20 benefit. Before the so-called crash in these last four months, most everybody maxed out. But the amount you get comes from a complicated formula that in part depends on how the CREF funds are doing. Now that the CREF funds have gone way down, suddenly you may not max out at the average of your last five years salary. And now this 20 percent is looking better and better.

BLOHM: If things don't work on the early retirement or on the incentive retention part, it goes down to the internal financing. We're going to have to borrow more from that.

HEINZ: I agree with Martin. The most uncertain part is the retention incentive. That's the most uncertain part. But the 10 percent that we'll pay new hires, I don't think there is a lot of uncertainty there. And that's just the way it will be.

BLOHM: But it just depends on how much we're going to borrow from

ourselves.

BRAND: We've got some flexibility. We can't overdo it.

BLOHM: I'm just wondering why that at least another alternative wasn't planned to cover for something so we could fall back on another choice.

HEINZ: We can keep these same proposals and modify them, at least while there are (inaudible) opposition for modifying the 10 percent for new hires. But this 20 percent supplementary salary, that can be changed. We didn't say that in the report. I do think we said it was an average amount, but maybe that will have to go up to 25 percent. We have to see how it works.

BLOHM: How much does a department (inaudible).

HEINZ: The department doesn't pay any thing. They have to pay the \$5000 into some fund to jumpstart that person. But the rest of the money comes from the 18-20 fund.

BLOHM: You're not going any more than 20 percent on the budget reallocation? You wouldn't go more than that?

HEINZ: I'm sorry, we were talking about two different things.

BLOHM: Yes, that was what I was referring to.

HEINZ: That is supposed to be 20 percent. That's what the report says. But I don't make those decisions.

PALMER: We figured it on an average of 20 percent on the budget reallocation in terms of filling a position, say, at an average of 80 percent.

There were some discussions at times about whether that should be greater. Some universities, because they have a financial issue, not an 18-20 issue but other financial issues, may freeze a position for a period of two or three years before they allow it to be filled. I think the thinking on the committee and the subcommittee was it would be better to start with a lower amount than 20 percent rather than step into freezing a position or raising that percentage. Again, that is something that will have to be monitored. You bring up another point in your question and that was one that we heard initially about 18-20, and we hear it almost every year when the tax (inaudible) benefit cost and that is trying to assess those charges more where some of the expense is occurring, the larger campuses, the more mature campuses with older faculty. There are all sorts of issues that are raised in the budgeting process. By approaching it the way this particular recommendation does, we're going to try to, if you will, smooth out some of those edges by where the trail (inaudible), that's where we'll get the difference between the 14.4 percent on benefits now versus 10 percent for new hires. And for the person who retires from 18-20, the 20 percent budget reallocation will be assessed in some way against that particular unit. So there was a point here that the committee tried to look at getting those assessments back maybe in a bit more of an equitable amount.

WALKER: Taking, for example, in the College of Arts and Sciences where there may be allocations and reallocations of resources among the (inaudible). What does the committee imagine would be the arbiter in terms of ultimately deciding which faculty would or would not be eligible for the special deal of staying on longer. Would it be the (inaudible) of the responsibility center, the dean if its an academic unit? (Inaudible). Because I can imagine it being a very political (inaudible) series of decisions.

HEINZ: First, I should point out that when we say department, we really mean that the entity that handles the money. In some cases, that's the

College. Now, the question you raise is referring particularly to the College where the university gives money to the College and then stuff goes on within the College. I don't think our intent was to meddle at all within the College. So the university would just interact with the dean, and the dean would work out the details.

NG: There is a tax on every RC now to fund 18-20. So the question is, with the implementation of this plan will that percentage going to fund 18-20 not continue to go up as it has been?

HEINZ: In the early transparency that was still going up to 5 percent. Remember, at the end I said it isn't quite 5 percent, it's a little bit more in the earlier years. It's all in the spreadsheet. By the way, we included the spreadsheet in the report for completeness, so people can check up on the numbers through the years. Did I answer your question?

NG: I'm not sure. The tax is still there. Will the taxes and percentage of each RC budget keep going up?

PALMER: If you look at exhibit E in the report, you see an operating fund increase. The simple answer is yes it will go up again in the coming years. Our really heavy growth period for 18-20 occurs in the next five to six years. That's where we were looking at some double-digit growth. What this recommendation will do will modify that some, but it will still be an increasing amount. And what we heard particularly from fiscal officers and units was that they didn't have any plan that gave them something to anticipate rather than getting these amounts 30 days or 60 days before budget formulation, that would be helpful. This plan does it.

NG: That answers my question. Can I ask one more question. This actually was asked of me by somebody who (inaudible). This person has a five-year appointment which is renewable. And so now she is getting paid

whatever the percentage is now. It's better than 10 percent. At the time of renewal of her contract, will she have to go down to 10 percent, or will she remain at 12 percent?

RIVES: That's a good question. Some faculty, lecture types, have 11 1/4 percent. And we'll write the resolution so the individual would retain that contribution rate, and they would not be penalized. It would only apply to new hires and newly appointed individuals, but not in a situation like this.

EISENBERG: I want to get back to the incentive and hear from you, Dick, about how the figure 40 percent was arrived at. Almost all faculty on all of our campuses are productive. What sort of productivity level does the committee have in mind and why? Why wouldn't it be better to have 60 percent, 80 percent, whatever, especially if someone like Martin turns out to be right, and a lot of people won't be interested anyway?

HEINZ: This is meant to be a conservative guess. In my observations, many more than 40 percent should be offered this. But that only makes the problem easier. We picked what we thought was a conservative number. Martin had more of an objection to the percentage who once

offered it will take it. I think the 40 percent is a low number, and I think Martin is probably right. The 80 percent is probably a high number.

BRAND: The more people that take it, the easier the problem becomes. So 40 percent is a guess, but it is a conservative low guess. And that's an important part. I think that's the answer to your question.

SPECHLER: That ignores the incentives of the financial officer, the head of the responsibility center, to offer it, and it's going to cost that officer money, sometimes a lot of money to offer it. And while he may personally be willing, he may not have the budget to do so.

BRAND: There's one other answer I have to give to Paul before I turn to Martin's question. This cannot be an entitlement. We can't offer it to everyone. Mike Downs pointed this out a little earlier, if it's an entitlement, we put at risk the IRS ruling on 18-20. That means we put everyone at risk. So it has to be on a case by case basis whether it's 40 percent or 60 percent.

EISENBERG: The answer is that it is an extremely conservative figure.

HEINZ: We've given the dean or whoever an incentive to offer it to a large amount of people, because if he doesn't get these people to take it, he's going to lose 20 percent of that person's salary for up to five years. So we put an incentive for the dean to raise that number.

BRAND: It works that way rather than the other. Judy, would you help and answer Martin's question, please?

PALMER: Yes. In terms of retention incentive, that 20 percent, supplemental pay, does not come from the department. That is provided by an 18-20 fund. So that's not an additional burden. Actually, it comes from the 18-20 fund. And it is a reduction in the burden for the tax of the 18-20 fund if the person doesn't retire. So that's why the committee felt it was fair to take that 20 percent from the fund rather than charge that to the department. So there isn't an incentive for, if you will, the fiscal officer to suggest offering the 18-20 retention part of this recommendation, because they will not see the burden of that 20 percent directly on that department.

BRAND: We are running out of time. Four more questions.

PATTERSON: I just have some concerns in these days where there is a lot

of concern about tenure and how the productivity is communicated. I wonder if your report couldn't just say something, since it's going to the Trustees, about 60 percent being ready and 40 percent not being ready. The implication is like with running a race; once I run the mile, I want to stop at that time. And maybe I want to stop at 65 but still be relatively productive. I could just maybe see a Trustee saying, well you mean 60 percent of your faculty are dead at that point in time?

ROTHE: First, a question and then a suggestion. How many people are eligible at Indiana University for this plan?

RIVES: There are currently 2,200 individuals who are potential recipients of the 18-20 plan.

ROTHE: And that includes the professionals that are in this category?

RIVES: Yes. That is correct.

ROTHE: A suggestion: Why not poll the faculty who are in their 55 to 60 bracket, and the 50-55, and see what their feelings are. You're making assumptions. Why not ask? In the School of Medicine the question was asked of the steering committee, and it was very much like Martin's except it was even lower. No one was interested, for many reasons. And we have about 388 of those 2000. So it's a nontrivial amount. So we need a poll.

BESCH: One point that I probably misunderstood was related to the borrowing aspect, internal borrowing, to cover some shortfalls. And as I understand it, you said that when IU borrows from IU, it will subsequently pay back IU at 7 ½ percent. Is that right? Or something like that?

HEINZ: There has to be some negotiating way in which the interest shows

up. Because the President depends on the interest to run his office, is what I understand. [Laughter]. You can't just take his principal and not pay him any interest, or he has to do something.

BESCH: When IU borrows from a department, 20 percent of its salary line, not only does it pay back at 7 ½ , it doesn't pay it back at all. At least in five years. Is that right? Did I understand that correctly? [Laughter].

COBB: I just wanted to make a comment from IUPUI. I represent IUPUI, and I'm from the School of Nursing, and our salaries tend to be somewhat lower than the rest of the university schools. And there is a lot of concern on our campus that lowering retirement benefits for new hires from whatever it was to 10 percent is going to affect our recruitment.

BRAND: We have low salaries any way you want to cut it. But our compensation package is not that low. What we need to do over the longer term is shift more towards salary and away from an excessive compensation package, which should help us rather than hinder us in the recruitment. Particularly younger people tend to discount retirement benefits and prefer salary, but we have shifted out of the norm into a more compensation oriented package. This goes hand in hand with the effort to drive up the salaries of faculty and staff too, to at least the 60th percentile of peer groups. And so we need to combine this and think of this also as a way to raise salaries over the long run.

PORTER: President Brand, could you conclude by walking us through what is happening after this discussion?

BRAND: There were a number of good, important comments, good questions raised that we'll have to consider. If this is put in place shortly, that means going to the Trustees with a recommendation and their

approval, then the departments and schools and campuses will be able to set the terms, conditions of employment, for incoming people they will soon begin to recruit. The longer we wait in setting this in motion, the more people we have to take out of that process. Because once we make an offer to someone, we will have to use the old method rather than the 10 percent retirement benefits. Debbie Freund indicates there is a half a dozen or less people now who have outstanding offers, and we will, of course, honor those offers in terms of the old system. But we need to act quickly if we're going to put it into place by this July 1, so that departments and schools have knowledge of what the conditions of employment are. If we wait a year, it will cost us over the next couple years over \$20 million of university funds, which means \$20 million that we can't do something else with. So it's real money. I think what we have to decide after this meeting, and I'll confer with the committee, if we're prepared to bring this issue to the Trustees at the October meeting. I think we are. I heard some concerns and some issues that need to be brought up in that general discussion. But I didn't hear, frankly, any showstoppers. So I think we're going to raise this issue with the Trustees in the October meeting in order to provide the information that departments and campuses and schools need for recruitment. We can wait another 30 days and get some more comments, but the committee has been going around quite a bit at this point, and I think we got a flavor of the comments. But I don't want to make that decision finally until I get a recommendation from the committee that they're comfortable with going forward like this with any modifications.

SPECHLER: Well, you could divide the issue and say, go ahead with reduction or 10 percent. There's been no objection to that really, very little, plus the 20 percent tax. That's real money. You get that. And then go back and do a little survey in order to see whether the Retention Incentive Plan will actually produce any money.

BRAND: I will ask that question of the committee and see what recommendations they give.

ANONYMOUS: How about some consideration of repaying the five years of money that a department loans to the funds?

HEINZ: What I will say in answer to your question is I don't see any harm in going ahead with the 20 percent. So it doesn't work. We find out 20 percent is too low. I don't think we have done a lot of damage. And we learned from the process. It gives us some experience.

SPECHLER: Well, be ready to come back in a couple years and give us supplementals. I think that's the danger. The danger is it's going to fall short, and again we're going to have to come back and fund this thing, just as we did with the last plan.

HEINZ: Well, what you propose is doing nothing, in that one category.

BRAND: Martin, we heard the advice. I'm going to go to the committee and ask for their recommendation. And unless there are some major changes in the program, it is my intention to bring it to the Trustees in October.

FINDLING: When do the Trustees meet in October? There has been no discussion of this on my campus in New Albany.

BRAND: They meet October 30 on the Northwest campus. Any last comment on this? After this meeting, the Technology Committee will meet next door in the Board Room, and other committees will meet in this room. Blue signs indicate where. We stand adjourned. Thank you very much.

